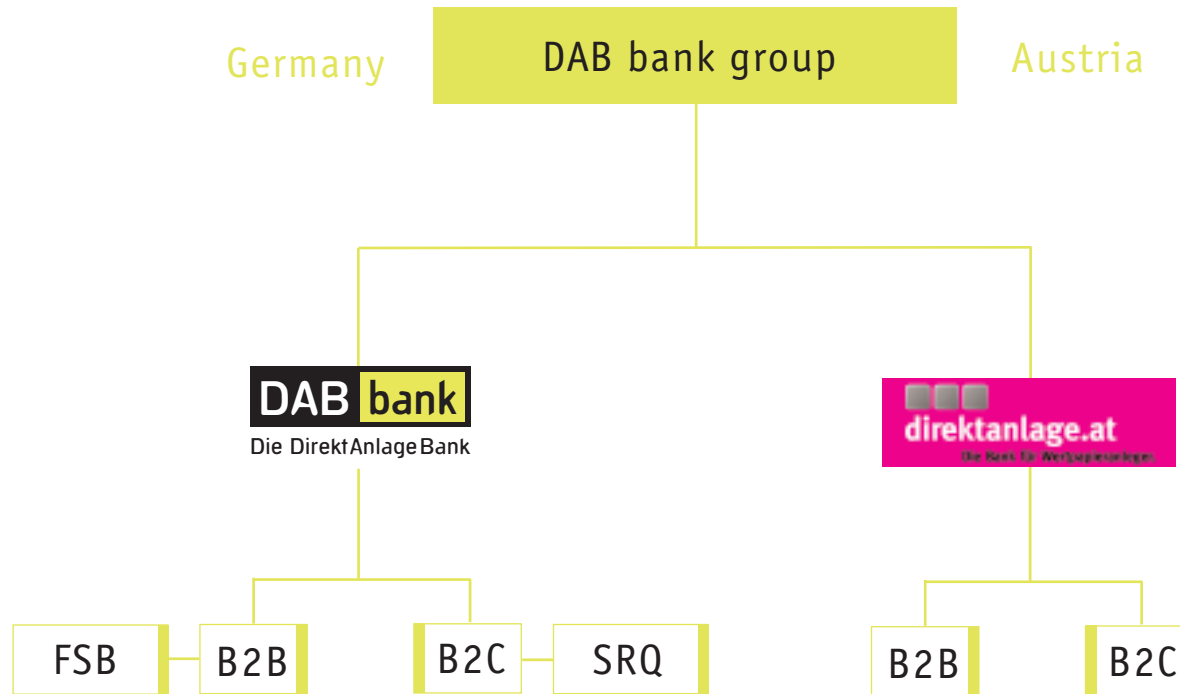


PERSPECTIVES



Annual Report 2008

DAB bank
Die DirektAnlageBank



Highlights of 2008

▶▶ DAB bank bucks the trend amidst a tough market environment

DAB bank generated a positive pretax profit of €11.5 million in 2008.

▶▶ Outstanding capital base

As before, DAB bank is well capitalized and possesses ample liquidity; moreover, the bank plans to distribute the entire unappropriated net profit for 2008 to its shareholders.

▶▶ Dividend proposal

Again in 2009, the Management Board and Supervisory Board will propose paying a dividend to the shareholders, this time in the amount of 11 cents per share, at the annual shareholders' meeting to be held later in the year.

▶▶ DAB bank on the winner's podium

The awards received for "Certificate Broker of the Year 2008," "Best Bank for Index Funds" and "Best E-mail Service" attest to the outstanding quality of DAB bank's offering of products and services.

▶▶ Top product innovation with DAB Profi Trader

The new trading application DAB Profi Trader is just the thing for professional traders. It is remarkable for its modular design and its customizable configuration settings.

▶▶ Expertise for pros: The DAB Academy

Continuing education is the key to high-quality financial advice. We support our business partners by offering seminars tailored specifically to asset managers and independent financial advisers, in our newly formed DAB Academy.

Key Figures of DAB bank Group (IFRS)

		2008	2007	Change in %	Page
Results					
Net commission income	k€	108,419	142,980	-24.2	43, 76, 89, 90
Net financial income	k€	28,363	36,888	-23.1	43, 76, 89, 90, 91
Administrative expenses	k€	129,206	141,019	-8.4	44, 76, 91
Pretax profit	k€	11,487	45,515	-74.8	44, 76
Net profit after taxes	k€	8,359	25,711	-67.5	44, 76
Added value	k€	52,532	86,865	-39.5	95
Cost-income ratio	in %	91.8	75.6	20.9	44, 110
Return on equity before taxes	in %	6.6	25.3	-73.9	-
Balance Sheet					
Total assets	€ mn	3,866.7	4,294.6	-10.0	45, 77
Shareholders' equity	€ mn	165.2	181.9	-9.2	45, 77, 104
Overall ratio per Solv	in %	10.8	9.3	16.1	46, 112, 113
Share					
Earnings per share	€	0.11	0.34	-67.6	43, 76, 95
Dividend per share	€	0.11	0.34	-67.6	43, 95
End of year share price (Xetra)	€	2.57	6.03	-57.4	18
Book value per share	€	1.90	2.12	-10.4	18
Dividend yield	in %	4.3	5.7	-24.6	18
Total shareholder return	in %	-56.5	-8.3	-680.7	18
Market capitalization	€ mn	193.2	453.4	-57.4	18
Key operating figures					
Securities accounts	number	1,091,013	1,106,322	-1.4	39, 40, 42
Volume of securities accounts and deposits	€ bn	23.16	32.82	-29.4	41, 42
Trades	number	9,235,034	11,507,017	-19.7	39, 40, 42
Trades per securities account per year	number	8.43	10.84	-22.2	40
Employees					
Employees (headcount)	number	712	704	1.1	46, 47
Employees (full-time basis)	number	646	643	0.5	46, 47

The direct
bank for
investment
services

Perspectives

Development
Future
Point of view
PERCEPTION
Prospects
Vantage point
Dimension

“Perspectives on DAB bank” is the central theme of this year’s Annual Report. In this context, perspective has a broader meaning than it has as a technical term in art and architecture, where it denotes the manner of presenting objects in order to create an impression of space. Perspective also connotes the point of view or singular perception of an observer who describes what he sees with his own eyes. In the German language, moreover, the word for perspective also connotes future prospects or development opportunities.

The observer’s singular point of view

The imagery of this annual report consists of perspective-accentuated photographs of the “Laimer Würfel” building in Munich, where DAB bank has its headquarters. Unlike a typical branch bank, where the customer physically enters a building, the customer of an online bank enters the bank by way of a virtual platform, via Internet or telephone. The photographs of our headquarters symbolize the different ways of getting in touch with DAB bank.

The way something is seen is determined by the observer’s point of view. It does not take long for the customers, partners and shareholders of DAB bank to realize they are not merely dealing with a virtual platform or physical building, but with the people who represent DAB bank, the dedicated employees whose successful work has led more than one million customers to place their trust in us. In this report, we wish to express not only the points of view, but also the singular perceptions of our partners. In a series of brief interviews, therefore, our individual investors and business customers, employees and service providers describe in their own words how they see DAB bank.

DAB bank: Honesty and transparency create excellent prospects

In the German language, another important meaning of the word for perspective is future prospects or development opportunities. DAB bank has built its reputation on its product offering, customer service and profound understanding of its customers’ needs. Our business model is sound and profitable and offers future growth potential, as proven by the fact that we were able to earn a profit in a difficult year like 2008, despite the tough headwinds of adversity. Moreover, DAB bank is still well capitalized and possesses ample liquidity.

To live up to the principles of honesty and transparency in our relations with the outside world, we at DAB bank place the highest priority on open and active communication with the financial markets. Our customers and shareholders can place their trust in us!

Confident

convincing and

well-positioned for the **future**

We are confident:

DAB bank was founded in 1994 as Germany's first discount broker. After many years of continually developing and marketing innovative investment solutions, always tailored to the needs and wishes of our customers, DAB bank today is "the direct bank for investment services" ("Die Direkt Anlage Bank") offering the highest level of service and product quality. For this reason, and also thanks to the hard work and dedication of our intensely motivated employees, more than 1 million customers have placed their trust in DAB bank. No other direct bank has more securities accounts or a greater volume of customer assets in its accounts. DAB bank is the No. 1 direct bank for securities and investment services, both in Germany and in Austria.

We are convincing:

The highly different customer groups we serve have very special needs. DAB bank meets the needs of individual investors and financial intermediaries alike. Our strategy is based on the triple advantage of having the best offering of investment products, the best independent customer service and the best understanding of customers. Both professionals and novices stand to benefit from our attractive offering of innovative, highest-quality products at the best prices. Moreover, our individual investors can turn to us for professional investment and asset management advice.

We are well-positioned:

To secure the tremendous growth potential of our business, we will continue to serve financial intermediaries and individual investors alike. Backed by our firm commitment to our core business of securities trading services, our clear positioning as a provider of top-quality products and services at reasonable prices, and our ongoing efforts to maintain efficient, customer-friendly organizational structures, we will continue to generate profitable growth as the market leader.

We have solutions for the future – "The Direct Investment Services Bank"

Dear shareholders, customers and business partners:

The business model of DAB bank is robust and full of future potential, as we amply demonstrated in 2008, a year that will go down in history as one of unprecedented turmoil in the financial markets. Despite the extremely adverse market environment, DAB bank generated a positive pretax profit of €11.5 million for 2008. Therefore, we will pay a dividend for 2008, as we have in previous years.

In particular, the fourth-quarter pretax profit of €10 million revealed that DAB bank has weathered the financial markets crisis very well. While many banks had to charge additional, sizable writedowns on their investment portfolios in the final quarter of 2008, DAB bank did not need to recognize any further writedowns for this period. Furthermore, the bank's operating performance in the fourth quarter showed gains over the two previous quarters.

The market conditions were extremely difficult in 2008. Consequently, investors in general, including our customers in particular, were very restrained in their trading activity for much of the year, and so executed fewer trades than in 2007, which was a record year for trades executed. At DAB bank, we executed 9,235,043 trades for account of our customers in 2008, representing a 19.7% decline from the previous year. In terms of trades executed, however, 2008 was still the second-strongest year in the history of DAB bank.

After the U.S. investment bank Lehman Brothers filed for protection from creditors on September 15, the prices of even conservative investments came under tremendous pressure all around the world. As a result of this development, DAB bank recognized negative valuation effects of about €28 million in its investment portfolio at the end of the third quarter. In terms of our operating performance, however, excluding these non-recurring effects, we would have generated a pretax profit of €39.6 million for 2008, not far below the record profit posted in 2007.

In the third quarter, we upheld transparency by measuring the value of our investment portfolio strictly on the basis of current market prices and by recognizing the corresponding results in our income statement. We did not avail ourselves of the option newly created by German lawmakers to measure the value of our securities at notional prices determined by application of the discounted cash flow method.

Our business performance in 2008 proves that DAB bank is capable of offsetting declining income by means of proactive cost management. For example, we reduced our administrative expenses 8.4% from the previous year, to €129.2 million in 2008.

*Alexander von Uslar**Markus Gunter**Dr. Markus Walch*

Our performance last year also showed that DAB bank can earn a profit even though our customers scaled back their trading activities and the bank's net financial income was weighed down by the unprecedented turmoil in the international capital markets. Clearly, DAB bank is able to respond quickly to changing market conditions. And even in the face of uncertain forecasts for the global economy and the world's stock markets, DAB bank still holds the promise of excellent prospects in the future.

Excellent prospects for DAB bank and its customers

In German, the word for perspective connotes positive future prospects. But as in English, it also refers to the vantage point from which shareholders, customers, business partners and employees perceive DAB bank. The totality of all these different perspectives produces a complete, conclusive perception. Even our customers, taken alone, represent a wide range of different perspectives: individual investors, asset managers and other financial intermediaries, and even institutional investors place their trust in DAB bank. While some of our customers are comfortable looking after their own finances, and rely on us for the quick, affordable services of a direct bank, others wish to obtain reliable, long-term financial advice. At DAB bank, all these different groups of customers can find the right kinds of products and services pertaining to trading, investment and retirement planning that are tailored to their specific needs.

Again in 2008, we proved ourselves to be trusted partners to our customers. For instance, we responded immediately to the worsening of the financial crisis in the autumn of last year. On our website, we were proactive in providing information on investment security and the impacts of the financial markets crisis on deposit accounts and securities. Furthermore, we quickly adapted our product offering, offering products to help our customers emerge unscathed from the crisis, such as our short-term term deposits, which we call "short-term parking zones." By means of these steps, we helped our customers navigate their way safely through the tumultuous markets.

Focus on securities

Although DAB bank offers comprehensive banking services, we are still focused on the business of securities-related products and services. In order to attract more customers who are comfortable with investing in securities to our individual investors unit (B2C), we broke new ground in our advertising activities, starting in September 2008. As in the past, the campaign was centered on an attractive term deposit offering. For the first time, we also offered bonus interest to customers who transfer their securities to an account with DAB bank or who execute many securities trades. This approach has been vindicated by its success. In fact, the advertising campaign was one of the most successful we have conducted in recent years. As a result, we registered strong increases in the number of securities accounts carried for individual investors in the fourth quarter.

The new DAB Profi-Trader application made us even more appealing to active traders. This new trading application, which has been available to especially active traders since the summer, was placed at the disposal of all our customers at the end of 2008. Thanks to its modular design, the Profi-Trader application can be configured to suit the customers' individual preferences. Besides that, it is extremely fast and reliable. Judging from the positive feedback we have received from users, we can say that our new trading application is just the right thing for professional traders. Through constant dialog with users, we will continue to refine this application by developing and quickly implementing new features in the future.

DAB bank is the right bank not only for traders, but for savers as well. In 2008, for example, DAB bank overhauled and expanded its offering of savings plans. There is hardly a bank that offers as many ETF-linked and certificate-linked savings plans as DAB bank. And when it comes to savings plans linked to mutual funds and stocks, we are the leader in Germany with respect to the breadth and quality of our product offering.

Know-how for professionals

Precisely in these times of crisis in the financial markets, DAB bank is a reliable partner for the independent financial intermediaries we serve in our B2B unit. We assist financial professionals in all relevant matters so they can focus on their true business of advising clients, who need their expertise more than ever in times like these. Besides making our technical platform available to them, we also provide numerous services in the interest of pursuing our shared vision of truly independent investment advice.

Among other things, we helped our business partners win new clients by way of the portfolio analysis service known as Depotcheck, which we offered in collaboration with many well-known media outlets. Also, we overhauled our portfolio analysis website profi-depotcheck.de in 2008. The updated design appeals to young, modern investors in particular. The number of clients referred to our B2B partners from this website has been growing continuously. We also hosted various events, including a series of investment portfolio contests in five German cities and joint appearances with asset managers at trade fairs such as the IAM in Düsseldorf, with the aim of raising public awareness for independent asset management advice throughout Germany. The highlight of these events was the 11th Annual Investment Congress held in Munich on October 1. The fact that we received more than 1,300 registrations proves that this event has become one of the leading forums for independent asset managers.

Ongoing and effective continuing education is the key to high-quality financial advice. The recently established DAB Academy offers seminars tailored to the needs of asset managers and independent financial advisors. We intend to expand the activities of this institution in 2009.

Direktanlage.at and SRQ Finanzpartner AG: Bucking the crisis in the financial markets

Our two subsidiaries also turned in a very positive performance in 2008. Bucking the financial markets crisis, our Austrian subsidiary direktnlage.at posted a pretax profit of €11.02 million, the second-best result of its history. Its successful performance was bolstered by new customer acquisition campaigns, a completely redesigned website and numerous customer events, road shows and seminars. Moreover, SRQ FinanzPartner AG, in which DAB bank holds a majority stake, also reported excellent results, despite the difficult state of the markets. Among other accomplishments, the asset management firm increased its client base by 18% to 10,333. Even more impressive was the fact that SRQ's customer assets under custody actually increased somewhat, despite the massive declines in the leading stock market indexes. This performance attests to the growth power and quality of the advice provided by SRQ's financial planners.

Outstanding offering

Our customers are more than satisfied with their DAB bank. We know this from the surveys we conducted in 2008 of both our individual investors and our B2B partners. And DAB bank was again singled out for its offering of products and services in 2008. In the broker contest sponsored by www.brokerwahl.de, DAB bank was elected as the "Certificate Broker of the Year 2008." Based on the results of a study conducted by the German Institute for Service Quality for the investor magazine Euro am Sonntag, DAB bank was named the "Best Bank for Index Funds." Furthermore, our e-mail service is second to none in Germany: DAB bank was the clear winner of a comparative study of the speed and quality with which 37 banks answered the e-mail inquiries of their customers.

As we did last year, we will continue in 2009 to work on expanding our offering of products and services as the basis for lasting business success. Unfortunately, the stock markets did not reward us for this unflagging determination in 2008. Although the DAB bank share price did not fall as much as those of many other banks, still our shareholders saw the value of their shares decline, especially in the second half of the year. Nonetheless, we laid the foundation for a share price recovery and upheld transparency by measuring the value of our investment portfolio strictly on the basis of market prices at September 30, 2008. Thus, we at DAB bank are optimistic as we look ahead to the new year, despite the difficult market environment.



Alexander von Uslar
Executive Board member



Markus Gunter
Executive Board member



Dr. Markus Walch
Executive Board member

Dear shareholders:

In the last few months, the financial markets crisis reached a preliminary climax. By virtue of its focus on individual investors, whom it serves directly in its B2C unit and indirectly, via financial intermediaries, in its B2B unit, DAB bank possesses a solid business model. The pretax profit of €11.5 million proves that the business model of DAB bank is successfully even under difficult market conditions.

In fiscal year 2008, the Supervisory Board performed the duties incumbent on it by virtue of the applicable laws and regulations, the company's Articles of Incorporation and its internal rules of procedure. We advised the Management Board on the management of the company on a regular basis and supervised its activities. The Supervisory Board was consulted directly, at an early stage, on all decisions of fundamental importance for the company. The Management Board provided us with timely, detailed information on a regular basis, both orally and in writing, on matters of business planning, business developments, strategic development and the current situation of the Group. Variances between the actual business performance and the budget figures were explained to us individually. The Management Board coordinated the basic strategy of the company with us. Transactions of importance for the company were discussed with us in detail on the basis of reports presented by the Management Board. The Supervisory Board approved the draft resolutions of the Management Board after thorough review and deliberation. In total, the Supervisory Board held five regular meetings and one special meeting. To the extent necessary, the Supervisory Board adopted resolutions by way of written proceedings.

In the time between Supervisory Board meetings, the Supervisory Board Chairman was in regular contact with the Management Board and was informed of current developments and significant transactions. In special strategy meetings, the Chairman of the Supervisory Board discussed the prospects and future orientation of individual transactions with the Management Board.

The regular deliberations of the full Supervisory Board were devoted to the operating results and financial position of DAB bank AG, as well as significant projects in the areas of Marketing, IT, Operations and Personnel. At regular intervals the Management Board provided us with detailed information on matters of business planning, strategic development, business developments and the current situation of DAB bank, as well as the developments in the areas of Compliance, Internal Audit, Legal Affairs and Risk Controlling. The Supervisory Board also made personnel decisions regarding the composition of the Management Board. In connection with the annual review of the German Corporate Governance Code, the Supervisory Board resolved to establish an Audit Committee at its meeting of October 13, 2008. The Audit Committee deals mainly with matters such as financial accounting, risk management, internal audit and compliance, as well as the required independence of the auditor of the annual financial statements, the award of the audit engagement to the independent auditor, the adoption of audit priorities and the agreement on professional fees. At the meeting of October 13, 2008, the Management Board provided the Supervisory Board with a summary of the company's situation against the backdrop of the financial and real estate crisis in the United States and the anticipated economic slowdown. At the special meeting of October 27, 2008, the Management Board informed the Supervisory Board about the operating results of DAB bank in the third quarter of 2008.

*Andreas Wölfer**Jan Wohlschiess**Werner Allwang*



Nikolaus Barthold



Gunter Ernst



Dr. Volker Jung

Corporate Governance and Declaration of Conformity

The Supervisory Board deliberated on the content of the German Corporate Governance Code. Information concerning corporate governance at DAB bank and a detailed report on the amount and structure of the compensation of the Supervisory Board and the Management Board can be found in the Compensation Report. In December 2008, the Management Board and Supervisory Board issued the Declaration of Conformity pursuant to Section 161 AktG and made the Declaration permanently accessible to its shareholders on the company's website.

Composition of the Supervisory Board and Management Board

Since May 8, 2008, the Supervisory Board has been composed of four shareholder representatives and two employee representatives, in accordance with the provisions of the One Third Employee Representation Act. Effective at the close of the annual shareholders' meeting of May 8, 2008, Mr. Matthias Sohler and Mr. Johannes Maret resigned from the Supervisory Board. The annual shareholders' meeting of May 8, 2008 re-appointed Mr. Gunter Ernst, Dr. Volker Jung and Mr. Andreas Wölfer as representatives of the shareholders and appointed Mr. Jan Wohlschiess for the first time. Mr. Nikolaus Barthold resigned his seat as shareholder representative and was appointed to the Supervisory Board along with Mr. Werner Allwang as employee representatives. In its constitutive meeting of May 8, 2008, the Supervisory Board elected Mr. Andreas Wölfer as its Chairman and Mr. Jan Wohlschiess as its Vice Chairman. The following personnel changes occurred in the Management Board. Effective July 1, 2008, the Supervisory Board appointed Mr. Markus Gunter to the Management Board. Effective July 31, 2008, Mr. Ernst Huber resigned from the Management Board of DAB bank AG to devote his full attention again to his duties as Chairman of the Management Board of direktanlage.at. Effective March 31, 2008, Wolfgang Strobel resigned his position as Senior Vice President of DAB bank. In the name of the entire Supervisory Board, I wish to thank Messrs. Huber and Strobel and the long-serving Supervisory Board members Messrs. Sohler and Maret for their outstanding contributions and untiring efforts and for the positive impetus they provided to DAB bank.

Audit of the annual financial statements

The annual financial statements and management report of DAB bank AG, as well as the consolidated financial statements and consolidated management report of the Group for the 2008 fiscal year, including the accounting records, were audited by the independent auditors Ernst & Young and provided with an unqualified audit opinion in both cases. In fulfillment of the audit duties prescribed in Section 317 (4) of the German Commercial Code (HGB), the independent auditors also inspected the existing monitoring systems for the early detection of risks. The independent auditors confirmed that the installed monitoring systems are capable of fulfilling their intended function and that the management reports for both the parent company and the Group present an accurate picture of the risks of the company's future development.

The Chairman of the Supervisory Board took part in the final meeting of the Management Board with the independent auditors. The financial statements mentioned above and the audit report were provided to the Supervisory Board in a timely manner. At the

Supervisory Board Meeting of March 9, 2009, the chief auditor reported on the results of the audit and comprehensively answered the questions of the Supervisory Board members. The Supervisory Board examined the results of the annual financial statements and management report of DAB bank AG and the Group and concurred with the findings of the audit. Based on the final results of our own review, no objections were raised. The Supervisory Board approved the financial statements prepared by the Management Board, which were thereby officially adopted.

We concur with the proposal of the Management Board to ask the annual shareholders' meeting to approve a dividend of 11 cents per share for fiscal year 2008.

Final declaration and audit of the relevant affiliated companies

In accordance with Section 312 AktG, the Management Board has prepared a report on the relations with affiliated companies ("Dependency Report") in fiscal year 2008, wherein it declares that DAB bank AG received fair and adequate compensation for each and every transaction, according to the circumstances known to the Management Board at the time of such transactions. No other steps within the meaning of Section 312 AktG were taken or omitted.

The independent auditors issued the following unqualified opinion on the results of its audit of the Dependency Report:


"Based on the results of our audit, performed in accordance with our professional duties, on the basis of our professional judgment, we certify that

1. the actual information contained in the report is correct;
2. the consideration provided by the company in respect of the transactions listed in the Dependency Report was not inappropriately high."

The Supervisory Board also reviewed the Dependency Report of the Management Board and concurred with the audit results of the independent auditors. Based on the final results of the review by the Supervisory Board, no objections were raised with respect to the final declaration of the Management Board contained in the Dependency Report.

The Supervisory Board wishes to thank the Management Board and all the employees for their tremendous dedication and hard work. We are convinced that DAB bank AG is correctly positioned in the market and can look forward to another successful year in 2009 as the direct bank for securities-related services for individual investors and business customers in Germany and Austria.

Munich, March 16, 2009
For the Supervisory Board


Andreas Wölfer
Chairman of the Supervisory Board



DAB bank

Corporate Governance

Since it was founded in 1994, DAB bank AG has actively and fully adhered to the principles of sound corporate governance. The Management Board and Supervisory Board consider corporate governance, in terms of responsible management and company supervision, to be an integral part of their work and are engaged in a continuous dialog that goes beyond the requirements of law. The goal of DAB bank is to strengthen public trust in its responsible company management, while at the same time accommodating the continuously growing need for information by the various interest groups. By this means, we will sustainably increase our company value and serve the interests of our national and international investors. Information on this subject can be found in the Report of the Supervisory Board contained in this Annual Report.

The Management Board and Supervisory Board regularly discuss changes to the German Corporate Governance Code and evaluate to what extent adjustments need to be made.

Corporate Governance Code

The German Corporate Governance Code, which took effect in 2002, sets out the most important legal requirements applicable to the management and supervision of German exchange-listed companies. In accordance with nationally and internationally recognized standards of sound and responsible corporate governance, the Code has made the German corporate governance system more transparent and easy to understand.

In accordance with the provisions of the German Corporate Governance Code, DAB bank AG renewed its Declaration of Conformity of December 30, 2003 as follows:

Declaration of Conformity

Declaration of Conformity with the German Corporate Governance Code for 2008 pursuant to Section 161 AktG:

„The Management Board and Supervisory Board of DAB bank AG hereby declare that the recommendations of the Government Commission for the German Corporate Governance Code, in the version of June 6, 2008 (referred to hereinafter as “CGK”) published by the Federal Ministry of Justice in the official announcements section of the electronic Federal Gazette, were followed in fiscal year 2008 and will be followed in the future, with the following exceptions:

- ▶ No deductible for D&O insurance (3.8 CGK):
Section 3.8 of the Corporate Governance Code recommends that any D&O insurance taken out by the company for its Management Board and Supervisory Board should include an appropriate deductible. The Management Board and Supervisory Board are of the opinion that all the company’s directors and officers are bound by duty to act in a responsible manner and therefore such a deductible is not necessary.
- ▶ No Management Board Speaker (4.2.1 CGK):
In this respect, DAB bank AG adheres to the collegiality principle set forth in the German Stock Corporations Act (AktG).
- ▶ No resolution by the full Supervisory Board on the Management Board compensation system (4.2.2 CGK):
The Supervisory Board has delegated the formulation of the Management Board compensation system to the Executive Committee. The Supervisory Board consults with the Executive Committee on the subject of the compensation system and reviews it on a regular basis.
- ▶ No severance payment cap (4.2.3 CGK):
The Management Board contracts are concluded for a term of three years. In the event of premature termination of the Management Board contract without serious cause, the compensation granted does not exceed the remaining term of the employment contract. Therefore, the Supervisory Board does not consider it necessary to stipulate a severance payment cap of two years’ compensation in its Management Board contracts.

▶ No Nominating Committee (5.3.3 CGK):

The Supervisory Board consists of six members. It exercises its duties in two committees (Executive Committee and Audit Committee) and in the Supervisory Board itself. Therefore, the Management Board and Supervisory Board do not consider it necessary to establish a Nominating Committee.

▶ No age limit for Supervisory Board members (5.4.1 CGK):

The average age of the six members of the Supervisory Board is 54. Therefore, we see no need to establish an age limit for members of the Supervisory Board. We value highly the extensive professional knowledge and profound life experience of the older members of the Supervisory Board of DAB bank AG."

Munich, December 19, 2008

For the Supervisory Board:

Andreas Wölfer
Chairman of the Supervisory Board

For the Management Board:

Alexander von Uslar
Member of the
Management Board

Markus Gunter
Member of the
Management Board

Dr. Markus Walch
Member of the
Management Board

Compensation Report for the Management Board and Supervisory Board

The Compensation Report summarizes the principles applied to determine the compensation of the Management Board of DAB bank AG and details the amount and structure of the compensation granted to its members. It also describes the principles applied to and the amount of compensation granted to the Supervisory Board. This report is geared to the recommendations of the German Corporate Governance Code and contains the disclosures required in either the notes to the financial statements or the management report by virtue of the German Commercial Code (HGB) and the International Financial Reporting Standards (IFRS). Thus, the Compensation Report is an integral part of the officially audited consolidated financial statements. Therefore, the information contained in this report is not repeated in the notes or in the management report.

1. Compensation of the Management Board

The Executive Committee of the Supervisory Board sets the compensation of the members of the Management Board and the Senior Vice President. The Executive Committee is composed of the Supervisory Board Chairman Andreas Wölfer, the Vice Chairman Jan Wohlschiess and Mr. Gunter Ernst. The direct compensation granted in 2008 was comprised of two components, a fixed annual salary and a variable bonus, which includes a success-driven component. The variable components, which are tied to the achievement of the goals established for the business year and the goals of the strategic plan, can possibly exceed the fixed salary component. The compensation system does not contain any long-term incentive components.

The Executive Committee adopts the compensation system on the basis of various criteria, including the company's size, its economic and financial condition, and the amount and structure of compensation granted to the members of the Management Boards of comparable companies. The goal is to retain the senior executives of the company by granting them competitive, success-driven compensation.

The Management Board compensation for fiscal year 2008 was mainly composed of the following components:

Fixed salary

The fixed annual salary is paid in monthly installments.

Variable bonus with success-driven component

Depending on the degree of individual goal fulfillment, the variable bonus can range from zero to the maximum amount set for the individual bonus (maximum bonus). The bonus is tied to the achievement of certain goals agreed with all Management Board members at the beginning of the year and summarized in the form of scorecards. They include both individual goals and team goals. For the most part, quantitative goals are adopted but in some cases also qualitative goals. A corridor is established for each quantitative goal, with the lower value representing adequate goal fulfillment and the upper value representing outstanding goal fulfillment. If the upper value is achieved, the Management Board member receives the previously established maximum point count for this goal. The fulfillment of qualitative goals is evaluated accordingly.

A bonus is only paid when the pre-defined minimum point score of 80 points is achieved. The maximum bonus can be claimed when the Management Board member achieves a total point score of 120 in his scorecard. Thus, the bonus is limited as to the maximum amount and an accordingly lower percentage of the maximum bonus is paid for a goal fulfillment of 100%.

Pensions

The members of the Management Board and the Senior Vice President would have the option of participating in a deferred compensation plan according to the currently applicable terms of Bayerische Hypo- und Vereinsbank AG, Munich, if DAB bank AG would resolve to participate in this plan. DAB bank AG has not participated in this plan to date.

Voluntary contributions are deducted from the salaries of the Management Board members Markus Gunter and Dr. Markus Walch and paid in to a pension fund. The same system was practiced in the case of the Senior Vice President Wolfgang Strobel until his resignation on March 31, 2009.

Other compensation

Effective July 31, 2008, Ernst Huber resigned from the Management Board of DAB bank AG. Mr. Huber served on the Management Board of DAB bank AG since March 1, 2007. In addition, Mr. Huber continues to serve on the Management Board of the wholly-owned subsidiary direktanlage.at AG in Salzburg.

Ancillary benefits

The ancillary benefits are materially less significant. The Management Board members and the Senior Vice President are allowed to use their company cars for private purposes. Also, DAB bank AG assumes the accommodation costs of Ernst Huber associated with his Management Board duties in Munich. The employment contracts of the Management Board members do not expressly stipulate any severance payments and therefore also no cap on severance payments in the event of early termination of their employment contracts. However, a severance payment can result from the termination agreement concluded in individual cases. Mr. Gunter will receive a severance payment in the amount of his base salary and the maximum bonus if his three-year Management Board contract would not be renewed for at least one year beyond June 30, 2011.

No termination and severance award rights have been agreed with the individual members of the Management Board and the Senior Vice President for the event of a “change of control.”

The Executive Committee of the Supervisory Board sets the amounts of bonuses payable after the company’s fiscal year net profit has been determined and the fulfillment of the goals agreed at the beginning of the year has been assessed. By way of exception, Mr. Gunter is guaranteed a bonus equal to the maximum annual bonus for 2008, pro-rated for his period of service in 2008.

Mr. Huber also receives an appropriate compensation for his Management Board duties with direktanlage.at AG. The compensation system of direktanlage.at is similar to that of DAB bank AG. In addition to a fixed salary and a variable bonus, Mr. Huber is also entitled to pension benefits. Mr. Huber received a severance payment of €470,191 for his vested pension claims. The other ancillary benefits are materially less significant.

The compensation of each member of the Management Board for fiscal year 2008 is presented in the table below:

Itemized compensation granted to the Management Board members and the Senior Vice President:

in k€	Fixed salary	Success-driven component	Components with a long-term incentive effect	Other	Total
Markus Gunter ¹	130	170	-	8	308
Alexander von Uslar	250	0	-	16	266
Dr. Markus Walch	250	75	-	12	337
Ernst Huber	198	553	-	483	1,234
thereof as Management Board member of DAB bank AG ²⁾	73	73	-	8	154
thereof as Management Board member of direktanlage.at AG	125	480	-	475	1.080
Wolfgang Strobel ³⁾	77	150	-	2	229
Total	905	948	-	521	2,374

- 1) Mr. Markus Gunter was appointed to the Management Board of DAB bank AG effective July 1, 2008.
- 2) Mr. Ernst Huber resigned from the Management Board of DAB bank AG effective July 31, 2008.
- 3) Mr. Wolfgang Strobel resigned his position of Senior Vice President effective March 31, 2008.

2. Compensation of the Supervisory Board

The rules regarding the compensation of the Supervisory Board members are set forth in Article 14 of the Articles of Incorporation of DAB bank AG. The currently applicable rules are based on a resolution of the annual shareholders' meeting of May 22, 2003. Compensation consists of a base compensation component and a variable compensation component, payable after the conclusion of the fiscal year. The base compensation for every member of the Supervisory Board is €10,000.00. The Supervisory Board Chairman receives twice the base compensation and the Vice Chairman receives one and a half times the base compensation.

The Supervisory Board is entitled to the variable compensation in its entirety. The amount of the variable compensation depends on the development of the company's share price. It is calculated as the quotient (end-of-year share price: beginning-of-year share price) times €20,000.00. The variable compensation for the Supervisory Board in its entirety may not be more than €80,000.00 or less than €20,000.00. The Supervisory Board determines the distribution of the variable compensation among its members every year, in consideration of the individual work performed on the board's committees.

In addition, the company reimburses the Supervisory Board members for their expenditures and for the value-added tax payable on their Supervisory Board activities.

The compensation granted to each member of the Supervisory Board for fiscal year 2008 is presented in the table below:

Itemized compensation of Supervisory Board members:

Itemized compensation of Supervisory Board members:

in T€	Fixed salary	Success-driven component	Components with a long-term incentive effect	Total
Andreas Wölfer	20	5	-	25
Jan Wohlschiess Vice Chairman	10	3	-	13
Matthias Sohler Vice Chairman	5	2	-	7
Gunter Ernst	10	3	-	13*
Dr. Volker Jung	10	3	-	13*
Johannes Maret	4	1	-	5*
Werner Allwang (employee representative since May 8, 2008)	7	2	-	9*
Nikolaus Barthold (shareholder representative until May 8, 2008, employee representative since May 8, 2008)	10	3	-	13*
Total	76	22	-	98

* plus 19% value-added tax

3. Other disclosures

The directors and officers of DAB bank AG are co-insured under a D&O insurance policy of the UniCredit Group. The insurance covers the personal liability risk in the event that the insured persons would be sued for pecuniary damages in connection with the performance of their duties.



DAB bank

Financial communication

DAB bank share

Like nearly every other German financial stock, the DAB bank share was heavily affected by the turmoil resulting from the financial markets crisis in 2008. Having started the year with an opening price of €6.16, the DAB bank share suffered continual price declines in the early weeks of January, before falling to €4.80, the lowest end-of-day trading price for the first quarter, on January 21, which came to be known as “Black Monday.” Following the announcement of the company’s figures for 2007 in February, the share price gradually recovered, reaching its high for the year of €6.41 on May 7. Toward the end of this very volatile first half, the share price fell below €5, never to cross that level again in 2008. Thereafter, the share price oscillated around €4.80 until mid-September. When the bankruptcy filing of the U.S. investment bank Lehman Brothers was announced on September 15, the DAB bank share plummeted along with the rest of the markets. After reaching a new low for the year of €2.23 on October 28, the share recovered somewhat before losing ground again from early November onward. The share price finally reached its definitive low for the year of €1.96 on November 20. In the final weeks of the year, the share price recovered somewhat, oscillating in a range from €2.00 to €2.60. On the final trading day of the year, the DAB bank share closed at €2.57, indicative of an overall loss of 58% on the year.

The anxiety caused by the banking crisis and the ensuing skepticism towards financial stocks in general were reflected in the lower trading volumes of the DAB bank share, especially in the first half of the year. Nonetheless, the share’s liquidity picked up sharply toward the end of the year. On average, about 58,884 shares (PY: about 57,000 shares) were traded per day on all the German stock exchanges in 2008.

Despite the crisis, DAB bank earned a pretax profit in 2008, from which its shareholders will benefit directly. Thanks to DAB bank’s outstanding equity base, a full profit distribution will take place again for 2008. The Management Board and Supervisory Board will propose to the shareholders present and represented at the annual shareholders’ meeting that the company pay a dividend of 11 cents per share, as compared with 29 cents for 2006 and 34 cents for 2007. The dividend will be paid without deduction of investment income tax or the solidarity surtax on the investment income tax.

DAB bank share price in € in 2008



Key figures on the DAB bank share

Opening price, Xetra (01/02/2008)	6.16 €
Highest price, Xetra (05/07/2008)	6.41 €
Lowest price, Xetra (11/20/2008)	1.96 €
Closing price, Xetra (12/30/2008)	2.57 €
Market capitalization (12/30/2008)	193.23 Mio. €
Earnings per share	0.11€
Dividend yield	4.30 %
Book value per share	1.90 €
Total shareholder return	-56.50 %
WKN	507230
SICOVAM	22040
Reuters Code	DRNG
Bloomberg Ticker	DRN GR
ISIN Code	DE0005072300
Shares outstanding	75,187,007
Stock exchange segments	Prime Standard, Frankfurt; Nouveau Marché, Paris
Stock exchanges	Xetra, Frankfurt, Munich, Stuttgart, Berlin, Duesseldorf, Hamburg, Hanover, Bremen, Paris
Designated Sponsor	HSBC Trinkaus & Burkhardt AG Lang & Schwarz Wertpapierhandels AG

Stock market environment

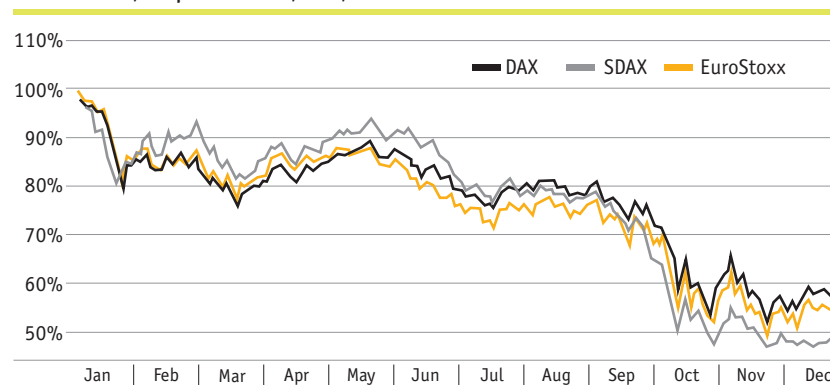
A sense of anxiety gripped the financial markets throughout the year in 2008. The all but daily reports on the consequences of the financial crisis and the ensuing share price declines rattled investors. After the Easter holiday, the global stock markets began to recover and exhibit a more positive sentiment. This moderate recovery emanated from Wall Street. In response to surprisingly good data on the U.S. housing market and the substantial takeover offer for Bear Stearns, U.S. share prices soared, lifting German stocks along with them. Based on the upward trend of share prices and the positive economic forecasts that predominated from early March to mid-May, it was initially assumed that the markets would gradually gain their footing again. But the lingering financial crisis, as well as record oil prices, disappointing corporate earnings and the negative forecasts of economic research institutions continued to weigh on stock prices worldwide. Midway through the year, the stock markets were decidedly bearish. In June, Wall Street suffered its worst monthly percentage losses since 2002. After a volatile phase in the third quarter, the stock market indexes began to swoon, especially on September 15, when the news broke about Lehman Brothers, and on September 29 and 30, in response to the rejection of the proposed bail-out package by the U.S. Congress. In the fourth quarter, the stock markets were plagued by lingering uncertainties, recession fears, volatile phases and share price losses.

As a result of these developments, all the world's stock market indexes suffered heavy losses in 2008. The Dow Jones Industrial Average lost 33% of its value (the least of all), while the DAX lost 40%, the MDAX 42% and the SDAX 46%. The international indexes suffered a similar fate. The Euro Stoxx lost 44% of its value and the Nikkei Index 42% of its value in 2008 as a whole.

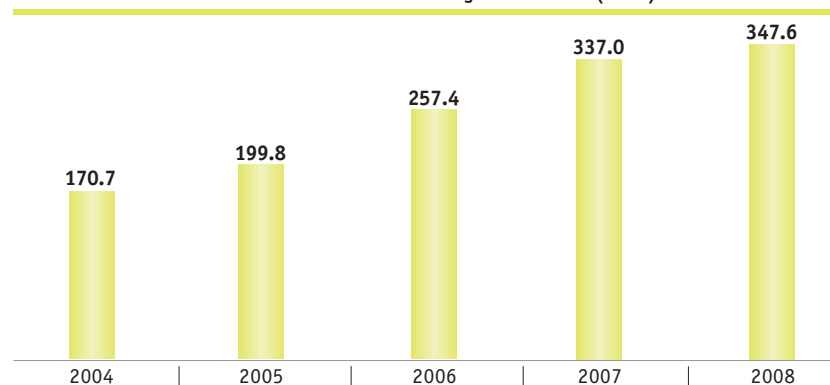
The number of new stock listings declined from the previous year. Up to and including December 18, the German Stock Exchange registered 185 new listings (2007: 208 new listings) and 28 transfers in all segments. Thus, the primary market numbers declined during the course of 2008 and in comparison

with the previous year. The weak state of the markets was also reflected in the trading activity on the German stock exchanges. The number of trades executed, at 347,6 million, was about the same as in the previous year, but the volume of shares traded, at €6.1 trillion, was about 14% less than the prior-year figure. The highest trading volumes were registered in the first quarter and the greatest number of trades executed occurred in the fourth quarter of 2008.

Chart indexes, comparison of DAX, SDAX, EuroStoxx in 2008



Number of trades executed on all German stock exchanges 2004 - 2008 (in mn)



Investor Relations

The strategy of DAB bank is geared to profitable growth and the sustainable enhancement of shareholder value. In 2008, we continued our tradition of open, active communication in support of a trusted dialog with our shareholders, investors and other interested parties.

We communicated our operating results for the year 2007 and the goals of DAB bank to the financial community and our stakeholders in advance of our annual financial statements press conference of March 14. In addition, we communicated our quarterly results to stock analysts, journalists and shareholders in two lengthy conference calls each in April, July and October.

In addition, we informed our shareholders of the successes of fiscal year 2008 and our goals for the future at the annual shareholders' meeting of May 8, 2008. As in prior years, the annual shareholders' meeting was held at Nockherberg in Munich. For the third year in a row, our shareholders approved the payment of a dividend representing the entire unappropriated net profit. The annual shareholders' meeting approved the proposal of the Management Board and Supervisory Board to pay a dividend of 34 cents per share, 5 cents higher than the previous year.

Again in 2008, we held many one-on-one meetings with institutional investors and kept them apprised of the business strategy and performance of DAB bank. The Management Board presented the strategy, current developments and future goals of DAB bank at road shows in Germany and abroad. The Management Board also presented DAB bank to participants at the German Investment Conference of HypoVereinsbank in Munich.

In order to ensure the necessary liquidity for the ongoing trading of its shares, DAB bank has been working with two Designated Sponsors since September 2008. Both Lang & Schwarz Wertpapierhandels AG and now also HSBC Trinkaus & Burkhardt AG serve as market makers for our shares.

DAB bank AG was actively covered by eight stock analysts in 2008.

The latest information about DAB bank, its business performance and its stock is continuously made available to all interested stakeholders in the Investor Relations section of our website. The bank's annual and quarterly financial statements are available for download in German, English and French. Through the online ordering service, shareholders, investors and other interested parties can receive the printed versions of our reports free of charge.

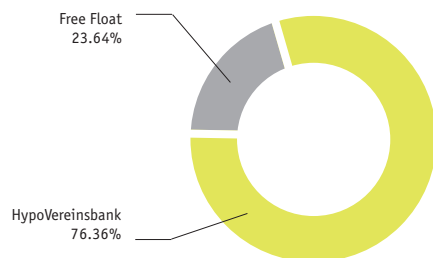
Corporate news, ad hoc announcements and press releases are continuously posted on our website, as well. In addition, past publications are always easily retrievable from our online archive. The presentation documents we use to communicate our operating results and for our annual shareholders' meeting are also available for download.

We intend to continue our policy of open, active financial communication in 2009. Although investor interest in financial stocks waned somewhat in the past year due to the banking crisis, we believe that the market will recover, leading to increased demand for financial stocks. We intend to use this recovery as an opportunity to intensify our financial market communications in 2009. We got started with the announcement of preliminary results at our

financial statements press conference in Frankfurt on February 16, where we presented the unaudited figures for fiscal year 2008 to the financial community. We will participate in the German Investment Conference of HypoVereinsbank and the Equity Capital Forum of Deutsche Börse AG again this year to address investors' questions. Furthermore, we are planning even more road shows in Germany and abroad and are always available for one-on-one meetings with interested persons.

As in the previous year, 23.64% of DAB bank's stock was widely held in 2008. HypoVereinsbank AG's majority holding of 76.36% is credited to the corporate group of UniCredit S.p.A.

Shareholder structure at 12/31/2008



Interview with Mark Kalenberg, Head of Corporate Broking, HSBC Trinkaus & Burkhardt

What are your duties as the Designated Sponsor of DAB bank AG?

As we understand it, our Designated Sponsor service entails a comprehensive corporate broking approach consisting of different elements. First, we advise the issuer in secondary market questions and coordinate the corresponding measures with the Research, Sales and Trading departments of our company. It is also important to mention the support we provide in the way of corporate access. To this end, we organize meetings with interested investors through a variety of channels, including road shows and conference calls. As a market maker, moreover, we ensure the necessary liquidity to support ongoing trading and continuously quote purchase and sale prices.

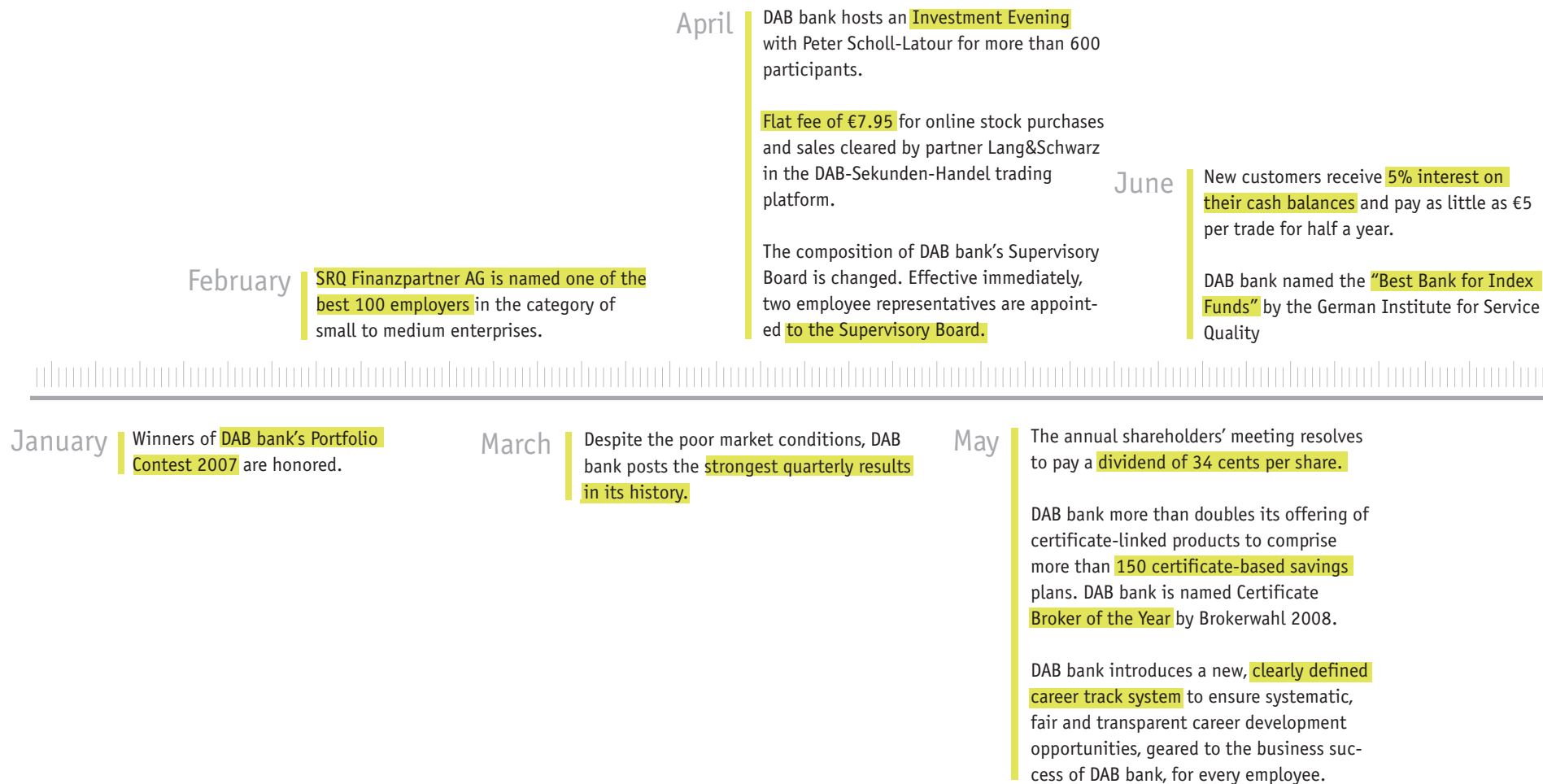
2008 was a very turbulent year in the stock markets. What challenges did you have to meet as a Designated Sponsor?

The markets were very volatile last year. The momentous events triggered volatility interruptions, often requiring us as the Designated Sponsor to respond immediately with appropriate purchase and sale prices. All in all, the market volatility caused a dramatic increase in trading costs. The bear market also induced many participants to bow out of the markets, reducing the trading volumes in the stock markets.

How do you rate the stock markets' prospects in 2009?

We anticipate that the economic environment will be equally difficult in 2009. We believe that the markets will continue to be very volatile. Based on past experience, we can predict that the small-cap and mid-cap sector will be especially hard hit. Nonetheless, HSBC Trinkaus will uphold its commitments in this area. The economic stimulus measures of the world's governments and the upcoming reduction of key interest rates to counter deflationary tendencies will certainly alleviate the strain on the markets. However, these measures will certainly not bring about an immediate solution.

Milestones in 2008



August

DAB bank organizes a joint **trade fair appearance** with asset managers at the IAM in **Düsseldorf**. DAB bank's B2C unit is also represented at the trade fair with its own stand.

Six apprentice-trainees begin their vocational training with DAB bank to become certified banking professionals.

October

DAB bank organizes the **Investment Congress** for 1000 financial professionals.

DAB Academy launch: seminars for customers and partners

December

The **DAB Profi Trader** application is made available to all customers of DAB bank.

July

Markus Gunter is appointed to the Management Board of DAB bank AG, where he assumes responsibility for B2C, B2B, Products & Services, FSB Partners and Marketing.

DAB bank expands its savings plan offering still further. With 58 ETF-based savings plans, DAB bank offers the biggest **selection in Germany**.

Despite the substantially weaker market conditions, DAB bank's pretax profit for the first **six months of 2008 is about as high as the pretax profit for the first half of 2007**.

The **DAB Profi-Trader** application is made available to the bank's most active trading customers.

After evaluating the **e-mail service** of 37 German banks, a consulting company finds that DAB bank answers its customers' e-mails the fastest and with the **highest level** of quality.

September

New customers who transfer their securities holdings to DAB bank receive interest **of up to 8% on overnight call money**.

In response to the difficult market phase, DAB bank assembles attractive **investment fund packages**, combined with a term deposit interest rate of 5.5%.

DAB bank is named second-best broker in the **PASS Online Banking Awards 2008**.

November

DAB bank offers a selection of investment funds of big, successful asset management firms known as the **Expert Sellers**. That way, investors can benefit from the expertise of investment professionals with a minimum investment of only €1,000. Customers of DAB bank receive a 60% discount on the front-end loads of these funds.

The employees of DAB bank: Excellent prospects!

The employees of DAB bank are crucial to the success of DAB bank. Extremely well trained, highly motivated employees are indispensable for providing high-quality services to our customers. Especially in these fast-changing times, which are characterized by constantly growing information loads and by uncertainties regarding the future economic outlook, employee qualifications are vitally important and are indeed the basis of our business success. For this reason, DAB bank is strongly committed to the continuing education of its employees. In 2008, for example, we invested an average of €1,500 in the continuing education of every employee.

Our employees' opinions count

Every year since 2006, we have conducted a Groupwide employee opinion survey that we call the "People Survey." In 2008, 81% of DAB bank's employees participated in this survey, in which they can express their opinions freely and anonymously. Thus, the People Survey is an important instrument for listening to our employees and for identifying potential improvements and avenues of action. Because the survey is conducted on a regular basis, moreover, we can compare the results over time in order to determine whether the implemented measures have produced the desired results.

Growing importance of continuing education

Based on the results of the People Survey conducted at the end of 2006, DAB bank vigorously expanded its employee training and continuing education program. In the following years, we increased the continuing education budget, created a new employee development team at the end of 2007 and launched an ambitious continuing education campaign in 2008. The continuing education needs of every employee were identified in the employee-manager meetings and appropriate training courses and seminars were offered on that basis.

Targeted career development for every employee

Besides upgrading the professional qualifications of our employees, we also implemented a transparently organized career track system. Under the new system, both experts and managers are given equivalent career development opportunities. An important aspect of this program involves making long-term investments in the employees' career development. By promoting the development of young talents and upgrading the career development prospects of our skilled experts, we create and protect valuable knowledge.

The career track system forms the basis for the systematic, fair and transparent development of our employees, in a way that promotes the business success of our bank. A key aspect of this program is the uniform diagnostic system applied when filling positions. Every staffing decision is made on the basis of uniform, bankwide capability profiles, the specific requirements of the open position and the concrete observations of an expert committee.

The first Potential Assessment Center was held in the autumn of last year. The purpose of this procedure is to assess the management potential of selected employees in order to create a "talent pool" of promising young managers. These young talents are then systematically supported and prepared for future management tasks.

Creating fresh impetus

At DAB bank, we rely on fundamental values and a corporate culture that serves as a binding standard of conduct for every manager and employee to ensure that we are always capable and adaptable, even under difficult conditions. Respect, honesty, responsibility, cooperation, civil courage, constructive criticism, trust, standing by our commitments, authenticity and work-life balance: These are the ten values that form the basis of the leadership vision of DAB bank. Thus, the lasting implementation and concrete application of these values in our day-to-day work are indeed drivers of our success.

Taking responsibility for employees

DAB bank takes responsibility for its employees. Besides offering comprehensive pension and other benefits, part-time work models to help parents return to the work world after being out on parental leave and other steps to strike an appropriate work-life balance, DAB bank places a top priority on the health of its employees. To this end, we held our first DAB Health Day last year. At this event, employees were given the chance to obtain a wide range of information on the subject of personal health.

Support for employees' volunteering commitments

Furthermore, DAB bank supports the local projects and organizations that are especially dear to the hearts of our employees. As in the previous year, we asked our employees, in connection with the annual People Survey, to propose charitable organizations for which they serve as volunteers to receive a donation from the bank. The amount of the donation was determined on the basis of the survey results, as DAB bank donated a certain amount for each participant. When the results were tabulated, the donation totals were presented to the proposed organizations. Thus, DAB bank helps its employees help their favorite causes.

Interview with Stephanie Märkl, Internal Communication

What does your job at DAB bank consist of?

I am responsible for internal communication at DAB bank. Essentially, that means I make sure that every employee is well informed about our company and that all our employees have the information they need to do their jobs.

For this purpose, I can make use of different communication channels. The most important channel is the intranet, of course, which serves as a central pool of information on all subjects pertaining to DAB bank and as a source of daily updated news about the bank. Furthermore, we hold information sessions for managers and employees on a regular basis. Also, the "cascade system" ensures that managers quickly pass on critical information to all employees.

Why is DAB bank a top employer?

In the more than twelve years I have worked here, I have experienced some very different phases at DAB bank. But one thing has always been the same: DAB bank is an employer that continually offers its employees the chance to develop themselves personally. As the mother of two children, I enjoy a great deal of flexibility. In "crunch times," I work a little longer, so I can spend a good portion of the school holidays with my children.

What were the most important changes for employees in 2008?

Certainly, the adoption of the so-called "career track" system, which opens up great development prospects for both experts and managers, was a very important innovation for the employees.

We also accomplished an important milestone in Internal Communication last year. In consultation with the managers, we formulated "playing rules" to improve the communication within teams and between business units. And the employees also had their say, in workshops in which they identified improvement potential for communication. We are now working together to implement those improvements.

B2C – Our business with individual investors

During the course of 2008, the financial crisis progressively degenerated into a crisis of confidence. In such market phases, it is extremely important that customers can trust their bank. Furthermore, their bank should offer them suitable products for all their needs and all market scenarios.

Constant dialog with customers

By maintaining a constant dialog with our customers, providing them with excellent service and offering them numerous innovative products and services, DAB bank succeeded in upholding the trust of its customers even amid the difficult conditions of 2008.

Because it is so important to be thoroughly familiar with our customers' needs, DAB bank permanently enhanced its customer relationship management (CRM) program in 2008. This step is vitally important as we continue to accommodate our customers' product wishes, reinforce their loyalty, increase our profit margins and enhance profitability. The CRM of the future necessitates a paradigm shift in order to focus even more strongly on the needs and wishes of our customers.

Existing customer relationships need to be optimally supported and secured over the long term; in addition, we need to tap new growth markets and attract new groups of customers. In the future, the lasting success of DAB bank will increasingly be decided by the quality of the dialog we maintain with our customers.

DAB bank is the direct investment services bank

As an online bank, DAB takes pains to meet with its customers face to face. To this end, we participated in various investor fairs and hosted investment evenings and stock market information days for our individual investors again in 2008.

DAB bank acquired a large number of new customers through its recent TV spot, which visualized the theme that "the grass is always greener" for the customers of DAB bank. The disciplined communication of this message through all marketing channels enhanced DAB bank's positioning. In 2009, we will take further measures to boost familiarity with our brand.

Innovative products offer excellent prospects

The bank's customers were enthusiastic in their response to the DAB Profi-Trader in 2008. Compared to conventional trading applications, our new application offers numerous advantages for active traders. Initially provided to heavy traders only, the DAB Profi-Trader was made available to all our customers in December 2008. In addition, we founded a user group with the aim of continually refining the application to better meet the needs of customers. The user group will be expanded further in 2009.

Throughout the year, DAB bank offered unbeatable interest rates to new customers, including overnight call money rates of up to 8.0%. In addition, our customers were given the opportunity to trade at very favorable terms, thanks to the numerous no-fee and flat-fee promotional offers in collaboration with our Star Partners and cooperation partners. We also focused on sales of tax-optimized products and on reorganizing and upgrading our offering of savings plans linked to certificates, mutual funds and ETFs.

Modern platform

In terms of technology, the IT platform represents the beating heart of our bank. Accordingly, we devoted considerable energy to modernizing our IT systems and making them more flexible in 2008. These efforts were focused on increasing our capacities, in particular. As a result of these successful capacity expansions, DAB bank was able to accommodate the massive increase in trading volumes during the busy autumn of 2008, supporting our customers during this difficult market phase.

Besides introducing the Profi-Trader application, we focused on systematically meeting the requirements for the new flat-rate withholding tax in the second half of 2008. By taking a carefully planned and coordinated approach in close cooperation with external partners, DAB bank was able to ensure a smooth transition for its customers to the new system of taxing investment income.

In the first half of 2009, we are working to make our Internet application even more ergonomic and up-to-date in the interests of our customers. We also intend to introduce a new access procedure, to make the online trading and banking system even more convenient for our customers.

DAB bank on the winner's podium

Nothing is more important to us at DAB bank than offering excellent service and an outstanding product selection. In 2008, we received numerous awards for these very attributes. The German Institute for Service Quality named DAB bank the "Best Bank for Index Funds." Also, a consulting company that conducted a study of the e-mail service quality of 37 German banks ranked DAB bank as the best in this respect. Furthermore, DAB bank was named "Certificate Broker of 2008" and one of the best banks for mutual funds by the German Institute for Service Quality. Finally, DAB bank was honored as the second-best fund broker by the PASS Consult Online Banking Awards 2008.

Interview with Martin Hofer, VIP customer of DAB bank

Why are you a customer of DAB bank?

Originally, DAB bank was recommended to me by a friend of mine who is a professional day trader. Since becoming a customer, I am continually impressed by the professionalism and service quality of DAB bank.

Of course, even DAB bank has room for improvement. But the great thing about DAB bank is that they are constantly seeking feedback from their customers and are open to any suggestion. If any problems are found to exist, they immediately set about correcting them.

I also appreciate the great support provided to me by my advisors. Their service is highly personalized, which might be considered unusual for an online bank.

What do you think about the new DAB bank Profi Trader?

The customizable user interface with its wide-ranging price, price inquiry and portfolio administration tools leave practically nothing to be desired. Therefore, it is perfectly suited for all trading profiles. I am completely satisfied with the Profi-Trader application.

What was your personal experience of the stock market developments in 2008?

For an investor like me, 2008 was extremely exciting. The terrible news just kept coming. Just when you thought the worst was over, the other shoe would fall. On top of that, the markets were extremely volatile and often unpredictable. Many of my investor friends suffered huge losses. Fortunately, my investment strategies served me well and I was able to increase the value of my portfolio significantly. Therefore, I am personally quite satisfied with the stock market developments in 2008.

B2B – Our business customers unit

Our B2B unit is the No. 1 partner platform for investment professionals. Asset managers, financial intermediaries and institutional customers use our services for their own clients. In this area, our core business consists of securities clearing, settlement and custody services, on the one hand, and innovative services for IT, reporting, marketing and sales support, on the other hand. The growth we have experienced attests to the fact that our customers appreciate these services. These operational successes can be credited in large part to our outstanding technical platform, which has no rival in the market, and the attractive prices we charge.

Customer satisfaction

We conducted our representative customer satisfaction survey for the fifth time in a row last year and achieved the best results since we first conducted this structured survey in 2003. Once again, the overall satisfaction of our B2B customers improved to an even higher level. Now, more than two thirds of the customers surveyed are completely satisfied or very satisfied with the services of DAB bank. According to them, we achieved considerable improvements with respect to our fees and terms, the quality of our help desk and the complaints process. As in the previous years, our trading and personalized customer support received very good ratings.

Winning new customers

The portfolio analysis service which we call the “Profi-Depotcheck” is an important instrument by means of which DAB bank gains new prospective customers. We offer this service in two ways. First, our media partners urge their readers to obtain personalized, non-binding investment advice from an asset manager operating independently of the banks; second, Internet users can utilize this service directly at the website profi-depotcheck.de. The website has been redesigned to attract younger, high net-worth individuals.

Again in 2008, the Profi-Depotcheck service was covered by articles in such well-known, widely read publications as *Süddeutsche Zeitung*, *Welt am Sonntag*, *Financial Times Deutschland*, *Frankfurter Rundschau*, *Porsche Magazin*, *Der Steuerzahler*, *Wertpapier*, *€uro*, *Börse online* and other national and regional publications. By this means, we generate potential leads for our partners. DAB bank produces such referrals as a service for its asset managers.

At the International Investor Fair (IAM) in Düsseldorf, DAB bank organized the “RP-Finanzforum powered by profi-depotcheck.de” in collaboration with *Rheinische Post* and *Messe Düsseldorf*. At this event, six local asset management firms were given an opportunity to present their services to a wide audience. The Profi-Depotcheck service was widely appreciated by visitors to the fair, along with the daily panel discussions and presentations of asset managers. As a result, numerous new customers were acquired over the three days of the IAM.

The investment portfolio contest known as Depot-Contest, which DAB bank organizes for its asset managers, enjoyed another successful season last year. During the year, 30 participants were given the chance to compete in one of two leagues, one for opportunistic investment strategies and one for conservative investment strategies. This unique platform generates a great deal of publicity for the asset managers, besides supporting the long-term image and the direct acquisition of new customers through the media cooperation ventures with the news channel n-tv and the magazines *€uro* and *Markt-und-Mittelstand*. The local investment portfolio contests known as the “Depot-Contest-vor-Ort” held in five cities of Germany again drew considerable attention from individual investors all around the country.

Reinforcing customer loyalty

DAB bank's prominent place in the world of financial intermediaries and institutional investors was demonstrated again at this year's Investment Congress in Munich. More than 1,300 participants registered for the Investment Congress, making it clear that this event has since become an industry highlight. Wolfgang Clement and Prof. Dr. Dr. Homann gave impressive presentations on the financial markets crisis and the importance of ethical values in asset management, respectively.

In addition to our selected services, we turned our attention to a new, highly promising project in 2008, the DAB Academy. In these fast-paced times, effective continuing education represents the basis for the successful long-term quality of financial advice. The purpose of founding the DAB Academy was to provide intensive support to our customers and business partners. First-class instructors provide timely information on topics of current interest and considerable relevance to future developments. The instruction is tailored specifically to the needs of independent asset managers. The first seminar series began in Munich in October. Beginning in early 2009, we will be offering these seminars throughout Germany.

Vision

Our vision is to make private banking available to everyone, in cooperation with our partners. Besides just providing clearing and settlement services, we strive to assist and support our asset managers under all market conditions and in all development phases. As trendsetters, we combine our market leadership position with the highest standard of quality. In mid-2009, we plan to offer a new portfolio management system that will enable our partners to execute their orders even more easily and effectively. Also, we offer a comprehensive, independent range of products at fair, affordable and differentiated prices. And we will strive to optimize the quality, reliability and speed of our basic services so that we can provide even better service to our customers in 2009.

Interview with Max Schott of Sand & Schott

Why are you a business partner of DAB bank?

Our longstanding partnership with DAB is based on mutual strength and trust. By strength, I mean that DAB bank provides our customers with reliable, affordable access to a wide range of investment products and services; and it means that we can engage in joint marketing activities with DAB, thereby strengthening our existing customer relationships and generating leads for potential new clients. By trust, I mean that highly capable people are on hand, who respond quickly and precisely to any problems or special cases that arise and bring about useful solutions in the interests of our clients.

As an investor, what are the advantages of working with an independent asset manager?

The twelve employees of Sand und Schott GmbH serve 800 clients with €200 million in assets. We develop investment strategies that are precisely tailored to the particular needs of our clients; and we are impartial with regard to the products we recommend. That means, we are free to apply the "best selection" principle. In other words, we are not bound to follow the instructions of some corporate headquarters in Frankfurt, say, to sell the company's own products to investors; instead, we always offer the best products available in the respective markets. We comb through the entire universe of investment products to find opportunities for our clients. To this end, we analyze stocks, bonds, real estate shares and funds, commodities, alternative investments and hedge funds, on a daily basis.

How do you view the stock market developments of 2008?

In most cases, the traditional "buy-and-hold" investors lost about half their investment in 2008 (as of mid-November). Certainly, many investors bade farewell to their bank or investment fund. As for the investors whom we serve in our asset management firm, 2008 represents a tremendous opportunity to participate in the potentially significant recovery phases, because our clients retained practically all their assets. These investors have kept their powder dry, so to speak, so that they will have a chance to make money in the future. Past experience teaches us that the faster stocks fall, the more lasting the recovery will be afterwards. You only need to be sure you do not lose too much before that happens!

SRQ FinanzPartner AG: Financial planners on the move

For a little more than two years now, DAB bank has held a majority interest in SRQ FinanzPartner AG, one of Germany's fast-growing financial advisory firms. In the first quarter of 2009, DAB bank increased its investment from 52.52% to 81.61%. SRQ's mobile sales team provides another customer service channel for DAB bank. When the B2C customers of our direct bank seek out comprehensive financial planning advice, we refer them to SRQ.

Acting instead of reacting

In these times of turmoil in the stock markets, it is more important than ever to maintain close ties with customers. Accordingly, the financial planners who hosted the SRQ Expert Forum in the autumn of 2008 advised those in attendance that acting is better than reacting. At this event, four prominent financial experts fielded many questions, including some very critical ones, from the numerous clients in attendance.

Furthermore, SRQ expanded its regional presence considerably by opening new offices. And SRQ also made headlines as an employer, when it was awarded the TOB JOB Quality Seal 2008 by the renowned University of St. Gallen.

Successful year for SRQ

Despite the tough market conditions, SRQ was again very successful in 2008. It posted a pretax profit of € 404 thousand for the year, little changed from the corresponding figure for 2007. The firm's 105 financial planners served about 10,333 clients in 2008 and held customer assets of €1.09 billion at December 31, 2008, indicative of a 4% increase over the previous year (€1.05 billion).

Interview with Jürgen Schneider of the SRQ FinanzPartner AG Management Board

What prerequisites must a financial planner meet in order to work for SRQ?

The basic prerequisites that a financial planner must meet in order to work for SRQ FinanzPartner AG are qualifications, personality and experience. Thus, we look for people who have completed the vocational training program to be recognized as certified banking professionals in Germany, as well as optionally any further qualifications such as the title of Certified Financial Planner; plus they must have many years of professional experience and a pronounced entrepreneurial personality. Because our financial planners are "tied agents" who are effectively self-employed, this prerequisite is very important. After all, not every good financial planner will also be a good, independent entrepreneur.

What sets SRQ apart from all the rest?

We provide our clients with comprehensive, objective advice, unaffected by product dictates or selling interests of the financial planners and/or third parties. Our financial planners benefit from the independence in providing advice to clients, the smoothest possible execution of orders, the support of our firm and an attractive compensation package. What sets us and our financial planners apart from all the rest is our absolute impartiality in the selection of products and business policies.

How do you view the stock market developments in 2008 from the perspective of a financial planner?

2008 was an extremely tough year. The uncertainty plaguing the markets and holding investors back naturally had an impact on our revenues. On the other hand, it was revealed that our comprehensive advisory approach involving a wide range of asset classes produced good results even under these extremely difficult conditions. Consequently, this approach represents an optimal basis for business success.

direktanlage.at –

The bank for securities investors in Austria

Top-quality securities-related services at the best possible terms: That is the key to the success of our subsidiary direktanlage.at, the leading discount brokerage firm in Austria. Accordingly, direktanlage.at is constantly working to improve its services and product offerings, with a particular emphasis on offering the best possible terms and the best service for investors.

Despite the currently difficult environment for banks, direktanlage.at turned in a positive performance last year, including steady growth in its operating business, a point of emphasis for the bank. Specifically, direktanlage.at generated a pretax profit of €11.02 million (PY: €14.6 million) and held customer assets worth €2.08 billion. And it increased its customer base to 53,023 (PY: 50,963). Thus, direktanlage.at again met its goal of defending and continually expanding its outstanding position in the B2C (individual investors) and B2B (business customers) segments in 2008.

Satisfied customers in all sectors

In 2008, direktanlage.at continued to focus on its overriding goal of customer satisfaction in all sectors, those being Online Brokerage, Investment Advice and Asset Management. Service quality and customer loyalty were supported by attractive events for customers, such as fireside evenings, road shows and seminars. The Future Forum, an event organized in cooperation with Austrian State Radio, was especially effective in bolstering the image and brand familiarity of direktanlage.at. Also, visitors to the Money World Exhibition in Salzburg and the Gewinn Exhibition in Vienna showed a lively interest in direktanlage.at. At these events, many existing and prospective customers were given an opportunity to receive first-hand information about the services of direktanlage.at.

Like DAB bank, direktanlage.at also took steps to upgrade its Customer Relationship Management program, including steps to make its customer service more personalized and targeted.

The redesigned website of direktanlage.at is a state-of-the-art solution. In addition, the trading software was upgraded with I-TAN and Mobile-TAN.

In response to the current market situation, the Austrian subsidiary offered various attractive interest products, in addition to the new customer acquisition campaigns conducted early in the year and in the autumn of last year. The savings passbook campaign, under which customers could qualify for interest rates of up to 6%, was especially well received and generated a high cross-selling rate. All these campaigns were supported strategically by advertising TV and radio spots and print media ad placements. These activities bolstered the familiarity of direktanlage.at and contributed to the success of the promotional campaigns.

The bank's offering of products and promotional campaigns also featured ongoing free-trade promotions and a new Star Partnership.

Outstanding position as a sales partner

In 2008, direktanlage.at consolidated and expanded its outstanding position as a sales partner for asset managers and brokers in the Austrian market. The technical platform, which has been continually upgraded and rendered more user-friendly, was a key success factor in this regard. The quality of service provided to the bank's business partners was considerably enhanced by features such as the model portfolio function and customizable settings for investment fund sales charges. The new B2B website provides tailored solutions for both asset managers and investment advisors. In addition, the product offering was selectively expanded and adapted to suit the current situation of the markets.

Customer loyalty was reinforced by a number of activities, including a B2B Event, two road shows and various expert presentations. The fifth annual B2B Event generated the best response ever, with 120 business partners, including more than 60 licensed asset managers, in attendance.

The successful cooperation between direktanlage.at AG and its sales partners was underscored by the acquisition of new sales partners, the increase in the number of customers served and the fact that the number of trades executed for customers remained on the level of the previous year, which was especially remarkable.

Outlook for 2009

In 2009, direktanlage.at intends to further extend its leading position in the Austrian market by introducing a new optimized fee schedule for trading, investment funds and current accounts. In the summer of 2009, direktanlage.at will introduce the Modular Order Manager, the Austrian version of the Profi-Trader, as an innovative solution for active traders and the first of its kind in Austria.

Interview with Ernst Huber, Chairman of the Management Board of direktanlage.at

What differences are there between German and Austrian securities investors?

When it comes to investing in securities, Germany is still the trailblazer. Customers there are more likely to purchase securities, more open to new products and more intensive users of online media.

Austrian investors still have a preference for interest products, and especially the savings passbook. Austrian investors execute trades on the Vienna Stock Exchange, but also in German and U.S. stock exchanges. The higher proportion of trades executed in foreign stock exchanges, compared with German investors, is mainly due to the size of the Austrian stock market.

Also, securities portfolios are differently structured, due to the different tax laws in Austria and Germany.

In your mind, what is most important with regard to your customers?

The business purpose of direktanlage.at is: "Create satisfied customers!" We do this especially by offering them the best cost-benefit ratio available, an objective selection of investments tailored to their individual needs and the highest-quality service.

Why are there branches in Austria, but not in Germany?

Historically, Austrian customers attach great importance to maintaining personal contacts with their banking advisors. Austrian bank secrecy, the structure of banks and the ability to engage in cash transactions are still very dear to the heart of tradition-conscious Austrians. For example, the practice of identity verification by mail for securities customers, which is provided for by law in Germany, is not always possible in Austria. That is another reason for maintaining branches in Austria.

DAB bank



Economic report

Operating results

The worldwide financial crisis has also affected our operating targets. Despite the €28.08 million worth of adjustments made to the value of our investment portfolio in the third quarter, DAB bank posted a positive pretax profit of €11.49 million. The tumultuous developments in the international financial markets overshadowed the positive development of our operating business. With an operating profit of €39.57 million, we achieved a very good result for such a difficult year. Although the adjusted operating profit was nearly equal to the record pretax profit of €45.52 million for 2007, DAB bank still did not achieve the goals it had originally set for 2008.

The dramatic share price declines in the global stock markets also caused substantial value losses in our customer portfolios. This effect unfortunately was not offset by the positive net fund inflows and the effects stemming from anticipation of the coming flat-rate withholding tax on investment income towards the end of the year. Due to the above-mentioned market effects, the customer assets under administration at year-end 2008 amounted to €23.16 billion, lower than the corresponding previous-year figure.

DAB best: All goals achieved in 2008

“DAB best” is a program that has brought about substantial improvements for DAB bank. In 2008, we achieved all the goals we set in all four areas of the program: Sales & Marketing, Products & Services, Human Resources and Finance & Controlling.

Sales & Marketing

We were proactive in providing timely information to our customers on the consequences of the financial crisis and in promptly adapting the product offering to reflect the changing needs of our customers in this situation.

Moreover, we supported our business partners by offering seminars designed specifically for asset managers and independent financial advisers in our newly formed DAB Academy.

Products & Services

We received various awards for our product and service offering in 2008. For example, our customers selected DAB bank as the “Certificate Broker of the Year 2008” and as the “Best Bank for Index Funds.” Also, DAB bank was the clear winner of a study in which 37 banks were tested to gauge the speed and quality of responses to customers’ e-mail inquiries. We made the new DAB Profi-Trader application available to our active trading customers in 2008. The new application is remarkable for its modular structure, customizable configuration settings, unrivalled speed and stability. And we are still working to refine this application by developing and quickly implementing new features in a constant dialog with users.

Human Resources

We promote the career development of our employees by investing in a variety of diverse continuing education and qualifications-building programs ranging from management and language courses to seminars on specific technical subjects. By this means, we help our employees perform the tasks assigned to them in the best possible way and continually reinforce the basis of our success, which is the quality of our services.

Finance & Controlling

The recently instituted sales controlling function provides a detailed, up-to-date overview of the success achieved in our sales activities. At the present time, the information and reporting system is being upgraded in both quantitative and qualitative respects. DAB bank’s sales activities are managed on this basis in operating terms.

Market developments

General economic developments in 2008

The growth of the global economy was dampened by two key factors in 2008: the financial crisis and the developments in the commodity markets. Their effects are revealed in the economic report of the International Monetary Fund, which estimated that global economic growth for the full year 2008 came to 3.7%, as compared to 5% in 2007.

The principal factor slowing economic growth in the first half of the year was the extraordinary run-up in commodity prices. Indeed, the prices of nearly all commodities shot up dramatically. The oil price, for example, soared from about 100 dollars per barrel at the beginning of the year to about 150 dollars per barrel, an all-time high, by mid-June. In the second half of the year, in particular, the spreading financial crisis exerted a shock on the global economy. The real estate crisis of 2007 degenerated into a crisis of confidence for the entire financial sector, culminating in the collapse of investment bank Lehman Brothers in September, which triggered a further deterioration in financing conditions. The sinking prices for energy and other commodities served to prop up the economy in Europe towards the end of the year. Above all, the oil price plunged to about 40 dollars per barrel by yearend. In addition to the prices for industrial and energy commodities, food prices declined as well, due to the lower prices for production inputs and the prospect of bountiful crops.

At the beginning of 2008, the German economy initially showed signs of considerable strength. Although the euro rose sharply against the dollar, this development had only a minor impact on exports in the short term. In fact, the strong demand from oil-producing countries and emerging economies neutralized the disadvantage of the strengthening euro. The economy was further bolstered by business investment and increased government spending. Consumer spending, on the other hand, was not a stimulating factor. Although the jobs outlook was positive at the beginning of the year and wage increases were effected, consumer spending was heavily burdened by the fast-rising commodity prices. In the first half of 2008, the German economy exhibited strong inflationary tendencies. Spurred by the sharp increases in food and energy prices, the inflation rate exceeded 3% by the middle of the year. In addition to the rising prices for production inputs, the pressure on employee wages increased as well. The negotiated wage increases stoked fears of so-called “second-round” effects. In such a case, businesses would respond to rising wage costs by substantially increasing the prices of their products, setting the stage for renewed wage hike demands. Such a wage-price spiral could quickly spark a wave of inflation that would be hard to control.

Starting around the middle of last year, the global economic outlook was increasingly dimmed by the worsening financial crisis. One reason for this development was the reluctance of companies to make new business investments. As the financial crisis spilled over to the real economy, the demand for goods and services weakened considerably, both domestically and internationally. Another reason for this development was the growing impact of currency rates on foreign trade. The euro has been rising steadily in value

since the beginning of 2006, reaching a high of about 1.60 dollars to the euro in 2008. The rising euro had the effect of cutting the volume of new orders received in Germany by around one fourth. Although the appreciation of the euro against the U.S. dollar declined significantly since the middle of 2008, the consequences of this change will likely not be felt for up to one year. On a positive note, the employment market continued to improve throughout the year. In October and November, the number of unemployed job seekers was slightly less than 3 million. For the full year 2008, Germany's economic growth rate was likely about 1.5%, with an inflation rate of 2.6%. Germany's GDP contracted in the second and third quarters of last year and therefore the country is already in a recession.

Developments in the financial markets

2008 was a very tumultuous year for the financial markets. Many stock exchanges witnessed extraordinary price movements, especially with regard to commodity prices. Only the worsening of the financial crisis and the attendant deterioration of the global economic outlook were able to arrest and ultimately reverse the trend of rising commodity prices. Food prices also rose through the middle of the year, before falling off their highs. Nonetheless, food prices did not decrease as much as those of metals and fuels.

The currency markets experienced a similar pattern as the commodity markets, including huge swings in exchange rates. The euro, which was already strong in relation to the U.S. dollar at the beginning of the year, continued to rise in value. After reaching an all-time high of about 1.60 dollars to the euro in April 2008, the exchange rate oscillated within a range of 1.53 and 1.60 dollars to the euro in the four months that followed. In the time from August to December, the exchange rate fell back to 1.25 dollars to the euro,

before rising again to about 1.40 at the end of the year. The euro was similarly strong against the British pound. Besides contending with its own real estate crisis, the British economy was especially hard hit by the global financial crisis as well. The Bank of England lowered interest rates at the very beginning of 2009. These factors weighed on the value of the British pound, causing it to plunge against the euro. Whereas the exchange rate had remained fairly steady until November, the pound has since fallen to almost one-to-one against the euro.

The global stock markets were caught up in the consequences of the financial crisis in 2008. Until the middle of the year, major world indexes like the Dow Jones, the NASDAQ, the S&P 500 and the Nikkei 225 held close to their levels at the start of the year. Thereafter, a moderate downward trend ensued, until the collapse of investment bank Lehman Brothers and the attendant worsening of the financial crisis accelerated the share price declines. The U.S. volatility indexes rose sharply, pointing to considerable uncertainty in the markets. In the period from mid-October to mid-November, the above-mentioned stock market indexes reached their preliminary lows for the year, from which they were able to recover somewhat before the end of the year. The Dow Jones Industrial Average dipped as low as 7,449.38, but closed the year on December 31, 2008 at 8,776.39 (beginning of 2008: 13,261.82), while the Nikkei 225 recovered from its low of 6,994.90 to reach 8,859.56 at the end of 2008 (beginning of 2008: 14,691.41).

As for the German stock market, the DAX lost about 40% of its value over the course of 2008. Thus, 2008 was the second-worst year in the 20-year history of this index. The only DAX stock that did not lose value in 2008 was Volkswagen, which gained about 60%. The biggest loser was Infineon Technologies, which lost 88% of its value in 2008. In fact, the DAX had

already lost about 1,600 points through February, driven by the news concerning the Munich-based real estate lender Hypo Real Estate and by fears of a recession. The quick and radical interest rate cuts of the U.S. central bank assuaged these fears somewhat through the middle of the year, preventing the stock markets from falling through their previous lows until the summer. Nonetheless, the continued progression of the financial crisis, and especially the collapse of Lehman Brothers, triggered a major sell-off of German stocks in September, as the DAX's volatility index reached a new all-time high of about 85 points. The DAX reached its low for the year of 4,014.60 in mid-November, before improving to 4,810.20 by the end of the year.

Developments in the financial services industry

The banking industry was severely strained by the financial crisis in 2008. The consequences of the globally spreading crisis were felt by every financial institution to some degree. Whereas in 2007, the financial problems were largely due to losses on real estate transactions, the losses spilled over to numerous business segments of the banks in 2008. The failures of Lehman Brothers, Washington Mutual (the biggest U.S. savings and loan institution) and three Icelandic banks seriously undermined confidence in the solvency of banks in general. Financing terms deteriorated further and the CDOs (Collateralized Debt Obligations), which were already considered problematic, continued to lose value, necessitating additional write downs. Another adverse factor affecting CDOs was the fact that there was little transparency with respect to the overall market. Furthermore, a growing number of borrowers had trouble repaying their debts, causing the number of loan defaults to rise. To account for the heightened credit risks, banks were compelled to recognize higher risk provisions. The investment banking business, which had been so extraordinarily successful to date, could not offer any relief because the investment banks were also forced to charge substantial

write downs as a result of the latest developments. The strains on their income statements and balance sheets prompted some major German banks to raise fresh equity capital.

Economic environment for direct banks

Even the online banks could not fully shield themselves from the consequences of the financial crisis. Because their business is generally geared to customer trading and investment activity, they were more burdened by secondary effects. Thus, some certificate issuers defaulted during the course of the year. Because these certificates are debentures, they are not covered by the deposit insurance fund. In addition, the direct banks were affected by the plummeting share prices in the stock markets because the commissions charged on the volume of securities investments were reduced. On top of these various factors, the general anxiety of their customers played a role as well. Thus, some customers transferred their money to branch banks to make them feel more secure. Aside from the negative effects, however, the advantages of the business model of the direct banks were revealed as well. In their core business, many online banks benefited from the heightened number of trades executed towards the end of the year. Experienced traders, who are likely to be customers of online banks, tend to be especially active in volatile markets, which had the effect of increasing the online banks' commission income. And unlike many large banks, which had to contend with capitalization problems, the German online banks were hardly affected by this problem.

Strategy: The Direct Bank for Investment Services

In 2009, DAB bank will continue to pursue its successful strategy of maintaining a strict focus on the business of securities-related services. Products such as current accounts and special interest rates on deposits only serve to complement the core offering. Based on the number of securities accounts maintained for customers and the volume of customer assets held in custody, DAB bank is the No. 1 direct bank for securities-related services. In 2009, we intend to expand our offering further and increasingly offer unique products and services as well.

Commitment to impartiality

DAB bank prides itself on the impartiality of its product selection. Our customers can purchase the products of nearly every issuer operating in Germany and Austria. They can choose from more than 7,000 investment funds, for example.

But DAB bank also provides guidance to its customers, helping them choose the right products for them from the abundance of investment products. Every month, DAB bank introduces new investment products, developed in cooperation with its product partners, to capitalize on the current market conditions. In this respect, DAB bank is very fast and agile. When global stock prices plunged in September 2008, for example, we developed and offered to our customers within only a few days a selection of term deposits designed to help them bridge the phase of market uncertainty.

Thus, the product offering of DAB bank is designed with only one goal in mind: the best interests of our customers. Particularly now, in the midst of great uncertainty in the financial markets, we are convinced this product strategy is the key to our continuing success as a company.

Further enhancement of customer satisfaction

DAB bank serves both individual investors, independent providers of financial services and institutional customers. To each group we offer a tailored selection of products and services.

We understand our customers and their needs. With the help of our CRM system in particular, we can offer to our customers precisely those products that suit their personal needs and investment objectives. That is yet another reason why our customers are so satisfied with DAB bank, according to the customer satisfaction surveys we conducted again in 2008. In 2009, we intend to focus on further enhancing the customer orientation of our employees and the quality of the service we provide on a daily basis, in order to further enhance the satisfaction of our customers.

Lasting commitment to employee development

There is a close link between the satisfaction of our customers and the motivation and qualifications of our employees. To improve our service quality even more, it is imperative that we have the most highly motivated, best-prepared employees in the business. To that end, we invested considerable resources in continuing education in 2008, and we will continue these efforts in 2009. After all, employees are the most important success factor for DAB bank.

Besides upgrading the professional qualifications of our employees, we established a transparent career track system. Under this new approach, experts and managers are treated equally with respect to development opportunities.

In our daily work with each other and with our customers, we are bound by the values we have set for ourselves: respect, honesty, responsibility, cooperation, civil courage, constructive criticism, trust, standing by our commitments, authenticity and work-life balance.

At DAB bank, we rely on these fundamental values and on a corporate culture that serves as a binding standard of conduct for every manager and employee to ensure that we will always be capable and adaptable. That way, we will always be able to offer the very best products and services for investment, retirement planning and trading to our customers.

Business performance and key indicators

Securities accounts carried for customers

At December 31, 2008, the DAB bank Group carried a total of 1,091,013 securities accounts for its customers, that being 15,309 fewer than the corresponding year-ago figure (end of 2007: 1,106,322). This decrease occurred entirely at FondsServiceBank, where the number of securities accounts was deliberately reduced by 33,663 to 471,299 (end of 2007: 504,962), according to plan. On a positive note, the number of securities accounts carried for customers of our B2B and B2C units increased from the previous year. In the B2B segment, we carried a total of 116,206 securities accounts, reflecting an increase of about 1.6% over the previous year (end of 2007: 114,375). Furthermore, the number of securities accounts carried for the individual investors of our B2C unit showed a net increase of 3.4% or 16,523 accounts, rising to 503,508 securities accounts at the end of 2008 (end of 2007: 486,985). In both cases, the biggest increases occurred in the fourth quarter.

In Germany, we carried a total of 1,037,990 securities accounts at December 31, 2008 (end of 2007: 1,055,359). In Austria, our subsidiary direktanlage.at posted a net increase of 2,060 securities accounts, bringing the total to 53,023 (end of 2007: 50,963).

Securities accounts

		2008	2007	Change in %
Securities accounts	No.	1,091,013	1,106,322	-1.4
Germany	No.	1,037,990	1,055,359	-1.7
Austria	No.	53,023	50,963	4.0

Trades executed

The uncertainty in the international financial markets and the falling asset prices exerted an impact on every aspect of our customers' trading behavior in 2008. In the period from February to mid-September, investors were rather uniformly restrained in their trading activity; but after the bankruptcy filing of Lehman Brothers, the markets were extremely volatile. As a result of this volatility in October and anticipation effects related to the impending flat-rate withholding tax on investment income in December, the fourth quarter saw the highest number of trades executed in all segments. All together, 9,235,034 trades were executed via DAB bank in 2008 (2007: 11,507,017), indicative of a 19.7% decrease from the comparable year-ago figure. The reduced trading activity of customers was observable in all segments. On a Group wide basis, our B2C customers executed a total of 4,426,682 trades in 2008, 10.8% fewer than the year before (2007: 4,961,060). Of this number, 3,550,775 trades were executed in Germany (2007: 4,022,423) and 875,907 in Austria (2007: 938,637).

In the B2B segment, a total of 784,202 trades were executed in 2008, 20% fewer than in the previous year (2007: 979,788). At 598,869, the number of trades executed in Germany was 24.6% less than the previous year (2007: 793,951), while the trades executed in Austria were little changed, at 185,333 (2007: 185,837). A total of 4,024,150 trades were executed by FondsServiceBank for its customers, indicative of a 27.7% decrease from the

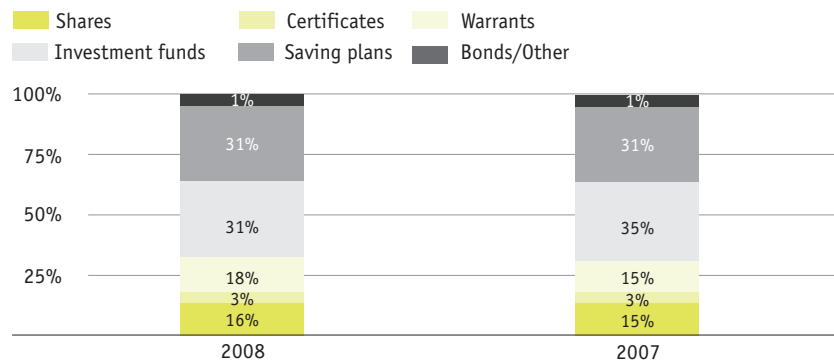
Securities trades

		2008	2007	Change in %
Securities trades	No.	9,235,034	11,507,017	-19.7
Germany	No.	8,173,794	10,382,543	-21.3
Austria	No.	1,061,240	1,124,474	-5.6

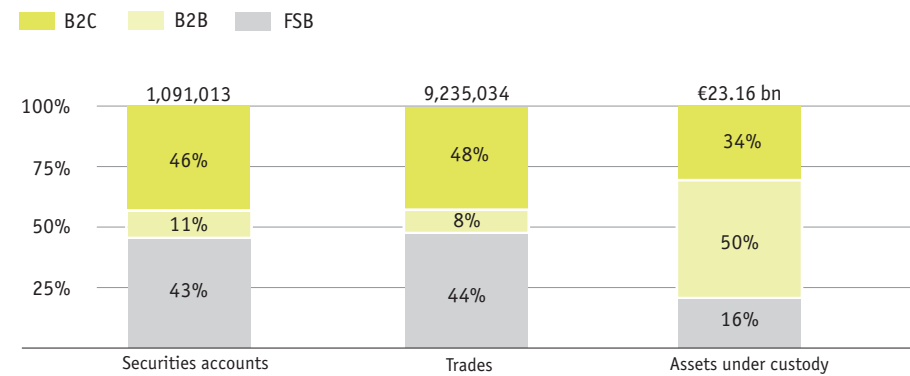
previous year (2007: 5,566,169), which had been planned. As a result of the market turmoil, both the German and the Austrian customers of the DAB bank Group executed fewer trades in 2008. In Germany, including FondsServiceBank, our customers executed a total of 8,173,794 trades, 21.3% fewer than in the previous year (2007: 10,382,543). In the B2B and B2C units in Germany, this figure came to 4,149,644 (2007: 4,816,374), indicative of a 13.8% decrease. In Austria, our customers executed a total of 1,061,240 trades, 5.6% fewer than in the previous year (2007: 1,124,474).

On a Group wide basis, the number of trades executed per account per year declined from 10.84 in 2007 to 8.43 in 2008. Excluding FSB's business, this ratio came to 8.58 (2007: 10.49). In Germany, our customers executed 7.83 (7.47 excluding FondsServiceBank) trades per securities account per year (2007: 10.23; excluding FondsServiceBank 9.27). In Austria, our customers executed 20.41 trades per securities account per year (2007: 24.12).

Trades by category of securities (Germany) in % (B2C, B2B, FondsServiceBank)



Securities accounts, trades and assets under custody subdivided into B2C, B2B and FondsServiceBank



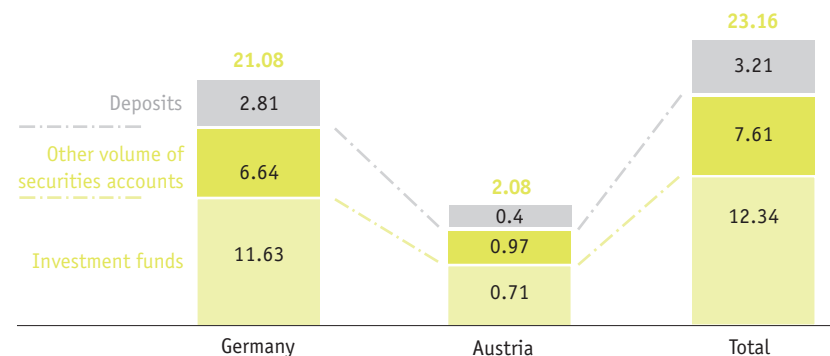
Customer assets

At €23.16 billion, the volume of customer assets held in custody at the end of 2008 was lower than the corresponding year-ago figure by 29.4% or €9.66 billion. On a Group wide basis, the volume of customer assets held in securities accounts amounted to €19.95 billion, that being €9.08 billion less than the corresponding year-ago figure. At €12.34 billion, the volume of customer assets held in investment funds was €5.78 billion less than the year-ago figure. The volume of customer assets in deposit accounts amounted to €3.21 billion, down from €3.79 billion in the previous year.

On a Group wide basis, we held assets worth €7.93 billion for our B2C customers (32.2% less than 2007). Of this amount, Germany accounted for €6.65 billion (down 31.1%), and Austria accounted for €1.28 billion (down 37.6%). The volume of customer assets held for customers of our B2B unit also decreased from the year-ago figure, albeit not as much as in the B2C unit, to €11.47 billion, that being 22.5% less than the year-ago figure. For Germany, this figure was €10.67 billion (down 23.3%) and for Austria, it was €0.8 billion (down 11.1%). At FondsServiceBank, the volume of customer assets declined from €6.31 billion at year-end 2007 to €3.76 billion at year-end 2008.

In Germany, we held total customer assets of €21.08 billion at year-end 2008 (down 29.4%). In Austria, this figure came to €2.08 billion (down 29.5%).

Volume of securities accounts and deposits in € bn



Volume of securities accounts and deposits

		2008	2007	Change in %
Volume of securities accounts and deposits	€ bn	23.16	32.82	-29.4
Germany	€ bn	21.08	29.87	-29.4
Austria	€ bn	2.08	2.95	-29.5
Volume of securities accounts	€ bn	19.95	29.03	-31.3
Germany	€ bn	18.27	26.56	-31.2
Austria	€ bn	1.68	2.47	-32.0
thereof in investment funds	€ bn	12.34	18.12	-31.9
Germany	€ bn	11.63	17.20	-32.4
Austria	€ bn	0.71	0.92	-22.8
Deposits	€ bn	3.21	3.79	-15.3
Germany	€ bn	2.81	3.31	-15.1
Austria	€ bn	0.40	0.48	-16.7

B2C (business-to-consumer)

		2008	2007	Change in %
Securities accounts	No.	503,508	486,985	3.4
Germany	No.	465,855	449,479	3.6
Austria	No.	37,653	37,506	0.4
Trades executed	No.	4,426,682	4,961,060	-10.8
Germany	No.	3,550,775	4,022,423	-11.7
Austria	No.	875,907	938,637	-6.7
Volume of securities accounts and deposits	€ bn	7.93	11.70	-32.2
Germany	€ bn	6.65	9.65	-31.1
Austria	€ bn	1.28	2.05	-37.6
Volume of securities accounts	€ bn	6.33	9.88	-35.9
Germany	€ bn	5.34	8.22	-35.0
Austria	€ bn	0.99	1.66	-40.4
thereof in investment funds	€ bn	1.95	2.90	-32.8
Germany	€ bn	1.69	2.48	-31.9
Austria	€ bn	0.26	0.42	-38.1
Deposits	€ bn	1.60	1.82	-12.1
Germany	€ bn	1.31	1.43	-8.4
Austria	€ bn	0.29	0.39	-25.6

SRQ FinanzPartner AG

		2008	2007	Change in %
Customer assets under custody	€ bn	1.09	1.05	3.8
thereof in securities accounts and deposits	€ bn	0.55	0.63	-12.7
thereof other volume	€ bn	0.53	0.42	26.2
Number of customers served	No.	10,333	8,518	21.3
thereof securities account customers	No.	7,150	5,848	22.3
Number of employees	No.	122	128	-4.7
Financial planners	No.	108	117	-7.7
Pretax profit	k€	207	166	24.7

SRQ was included in the consolidated financial statements of the DAB bank Group for the first time as of February 28, 2007.

B2B (business-to-business)

		2008	2007	Change in %
Financial intermediaries	No.	1,071	1,036	3.4
Germany*	No.	879	864	1.7
Austria	No.	192	172	11.6
Securities accounts	No.	116,206	114,375	1.6
Germany	No.	100,836	100,918	-0.1
Austria	No.	15,370	13,457	14.2
Trades executed	No.	784,202	979,788	-20.0
Germany	No.	598,869	793,951	-24.6
Austria	No.	185,333	185,837	-0.3
Volume of securities accounts and deposits	€ bn	11.47	14.81	-22.5
Germany	€ bn	10.67	13.91	-23.3
Austria	€ bn	0.80	0.90	-11.1
Volume of securities accounts	€ bn	9.89	12.86	-23.1
Germany	€ bn	9.20	12.05	-23.6
Austria	€ bn	0.69	0.81	-14.8
thereof in investment funds	€ bn	6.66	8.93	-25.4
Germany	€ bn	6.21	8.43	-26.3
Austria	€ bn	0.45	0.50	-10.0
Deposits	€ bn	1.58	1.95	-19.0
Germany	€ bn	1.47	1.86	-21.0
Austria	€ bn	0.11	0.09	22.2

* FondsServiceBank contains duplicate listings

FondsServiceBank

		2008	2007	Change in %
Germany				
Financial intermediaries	No.	30	35	-14.3
Securities accounts	No.	471,299	504,962	-6.7
Trades executed	No.	4,024,150	5,566,169	-27.7
Securities accounts and deposits	€ bn	3.76	6.31	-40.4
Volume of securities accounts	€ bn	3.73	6.29	-40.7
thereof in investment funds	€ bn	3.73	6.29	-40.7
Deposits	€ bn	0.03	0.02	50.0

Operating results

After five consecutive years of rising profits, the profit posted for 2008 was lower than the prior-year figure (the profit for 2007 having been especially high), due to the extremely difficult economic conditions of last year. Nonetheless, DAB bank posted a positive consolidated profit for 2008. The consolidated pretax profit according to IFRS was €11,487 thousand, 74.8% lower than the prior-year figure of €45,515 thousand. As a result of the situation in the financial markets, we recognized valuation losses in our financial investment portfolio of €28,083 thousand in the third quarter of 2008. Adjusted for this exceptional effect, the pretax profit for 2008 would have been €39,570 thousand, indicative of the fact that DAB bank continued to demonstrate strong operating profitability in 2008. The profit after taxes and net of minority interests (net profit for the year) was €8,359 thousand (PY: €25,711 thousand), 67.5% lower than the prior-year figure.

The earnings per share came to €0.11 (PY: €0.34).

Dividend distribution

At the annual shareholders' meeting to be held on May 14, 2009, the Management Board and Supervisory Board will propose distributing the consolidated unappropriated net profit for fiscal year 2008 according to IFRS of €8,271 thousand (PY: €25,564 thousand). This amount will correspond to a dividend of €0.11 per share (PY: €0.34 per share). By distributing a dividend, the management wishes to underscore the sustainability of DAB bank's profitability even under extremely difficult market conditions and to reaffirm the importance of maintaining continuity in the bank's dividend policy.

Net financial income

The net financial income for 2008 amounted to €28,363 thousand (PY: €36,888 thousand). The net interest income before credit risk provisions showed an extremely positive development, despite the lower volume of customer deposit balances. At €54,549 thousand, this figure was 27.2% higher than the corresponding prior-year figure (PY: €42,881 thousand). The write-downs of securities held in the trading book in connection with the DAB bond and hedge fund certificate market caused a trading loss of €5 thousand (PY: trading profit of €949 thousand). Due to the difficult state of the financial markets, the realized and unrealized losses contained in the net loss from investments, which consisted mainly of interest-oriented securities in the bank's proprietary holdings, came to €26,181 thousand (PY: €6,942 thousand). The net loss from investments was heavily influenced by the realized valuation losses of €28,083 thousand in the third quarter of 2008.

Credit risk provisions

An addition to the credit risk provisions of €761 thousand was offset in part by a reversal of €390 thousand, so that the net addition to the credit risk provisions came to €371 thousand. This measure reflected the declines in all key stock indexes. The total recoveries on charged-off receivables amounted to €59 thousand.

Net commission income

On a Group wide basis, the net commission income for fiscal year 2008 amounted to €108,419 thousand, that being €142,980 thousand less than the corresponding prior-year figure. This decrease was caused primarily by the significant declines in the number of trades executed and in the volume of customer assets held as a result of the weak state of the stock markets. Before netting, the commission income and commission expenses declined by nearly the same amounts. The high proportion of trading-independent

income helped to stabilize the net commission income, providing yet more evidence that DAB bank is well positioned even for an extremely difficult market environment.

Administrative expenses

In fiscal year 2008, the administrative expenses of the DAB bank Group amounted to €129,206 thousand, that being 8.4% less than the corresponding prior-year figure (€141,019 thousand). This reduction resulted in part from the additional cost reduction measures that were initiated in the meantime, but also in part from the decline in the level of operating activity. The reduction in the administrative expenses was proportional to the decrease in the total operating income (-8.3%).

At €41,149 thousand, the personnel expenses for 2008 were nearly unchanged from the previous year (PY: €41,438 thousand). We are convinced that the quality of the services provided by DAB bank is critically dependent on our employees, and therefore we will continue to invest significant resources in their development.

In fiscal year 2008, the depreciation and amortization of property, plant and equipment and intangible assets amounted to €9,734 thousand, 13.2% higher than the corresponding prior-year figure (PY: €8,601 thousand).

At €78,323 thousand, the other administrative expenses for 2008 were 13.1% less than the corresponding prior-year figure (PY: €90,080 thousand). This decrease was caused primarily by the lower expenses for securities clearing and settlement, due to the lower number of trades executed, and by the reduced communication and marketing expenditures.

Pretax profit

The total pretax profit for 2008 amounted to €11,487 thousand (PY: €45,515 thousand). To this amount, DAB bank AG contributed €66 thousand (PY: €30,731 thousand), direktanlage.at AG €11,017 thousand (PY: €14,618 thousand) and SRQ FinanzPartner AG €404 thousand (PY: €166 thousand). The pretax profit of DAB bank AG was heavily influenced by the one-time, negative valuation effects of €28,083 thousand charged in the third quarter of 2008, which were presented in the net financial income/expenses. Due to the difficult market environment, the results of our subsidiaries were likewise less than or close to the respective prior-year figures.

Net profit after taxes

After consideration of income taxes, the consolidated net profit after taxes came to €8,486 thousand (PY: €25,818 thousand). After deducting the minority interests of SRQ FinanzPartner AG, the net profit for the year came to €8,359 thousand (PY: €25,711 thousand). Accordingly, the earnings per share were €0.11 (PY: €0.34).

Cost-income ratio

The cost-income ratio for the past fiscal year was 91.8%, higher than the prior-year cost-income ratio of 75.6%. This increase was mainly caused by the fact that the decrease in the total income was greater than the decrease in the total expenses. Once the market situation normalizes, we believe that DAB bank can still achieve a cost-income ratio of less than 75%.

On a Group wide basis, the total income applied for purposes of the cost-income ratio amounted to €140,693 thousand in 2008 (PY: €186,553 thousand) and the corresponding expenses amounted to €129,206 thousand (PY: €141,019 thousand).

Balance sheet and financial position

Total assets and specific balance sheet items

At December 31, 2008, the total assets of DAB bank amounted to €3,866,651 thousand (PY: €4,294,645 thousand). The decrease from the prior-year figure resulted mainly from a decline in customer deposits.

The receivables due from customers in the amount of €268,572 thousand were much lower than the corresponding prior-year figure (PY: €421,402 thousand). The credit risk provisions increased by 23.3%, to reach €1,863 thousand (PY: €1,511 thousand). Whereas the receivables due from banks of €1,282,764 thousand were 21.6% higher than the prior-year figure of €1,055,324 thousand, the financial investments of €2,123,224 thousand were 17.1% lower than the corresponding figure of €2,561,722 thousand at December 31, 2007. In a related development, the liabilities due to customers declined as well. At the balance sheet date, the liabilities due to customers amounted to €3,261,371 thousand, 16.4% less than the prior-year figure (PY: €3,899,576 thousand). The subordinated capital was nearly unchanged from the prior year. At the balance sheet date, the consolidated equity amounted to €165,189 thousand, as compared with €181,881 thousand at the end of the previous year. After payment of the planned dividend, the consolidated equity will come to €156,918 thousand.

Legislative environment

Again in 2008, numerous important European directives were transposed into German law. In addition to the further adjustments made to internal regulatory structures subsequent to the implementation of the EU Markets in Financial Instruments Directive (MiFID), preparations were made in 2008 for the introduction of uniform payment services on the basis of the EU Payment Services Directive. The adoption of the new law for combating money laun-

dering and terrorist financing, as required by the Third EU Anti-Money Laundering Directive, gave rise to many new formal requirements, the implementation of which will pose challenges for the banking industry and its customers. Furthermore, DAB bank was compelled to devote considerable resources to the necessary technical and organizational preparations for the introduction of the flat-rate withholding tax on investment income on January 1, 2009.

In 2009, the transposition of the EU Consumer Loans Directive into national law and the continued steps to create the legal basis for a uniform payment system conformant with the EU Payment Services Directive will necessitate additional, far-reaching changes in civil law and regulatory law. Thus, DAB bank will be required to devote considerable resources to the implementation of these new laws again in 2009.

Key regulatory ratios of DAB bank AG

The regulatory requirements of the new Basel II Accord on capital adequacy standards, the transposition of which into German law is governed by the Bank Solvency Regulation (SolV), was applied by DAB bank AG for the first time as of January 1, 2008. DAB bank AG has decided to apply the Standard Measurement Approach for measuring its credit risks. For measuring its operational risks, DAB bank continued to apply the standard measurement approach in 2008, but will switch to the Advanced Measurement Approach (AMA) during the course of 2009.

The Group-level monitoring of key regulatory ratios is now performed exclusively by the parent company of DAB bank AG, Bayerische Hypo- und Vereinsbank AG, Munich. This treatment accords with Section 10a of the German Banking Act (KWG) in conjunction with Section 25 Para. 2b of the German Large Exposures and Multimillion Loan Regulation (GroMiKV).

At DAB bank AG, the regulatory core capital is planned on the basis of the available capital and the capital charges required to cover default risks, operational risks and market risk positions.

In addition, DAB bank plans on the basis of the overall ratio according to the SolvV, which is calculated as the ratio of available capital to capital charges, multiplied by 8.

DAB bank does not actively manage its capital on the basis of the core capital ratio because the liable equity is mainly composed of core capital, with the logical consequence that the differences between the two ratios is minimal.

Compliance with the key regulatory ratio is monitored every day. DAB bank was in compliance with these ratios at all times in 2008.

The liable equity of DAB bank AG, which is determined on the basis of German commercial law, amounted to €95 million. The capital charges for default risks declined from €65 million in 2007 to €53 million in 2008.

The capital charges for operational risk amounted to approximately €17 million for 2008, as compared to approximately €16 million in the previous year, while the capital charges for market risk positions decreased slightly from €0.64 million in the previous year to €0.58 million in 2008.

Based on the foregoing, the overall ratio according to the SolvV came to 10.8%, slightly higher than the corresponding ratio for the previous year (9.3%). This figure is still well above the minimum ratio of 8.0% prescribed by banking regulations.

For banking regulation purposes, a bank's liquidity is measured by means of the liquidity ratio prescribed by the Liquidity Regulation. This ratio is calculated as the ratio of cash available within one month to the payment obligations falling due within the same period. A bank's liquidity is considered to

be adequate when this ratio is at least 1.0. For DAB bank AG, this ratio came to 3.08 at December 31, 2008 (PY: 4.88). Thus, this regulatory requirement was likewise met. The change in the liquidity ratio from the previous year resulted mainly from the reduction of investments in securities in favor of increased money market investments.

DAB bank AG is a member of the German deposit insurance fund of the German banker's association Bundesverband deutscher Banken e.V., Cologne. Under the deposit insurance fund, the cash deposits of every customer of DAB bank are insured up to an amount of currently €28.45 million.

Our employees

As usual, our employees performed outstanding work in 2008.

The workforce of the DAB bank Group rose slightly from 704 persons at year-end 2007 (643 full-time equivalents) to 712 persons at year-end 2008 (646 full-time equivalents). At December 31, 2008, DAB bank had 532 full-time employees in Germany (2007: 527) and direktanlage.at had 114 employees in Austria (2007: 116). The average age of the employees of DAB bank AG is 35.2. The average length of service with the company is about 5.2 years.

As a rule, all our employees receive a fixed salary component and a variable component that depends on the company's results and the employees' performance. The amount of variable compensation awarded is determined with reference to the employees' organizational position. In this respect, skilled experts are treated the same as managers. The salary components of the

members of the Management Board of DAB bank are also geared to this structure. For detailed information on the Management Board salaries, please refer to Note 71 in the notes to the financial statements. A similar system of variable compensation components based on the company's results and the employees' performance is practiced at direktanlage.at in Austria and at SRQ.

Employees¹

		2008	2007	Change in %
Employees (headcount)	No.	712	704	1.1
Germany	No.	585	579	1.0
Austria	No.	127	125	1.6
Employees (full-time) ²	No.	646	643	0.5
Germany	No.	532	527	0.9
Austria	No.	114	116	-1.7

¹ The employee numbers presented in the Annual Report for 2007 did not contain the employees of SRQ. Those numbers were 693 employees (headcount) or 632 employees (full-time equivalents).

² Employee capacity = Country-specific full-time equivalent

Events after the balance sheet date

Effective January 5 and February 2, 2009, respectively, DAB bank AG purchased additional shares for a purchase price of €3,099 thousand under the terms of the purchase agreement and the related agreements concerning option rights that were concluded with SRQ FinanzPartner AG (SRQ). Thus, DAB bank holds 81.61% of SRQ's equity. The carrying amount of this investment is €8,984 thousand. No incidental costs were incurred in connection with this transaction. The difference between the acquisition cost and the remeasured value of assets and liabilities at the date of initial consolidation (February 28, 2007), in the proportion corresponding to the new shareholding percentage of DAB bank AG, that difference being €6,919 thousand, will be presented as goodwill in future periods. Concerning the assets and liabilities of SRQ acquired at the initial consolidation date, please refer to page 124 of the Annual Report for 2007.

Report on relationships with related parties

At December 31, 2008, UniCredit S.p.A., Rome, Italy, indirectly held, through its majority interest in Bayerische Hypo- und Vereinsbank AG, Munich (HVB), and HVB directly held 76.36% of the equity in DAB bank AG. By virtue of this majority holding, DAB bank is a directly dependent subsidiary of HVB. The voting rights connected with this investment are ascribed to UniCredit S.p.A. in accordance with Section 21 (1) and Section 22 (1) (1) (1) of the German Securities Trading Act ("WpHG"). A management control agreement does not exist. In accordance with the requirements of Section 312 of the German Stock Corporation Act ("AktG"), the Management Board of DAB bank prepared a report on the relations with affiliated companies for the 2008 financial year (known as the Dependency Report), which closes with the following declaration:

"Our company has received appropriate consideration for every transaction listed in the report on the relationships with affiliated companies, according to the circumstances known to us at the time of each such legal transaction. No other actions within the meaning of Section 312 of the Stock Corporation Act (AktG) were taken or omitted."

Disclosures according to Section 315 (4) HGB

With regard to the disclosures according to Section 315 (4) HGB, please refer to our comments in the notes to the financial statements.

Risk report

Risk monitoring and management system of DAB bank

Basic factors affecting the Group-wide monitoring and management of risk

The conscious assumption of risk is an important element of the banking business. Generally speaking, it is not possible for banks to generate income without incurring some risk. In today's environment, an increasingly critical success factor for banks is their ability to identify the opportunities and risks arising in the course of their business and to protect and preserve their long-term profitability and capacity to pay dividends, by means of suitable monitoring and control processes on the basis of a differentiated risk measurement policy, while also taking the given capital resources into account. Thus, the success of our Group depends to a large extent on our ability to identify, manage and monitor the risks that arise in the course of our business activities.

An important characteristic of our risk management process is the close correlation of profitability and risk considerations in all areas of our business. DAB bank possesses a clearly defined, broad-based risk management and controlling system, which is integrated into the overall management of our business and anchored in suitable organizational structures. In connection with the steering principle, risk capital is allotted to the risk categories and to the Group's organizational units, which are expected to earn a certain rate of return on these assets, based on return expectations of the capital market. The employees of our group are highly conscious of risks and are actively involved in the risk management and controlling system.

The following twelve principles describe the core components of the risk management and controlling system of DAB bank.

▶ Principle I: Responsibility of the senior management for the strategy of the bank

The management adopts the strategy that takes into account the bank's willingness to assume risk and the desired risk-return ratio. This strategy also forms the basis for the economic capital calculation and the consistent limit structure.

Moreover, it is a basic prerogative of the management to establish the business goals of the company and incorporate them into the overall strategy. Besides the fundamental objectives that are pursued in the bank's commission, lending and trading activities, the management will also adopt goals regarding the desired structure of portfolios, based on risk-return considerations, and manage the bank's business on the basis of risk-return indicators, tracked by means of suitable reporting instruments.

The senior management and department managers are responsible for establishing organizational structures that properly reflect the prevailing factors and conditions affecting the management of risk and for initiating suitable measures, including organizational directives and instructions, to implement the strategy.

▶ Principle II: Clear definition of organizational structure and of the risk management and controlling process

The roles and responsibilities of all persons involved in the risk process, from the senior management to every employee in the departments and serving on the committees, are clearly defined by means of an appropriate organizational structure, such that all kinds of risk that are relevant to the business of DAB bank are covered.

The reporting channels are transparent and the relevant reports are published for everyone in the bank. All requirements imposed by law on the organizational structure, including the principle of dual control, the protection of the confidentiality of data and information and the avoidance of conflicts of interest are observed on all levels of the organizational hierarchy.

▶ Principle III: Separation of functions

With respect to the risk management and controlling process, the following three principles are observed in order to assure objectivity and, at the same time, to avoid conflicts of interest:

1. The risk controlling function (including responsibility for methods and quality controlling of risk-relevant data) is completely independent of the risk management function.
2. The decentralized management of specific individual risks (credit risk management) is kept separate from centralized portfolio management, according to the definition set forth in the Minimum Requirements for the Risk Management of Banks in Germany (MaRisk).
3. In the lending business, the approval procedures in the process of individual risk management are designed to assure the risk-appropriate separation of functions. To this end, the responsibilities are divided among the departments involved in a sensible and risk-appropriate manner.

▶ Principle IV: Heightened risk awareness and culture

DAB bank has established an appropriate organizational structure and regularly takes steps, including the provision of training courses and lectures to promote in all its employees on all levels of the organizational hierarchy a heightened, comprehensive awareness of risk, also for issues that do not relate directly to their specific area of work, and an appropriate culture of risk awareness. The efficacy of the risk management and controlling system is evaluated continually by the Internal Audit Department.

▶ Principle V: Reliable risk management

The consideration of relevant risks is an essential part of every business decision. All activities that are capable of giving rise to relevant risks for DAB bank are managed by way of appropriate guidelines and by limits, when the risk in question is quantifiable. Criteria, framework conditions and directives have been established for every risk category and they must be followed on the operating level. These criteria, conditions and directives are meant to ensure that all risk-prone activities remain within the limits established by the management and regulatory authorities. The framework conditions and directives are continually reviewed and provided to employees in a suitable form.

▶ Principle VI: Comprehensive risk and limit monitoring

A Group-wide uniform system of limits has been established for all quantifiable risk categories and all business segments. This system also entails the measurement and continuous monitoring of risks under consideration of diversification effects. Quantifiable risks are subject to maximum loss limits, which, upon being approved by the full Management Board, are applied as inputs to the economic capital calculation of DAB bank. The utilization of this general limit for the given risk categories (risk capital) is checked against the available risk coverage assets on a quarterly basis.

If and when such limits are exceeded, a strict, clearly defined system of escalation processes has been defined, so that limit violations can be promptly corrected or the limit in question adjusted.

Non-quantifiable risks are analyzed and continually monitored on the basis of various qualitative criteria. Furthermore, appropriate corrective action is taken if and when deficiencies are discovered in the risk management process.

▶ Principle VII: Allocation of economic capital in conjunction with budgets and risk limits

The allocation of capital to the different risk categories is based on the analysis of the economic risk capital and is closely tied in with the budgeting and limit-setting process. The risk capital is divided up among risk categories. This process supports the goal of managing the company's business with reference to the agreed risk-return indicators, while also controlling the risk propensity of DAB bank. It is completely integrated with other managerial processes such as strategic planning, budgeting and income measurement.

▶ Principle VIII: Risk communication and reporting

Identified risks are openly and activity communicated to the applicable areas of responsibility. In addition, the management of DAB bank is given extensive, timely information about the company's risk profile in the individual risk categories and about profits and losses based on our internal management information system. The Supervisory Board is provided with the information it needs to fulfill its oversight function in accordance with the requirements of law.

The internal risk reporting and communication activities are supplemented by external risk disclosures, which are geared to the regulatory requirements and designed to ensure compliance with those requirements.

▶ Principle IX: Implementation of an up-to-date, complete and secure risk information system

The existing information channels assure the complete and timely flow of relevant and internally consistent risk information, which is an essential prerequisite for the appropriate management and supervision of risks within DAB bank.

▶ **Principle X: The entire risk process is supported by qualified experts**

The management ensures that the entire risk process is actively managed and supported by qualified experts continually. The qualifications of the employees in question and the scope of support they provide are appropriate for the complexity and extent of the risks incurred.

▶ **Principle XI: Verifying the effectiveness of risk monitoring**

Appropriate and effective control mechanisms have been implemented for all key processes. These mechanisms are regularly checked and monitored by the employees who are directly or indirectly connected with the controls. The control mechanisms consist of directives and procedures for the identification, measurement, analysis and estimation of risks, and for active risk management, monitoring and reporting. In addition, the Internal Audit Department, as a process-independent instance, certifies the suitability of the risk management and controlling system and verifies compliance with existing procedures. These measures serve to ensure the functionality and effectiveness of the entire risk management and controlling system, as well as related procedures.

▶ **Principle XII: Contingency planning**

All significant departments of DAB bank are in possession of documented plans that are appropriate for their respective activities in order to ensure the continuation of their business processes (contingency planning) and avoid an interruption of normal business activities or minimize any delays that may occur. In the past fiscal year, all required contingency plans were identified centrally and stored in a database.

Structure of the risk management and monitoring system, responsible boards

Risk management

We understand risk management to mean the formulation and further development of the risk strategy of DAB bank, as well as the operational implementation of that strategy by the units of the company which carry risk, on the basis of the available risk covering potential. The business divisions implement the defined risk strategy under their own accountability, by assuming risk in a targeted and controlled manner. To this end, DAB bank has instituted a comprehensive system of limits.

The Management Board of DAB bank is responsible for strategy development. It is the duty of the Management Board to define and establish the principles, directives, processes and responsibilities for the internal control system in such a way as to ensure that all business transactions are correctly recorded at all times and the system provides reliable, continuous information on the company's financial situation, for internal and external use. The risk policy of DAB bank is commensurate with the business objective of generating sustainable growth and enhancing the company's value. In this regard, we strive to minimize risks. Because risk management is integrally linked with the strategy planning and execution process, our risk policy is dictated by the Management Board. On an operational level, the risk strategy and related dictates of the Management Board are implemented in the various departments of the bank, and in the credit and investment committees.

The organizational units responsible for risk management are organizationally and functionally separated from the back-office departments (settlement, risk controlling and accounting) throughout the Group.

The credit risk strategy is operationally implemented in the operating units and by the Credit Committee. At DAB bank, loan exposures larger than €2 million are approved by the Credit Committee. The Credit Committee currently consists of eight members, including the full Management Board. In accordance with the Minimum Requirements for the Risk Management of Banks (MaRisk) issued by the German Financial Services Supervisory Office (BaFin), the committee is structured in such a way that the back-office loan approval instance cannot be overruled. To be approved, any loan exposure must be compatible with the credit risk strategy of DAB bank, as adopted by the senior management, and with the risk coverage capacity of the bank, based on their analysis of the situation from the viewpoint of business strategy.

The liquidity strategy is operationally implemented in the operating units and by the Credit Committee. The Investment Committee bears the ultimate responsibility for shaping the liquidity and investment strategy. This committee is composed of the full Management Board and the Head of Finance & Controlling. It usually meets once a week. In these meetings, the committee members evaluate the composition of the investment portfolio and the recent value changes with reference to the defined targets, and make adjustments where necessary. The Investment Committee also discusses the development of the net financial income, which is composed of the net interest income or expenses, the net trading profit or loss and the net investment income or expenses, as well as measures to control the performance of this key indicator. The Investment Committee sees to it that DAB bank always has sufficient liquidity.

Risk controlling

At DAB bank, Risk Controlling is a central corporate department that is responsible for ensuring the transparency of the operating results and risks of DAB bank. In particular, Risk Controlling is responsible for identifying, analyzing, measuring, limiting and monitoring the risks of the bank, for keeping the Management Board informed of developments in this area, and for monitoring and updating the risk parameters and models. In addition, Risk Controlling is responsible Group wide for defining, quantifying, aggregating and monitoring the components of risk capital and their utilization for risk purposes, and for implementing uniform Group wide standards in consideration of the applicable legal and regulatory requirements.

In particular, the Risk Controlling department bears Group wide responsibility for keeping records of the risk categories of market risk, counterparty and issuer risk and business risk, as well as the non-quantifiable risks of DAB bank.

Risk Controlling is functionally and organizationally independent of market functions and reports directly to the Head of Finance & Controlling, which monitors the operational risk and liquidity risks directly.

Internal Audit

DAB bank takes the necessary steps within its organizational structure to ensure the presence of effective internal controls. The internal control system consists of the process-dependent Internal Control System (ICS) and the process-independent Internal Audit department.

As an internal department that reports directly to the Management Board, Internal Audit monitors and evaluates the effectiveness and adequacy of risk management in general and the internal control system in particular, as well as the adequacy of basically all the activities and processes of DAB bank. Internal Audit also provides advice and support in projects, without compromising its independence and by taking steps to avoid conflicts of interest.

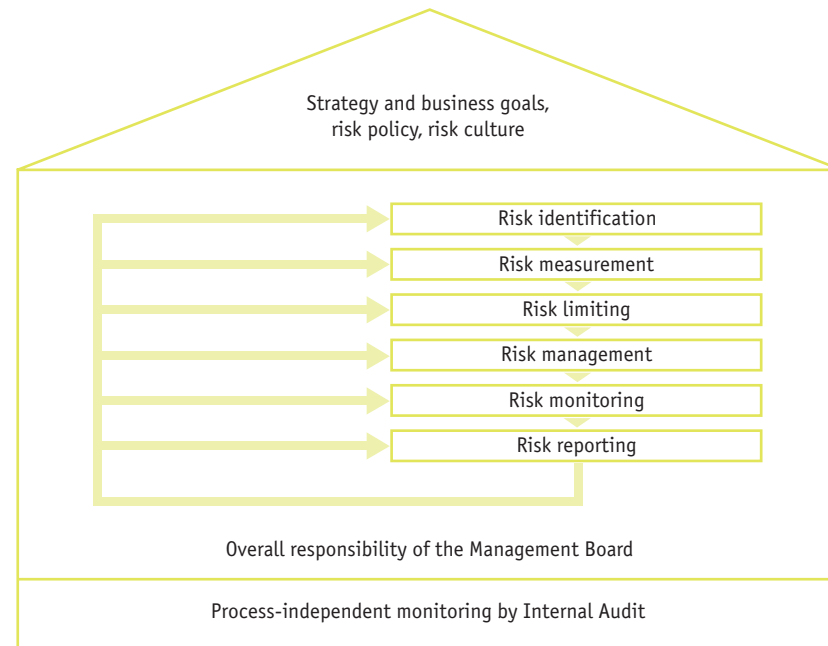
In accordance with the MaRisk regulations, all activities and processes of DAB bank, even those that have been outsourced, are audited at appropriate intervals of time, but not less than once every three years. Any special risks are evaluated at least once a year. All the activities of Internal Audit are designed to prevent losses for the bank and its customers and to optimize the efficiency and profitability of business processes.

The targets of internal audits are determined on the basis of a risk-oriented, annually updated audit plan that takes the risk content of the processes into account.

To allow for comprehensive monitoring of the entire group, the Internal Audit departments of DAB bank AG, direktanlage.at AG and SRQ AG operate under the functional authority of the Internal Audit department of DAB bank AG.

Description of the risk management and controlling process

The graphic below illustrates the risk management and controlling process of DAB bank, which is basically applicable to all risk categories and all units of the Group.



The Management Board is responsible for adopting the strategy, business goals and risk policy of the bank, after consulting with the Supervisory Board.

The business strategy and risk policy of DAB bank aim to preserve an appropriate balance between risk and return. Consequently, the risk policy also governs the basic rules of interaction between the units operating in the market and the Risk Controlling department. To this extent, the risk policy governs the implementation of business goals in the operating units in consideration of the attendant risks. New risk drivers, in the form of new products or markets, for example, are assessed and approved in accordance with a defined process. Final approval lies with the senior management.

Instilling and maintaining an appropriate risk culture is a crucial prerequisite for the successful implementation of the business strategy and risk policy. The risk culture encompasses risk-adjusted resource allocation, the employee compensation system, the performance appraisal system, recruitment and hiring, employee development, internal communications and sanction mechanisms.

- ▶ Risk-adjusted resource allocation: To ensure an appropriate risk culture by conveying the same basic knowledge to all relevant employees, all new employees take part in an introductory presentation to acquaint them generally with the possible risks and dangers of the company's business. In addition, those employees who are involved in business conducted for the bank's own account remain in close contact with Risk Controlling and are regularly informed of possible risks.
- ▶ Employee compensation: As a basic rule, every employee receives a fixed annual component of salary, plus a variable component that depends on the employee's management level or scope of duties.

- ▶ Performance appraisal system: The performance of every employee is appraised by his or her direct superior. The Human Resources department is responsible for the performance appraisal system.

- ▶ Recruitment and hiring: As a basic rule, DAB bank publicly announces its open positions in order to fill them with the most highly qualified personnel. The requisite qualifications are determined with reference to a uniform, Group wide capabilities profile.

- ▶ Employee development: Part of the performance appraisal process involves recognizing the employee's strengths and potential, identifying appropriate actions and carrying them out. To this end, DAB bank utilizes in-house and outside seminars.

- ▶ Internal communications: The internal communication of risks is structured to ensure that problems can be recognized and appropriate actions taken by the responsible departments.

The risk management and controlling process of DAB bank is divided into the following steps, regardless of the risk category involved:

Risk identification

Risk identification refers to the ongoing examination of risk sources and the assignment of identified risks to the appropriate risk category (risk profile). New, heretofore unidentified risks can arise from changes in the operating environment or from the development and introduction of innovative new products and or product/market combinations. Insofar as newly identified risks cannot be classified within the existing risk profile, the risk profile must be revised. In such a case, the revision or extension of the risk profile must be approved by all relevant departments, so that any necessary adjustments can be made to the risk management and controlling system.

Risk measurement

Risk measurement and analysis involves the quantitative and/or qualitative assessment of risks. The methods employed to assess risk are subject to Group wide risk standards, in order to ensure consistency and suitability within the Group. Risk measurement is the responsibility of Risk Controlling.

Risk limitation

The limitation of risk entails the necessity of developing appropriate systems and procedures to limit risks. In the case of quantifiable risks, numerical limits are established. Steps must be taken to ensure that all trading and credit transactions are charged immediately, but no later than the same day, against the relevant limits and that every trader or manager responsible for a "market" department is promptly informed of the limits and the current utilization amounts that are relevant to that area of business. In the case of non-quantifiable risk categories, the risk propensity is documented by way of appropriate explanations. In accordance with the Minimum Requirements for the Risk Management of Banks, all limits are determined by application of the risk coverage capacity method. The conformity of these limits with the bank's capital resources is assessed by way of uniform limit structures (broken down to the level of limits for individual risks). Risk limitation is the responsibility of Risk Controlling.

Risk management

As part of the risk management process, appropriate strategies are developed and decisions made to limit risks on the basis of the available risk information. Risk management can be either active or passive. Active risk management employs suitable risk limitation instruments (e.g., risk diversification, risk transfer, risk provisioning) to influence the risk-return ratio both on the level of specific transactions and on the portfolio level. The aim of passive risk management is to influence the root causes of risk, both on the level of individual transactions and the portfolio level, by means of risk avoidance and minimization strategies (e.g., by limiting certain volumes and by setting more favorable terms for new business). Risk management is the responsibility of the market/sales departments and the management.

Risk monitoring

Risk monitoring entails the continuous monitoring of risk limits on all levels of quantitative risks, the periodic reassessment of the general risk profile and the qualitative monitoring of all risk categories. In the case of operational risks, the systems, processes, products and activities of the bank are periodically reviewed by the responsible managers to identify any potential risks in continuing operations. Risk monitoring is the responsibility of Risk Controlling.

Risk reporting

All relevant decision-makers, those being the members of the Management Board, the business unit and corporate staff department heads and other key personnel, as well as the members of the Supervisory Board, are provided with risk-relevant information as promptly as possible. This covers regular reporting and ad hoc reports when the occasion or circumstances warrant. Besides internal reporting within DAB bank, the risk reporting function also encompasses reporting to regulatory authorities such as BaFin and the German Bundesbank. Also, the required risk information is provided in connection with external audits performed by independent auditors. Risk reporting is the responsibility of Risk Controlling.

The Management Board of DAB bank bears overall responsibility for the risk process described above. In addition, the Management Board has the responsibility of ensuring that the instruments required for effective risk monitoring, and especially an efficient reporting function with respect to the limit system, are made available within the limits of economic efficiency.

Whereas the senior management and the risk managers and controllers are directly integrated into the risk management and controlling process, the Internal Audit department monitors the entire process independently. This department verifies the adequacy and reliability of the risk process by means of audits conducted at regular intervals.

Definition of relevant risk categories

Relevant risk categories

DAB bank recognizes the following risk categories:

- ▶ Default risk
- ▶ Market price risk
- ▶ Operational risk
- ▶ Reputation risk
- ▶ Liquidity risk
- ▶ Business risk
- ▶ Strategic risk

Other risk categories are not relevant to the business of DAB bank.

Default risk

Default risk refers to the risk of value losses resulting from the default or credit rating deterioration of customers or counterparties. For DAB bank, default risk encompasses traditional credit risk, issuer and counterparty risk and country risk.

Credit risk refers to possible value losses in the commercial lending business. This risk is accounted for by means of establishing credit risk provisions. Issuer risk refers to the risk of value losses of securities or the non-fulfillment of obligations derived from securities due to the default or credit rating deterioration of the issuer.

Counterparty risk encompasses settlement risk and replacement risk. Settlement risk is inherent in the possibility that a counterparty could fail to fulfill its delivery or payment obligations after the bank has rendered its corresponding performance. Replacement risk is inherent in all transactions for which the trade date is different from the settlement date. In such cases, the bank runs the risk that it would have to replace a given position at possibly less favorable terms in the market as a result of non-fulfillment by the counterparty.

Country risk refers to the risk of value losses resulting from restrictions or prohibitions on currency transfers or conversions or other sovereign measures taken by the country of the borrower (transfer risk). Country risks arise from cross-border transactions denominated in foreign currencies. Country risk also encompasses the default risk of sovereign governments and central banks (sovereign risk).

Market price risk

Market price risk refers to the risk of value losses resulting from changes in market prices or in the parameters that influence market prices. General market risk parameters are those factors that are influenced by macroeconomic, geopolitical and other market-related developments, independently of individual instruments or securities. They include changes in the level, slope or shape of yield curves (interest rates), the level of stock indexes, foreign exchange rates, energy, metal and commodity prices and the general level of credit spreads, or the risk premium that must be paid in excess of the interest rate of a risk-free investment. At DAB bank, market price risk encompasses interest rate risk, share price risk and foreign currency risk.

DAB bank also ascribes market liquidity risk to the market price risk. Market liquidity risk refers to the possibility that the bank's positions in a given product portfolio cannot be liquidated within a certain period of time without a significant change in value.

Operational risk

Operational risk refers to the risk of losses resulting from defective internal processes, human error, technology failure or external events. This definition also includes legal risks, but not strategic risks or reputation risks.

Reputation risk

Reputation risk refers to the possibility that public confidence in the bank's integrity could be impaired as a result of negative publicity concerning the business conduct and relationships of the bank, whether accurate or not.

Liquidity risk

Liquidity refers to all cash and cash equivalents at the bank's disposal. A company is considered to have sufficient liquidity when it can satisfy all payment claims against the company and its own funding needs at all times, either by means of adequate liquidity or by free access to funding sources. Thus, liquidity risk refers to the possibility that the bank would not be able to satisfy its payment obligations and its own funding needs, or not to a satisfactory extent or not at the required times, with the result that it could possibly become insolvent or would be able to raise sufficient liquidity only at increased costs.

Business risk

Business risk refers to the possible discrepancy between the actual value of a company and the expected value due to unforeseen changes in business volumes and/or margins. Business risks can develop in particular from substantially worsened market conditions, changes in the company's relative competitive strength or customer behavior, as well as changes in the applicable legal framework.

Due to the high level of dependency on commission income from trading activities, we at DAB bank understand business risk to mean, in particular, the possibility that planned trading income and expenses from trading activities cannot be achieved as a result of worse-than-expected market and competition conditions.

Strategic risk

Strategic risk issues from the possibility that the company's management could fail to recognize or correctly assess important developments and trends in the banking sector. In such an event, the senior management could possibly make fundamental business decisions that later prove to be ill-advised, with regard to the company's ability to achieve its long-term business objectives, and may also be very difficult to reverse after the fact.

Methods of risk management

The comprehensive and correct identification and assessment of risks form the basis for managing the risks to which DAB bank is exposed. Quantitative and qualitative methods are employed to ensure the adequate, complete and consistent determination of the risk profile of DAB bank.

The methods employed by DAB bank to identify, measure and analyze risks are compatible with the Groupwide standards of the UniCredit Group in order to ensure the adequacy and consistency of the methods employed both by DAB bank AG and the Group:

- ▶ Risk limits are set with reference to loss potential to the extent possible.
- ▶ Anticipated losses and the risk of unforeseen losses are determined with the aid of statistical methods, which are continuously updated.
- ▶ The validity of all the statistical methods used is verified by means of back-testing procedures.
- ▶ Risk Management and Risk Controlling work together, each contributing its specialized knowledge to the development and refinement of appropriate bank-wide standards for the quantification of risks.

Non-quantifiable risks are analyzed with the aid of various qualitative criteria, which are selected and closely monitored by application of rigorous procedures.

Risk concentrations are monitored and actively managed within our risk models. No significant risk concentrations occurred within individual risk categories in 2008.

Further development of the risk monitoring and management system

The bank's risk measurement and monitoring methods are subject to constant further development and improvement. These efforts are dictated both by the high standards we set for ourselves and by the heightened legal and especially regulatory requirements.

Capital-at-risk management

Economic capital adequacy and risk coverage capacity

The goal of capital-at-risk management is to optimize the allocation of available capital on the basis of risk-return considerations and to assure the risk coverage capacity of DAB bank at all times.

At DAB Bank, "risk-covering potential" is defined as the equity and debt components available to the bank for the purpose of covering losses. The risk covering potential represents the financial potential of the bank to absorb unexpected losses. The risk-covering potential is composed of profit and capital components which are always available to the bank for the purpose of covering the losses resulting from risks.

A distinction is made between equity and liabilities in the definition criteria applied for the purpose of calculating the risk-covering potential.

At year-end 2008, the risk-covering potential of DAB AG amounted to €296.84 million (PY: €199.02 million). Compared with the aggregated risk capital of €188.73 million, the rate of utilization of the risk-covering potential of DAB AG was 63.58%. As of 2008, DAB bank was required to include hidden reserves in its risk-covering potential, in accordance with Group standards. In addition, DAB bank included SRQ FinanzPartner AG in its risk capital management system in 2008.

The risk capital required for each business segment in the future is determined in connection with the annual planning process, in consideration of the risk-covering potential, the identified risk potential and the currently applicable risk policy, in close cooperation with the Risk Controlling department and the business units, and is approved by the Management Board. The capital-at-risk indicators are incorporated into the management and reporting instruments of the bank. A budget-actual comparison is generated and reported to the Management Board on a quarterly basis.

The aggregated risk capital is subjected to a risk coverage capacity analysis in which it is compared with the available risk-covering potential, also in consideration of diversification effects, on a quarterly basis.

The risk potential and utilization of defined limits for each one of the three Group companies at year-end 2008 are presented in the table below:

in €mn as of 12/31	Risk capital	Risk capital requirement	Utilization	Risk capital	Risk capital requirement	Utilization
	2008	2008	2008	2007	2007	2007
Market risk						
Germany	57.50	47.73	83.01%	19.50	11.19	57.38%
Austria	5.50	3.97	72.18%	15.00	8.76	57.40%
Default risk						
Germany	125.00	74.05	59.24%	90.00	59.92	66.58%
Austria	10.00	3.67	36.70%	5.00	1.18	23.60%
Business risk						
Germany	60.00	32.42	54.03%	54.00	42.37	78.64%
Austria	7.50	5.63	75.07%	6.00	6.95	115.83%
Operational risk						
Germany	17.00	16.81	98.88%	16.50	15.75	95.45%
Austria	4.00	3.26	81.50%	2.50	2.23	89.20%
Equity investment risk						
Germany	2.00	1.19	59.50%	1.00	0.91	91.00%
Austria	0.00	0.00	0.00%	0.00	0.00	0.00%

Capital-based performance indicators

By means of active capital management, DAB bank seeks to optimize the risk-return profile of the Group. To this end, we evaluate the three Group companies with regard to their profit and risk contributions. For this purpose, Risk Controlling measures the relative share of each company in the aggregated risk of the Group. Equity capital is allocated to each Group company on the basis of that company's relative share of the Group's overall risk.

Risk Controlling conducts these analyses on a quarterly basis and reports directly to the Management Board and the Supervisory Board.

Risk categories

Default risk

Risk management

Default risk is managed on the basis of an integrated system of clearly defined principles, authority structures and risk assessment methods.

With regard to credit risk, the operational and disciplinary separation of market functions and back office functions is organizationally assured on all levels of the credit-extending units of DAB bank. Because of this separation and by dint of our profound knowledge of the sectors and countries in which we operate and the products we deal in, the high quality of credit decisions – and consequently the decisions concerning the assumption of risk – is assured at all times.

A counterparty and issuer risk emanates exclusively from our investment activities. Accordingly, counterparty risk is managed in the Investment Committee and the B2B unit.

The country risks to which DAB bank is exposed play a subordinated role. Minor country risks exist with regard to both our lending activities and our investment activities. These risks are thus managed by the persons responsible for the corresponding portfolios.

Risk monitoring

We employ both quantitative indicators and qualitative criteria for the purpose of identifying credit risk.

The default risks arising from trading activities (counterparty, issuer and country risks) are managed by means of a uniform limit system, which is

designed to limit the potential losses associated with the default risk of our trading activities. The risk limits are approved at least once a year by the Management Board and may not be exceeded.

In its limit system, DAB bank makes a distinction between the following kinds of default risks:

- ▶ Credit value-at-risk limits, which are determined on the basis of the risk coverage capacity of DAB bank. The default risk exposure for which these limits are defined is quantified on a quarterly basis with the aid of the HVB portfolio model. Reports on the utilization of these limits are also generated on a quarterly basis.
- ▶ Volume or risk-equivalent limits, which are defined for issuers, counterparties and countries. The exposure associated with issuer and counterparty risks is calculated every banking day, the exposure associated with country risks once a month. Reports on the limits and the utilization rates of these limits are generated on a monthly basis.

When individual counterparty and issuer limits have possibly been exceeded, an escalation process is triggered immediately and the steps taken to promptly reduce the affected positions to a level within the defined limits are closely monitored.

The purpose of the limit system of DAB bank is to prevent unwanted or uncontrolled increases in our risk positions. Once completed, every trade is recorded without delay and promptly charged against the respective limit. The same procedure is followed with respect to counterparty risk, replacement risk and settlement risk. By this means, every trader is able to check the current limits, and the risk controller is able to monitor immediately the limits per counterparty and issuer.

The senior management is informed of the situation of counterparty, issuer and country risks and the utilization of the limits established for these risks on a monthly basis.

Risk measurement

For the purpose of daily risk measurement and management, we quantify the counterparty, issuer and country risks in dependence on the risk category and product type with the aid of market values, notional values or flat-rate methods.

For the quarterly survey of its default risks, DAB bank employs a default risk model developed by HVB, by means of which default-induced credit and counterparty risks can be measured and assessed worldwide. The default risk model has been implemented on an IT platform, which assures the consistent calculation of the credit value-at-risk and the regulatory capital requirements according to Basel II on the basis of the input parameters and data basis applied.

In measuring default risk, we make a distinction between the expected loss and the unexpected loss (as a variation of the credit value-at-risk). The expected loss reflects the default loss in the current credit portfolio that can be expected to occur in the next twelve months on the basis of the internal credit ratings and the available security. For calculating the expected loss, the business volume at default (exposure at default) is estimated by analogy to Basel II. For the credit risk and country risk, this amount is calculated as the amount that would be utilized at the balance sheet date. For this purpose, the varying risk levels of the different credit types are taken into account.

The parameters assumed for calculating the exposure at default and for quantifying the loss given default are based on the average statistical values of the bank's internal defaults and losses for many years, as well as external reference data.

The credit value-at-risk (unexpected loss) provides an indication of the greatest negative deviation between the actual loss and the anticipated loss which will not be exceeded, with a probability of 99.97%, within the next twelve months. Risk capital is allocated in respect of this loss potential as a security buffer, with due consideration given to portfolio effects.

Credit quality analysis

The reliable determination of default probabilities is crucially important both in making a credit decision and also for purposes of the bank's internal default risk model. For issuer/contract arranger purposes, DAB bank uses the rating system applied by the UniCredit Group. This rating system is continually optimized with the aid of modern statistical methods, in order to assure the greatest possible precision and forecast quality with regard to the default probability of a given customer.

The rating or scoring process results in the assignment to a credit rating category within a ten-point scale. In some methods, a more precise differentiation is conducted, in that three sub-categories are distinguished within each credit rating category.

The rating and scoring procedures are subject to constant monitoring. They are reviewed every year and either recalibrated or completely overhauled in case of need. This process ensures the periodic review of all rating procedures.

The obligation to assign internal ratings is independent of the disclosure obligation pursuant to Section 18 of the German Banking Act (KWG). Creditworthiness must be assessed at least once a year on the basis of up-to-date documentation. If significant economic changes or risk-relevant changes in the credit exposure occur during the year, the internal credit rating must be updated promptly. The comparability of external issuer ratings with the bank's internal ratings is assured by means of a transformation table. The ratings of the leading rating agencies are applied for this purpose.

Security and security management

In accordance with the bank's General Credit Principles, the security management system is designed in the form of a control loop, which begins with the formulation of a strategy. When accepting loan security from our customers or guarantors, particular care is given to ensuring that the corresponding security agreement is legally enforceable.

This control loop is supplemented by various monitoring activities, the recording of security-relevant default data and periodic analyses (including risk concentration analyses, for example).

Development of default risks in 2008

The developments in 2008 were dominated by the turmoil in the international financial markets triggered by the subprime crisis, especially toward the end of the third quarter. At the present time, there is no indication of when the market turmoil will subside. For DAB bank as well, this situation requires the careful monitoring and management of default risks. Especially in the third quarter, DAB bank could no longer shield itself from the general fall-out of the financial markets crisis.

The dramatic changes in the pertinent risk parameters and the increases in the positions to be included in the management of default risks caused the utilization of the bank's default risk limit to increase over the level of 2007.

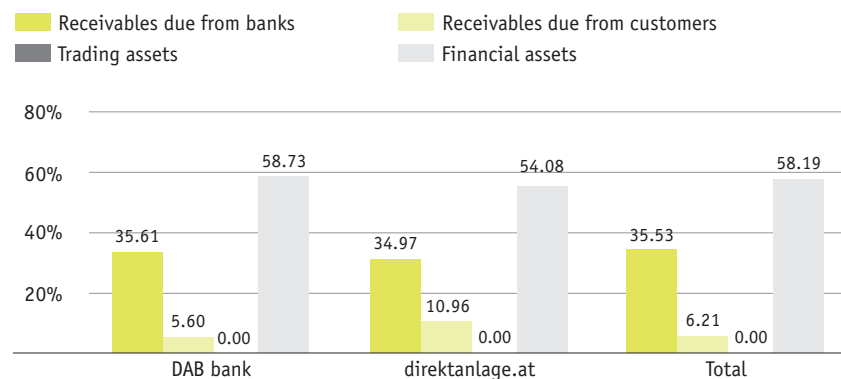
The default risk of DAB Bank is composed of the assets resulting from the excess of deposits over loans and of the assets in the customer loan portfolio. The assets resulting from the excess of deposits over loans are usually invested in money market investments due from banks and in debentures. The default risks inherent in the customer deposits and own-account trading positions of DAB bank at December 31, 2008 are presented on an aggregated basis in the table below.

Default risk

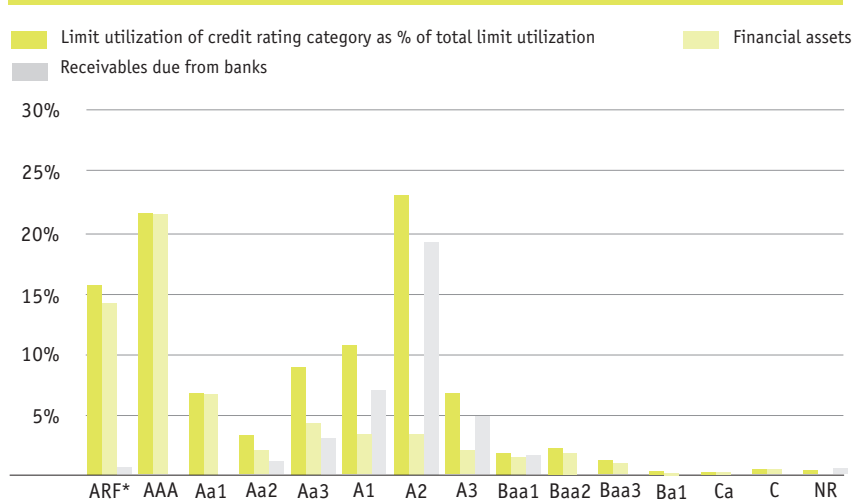
in € mn as of 12/31	2008	2007
Germany		
Credit VaR	74.05	59.92
Limit	125.00	90.00
Utilization	59.24%	66.57%
Austria		
Credit VaR	3.67	1.18
Limit	10.00	5.00
Utilization	36.70%	23.60%

None of the security backing the customer loan portfolio of DAB bank is overdue or has been written down in value. As a rule, only fungible securities are accepted as security for loans.

Breakdown of a total exposure by product types



Breakdown of limit utilization rates in the own-account trading portfolio (DAB bank Group) by credit rating categories



*No default risk

Breakdown of total exposure by credit rating categories

Limit utilization of credit rating category as % of total	ARF	AAA	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ca	C	NR
Limit utilization	15.75	21.92	6.22	2.87	8.20	10.19	22.95	6.91	1.39	1.88	0.90	0.10	0.12	0.50	0.10
Financial assets	14.78	21.92	6.19	1.86	4.51	3.34	3.37	1.98	0.64	1.88	0.90	0.10	0.12	0.50	0.00
Receivables due from banks	0.97	0.00	0.03	1.01	3.69	6.85	19.58	4.93	0.75	0.00	0.00	0.00	0.00	0.00	0.10

The following tables provide detailed information on the notional and market values of all the derivative positions of DAB bank.

Derivative instruments as of 08/12/31

in k€	Notional Amounts			Total	Market Values	
	Residual Term				Positive	Negative
	Up to 1 Year	1 to 5 Years	> 5 Years			
Interest-based derivatives	7,832	-	-	7,832	703	703
OTC products	-	-	-	-	-	-
Exchange-traded instruments						
Interest futures	7,832	-	-	7,832	703	703
Options on interest futures	-	-	-	-	-	-
Currency-based derivatives	121,914	4,549	4,059	130,522	8,065	7,972
OTC products						
Currency futures	121,914	4,549	4,059	130,522	8,065	7,972
Currency options						
-Purchases	-	-	-	-	-	-
-Sales	-	-	-	-	-	-
Other currency contracts	-	-	-	-	-	-
Exchange-traded instruments						
Currency futures	-	-	-	-	-	-
Currency options	-	-	-	-	-	-
Stock/ index-based instruments	117,206	15,430	-	132,636	15,560	15,560
OTC products						
Stock/index swaps	-	-	-	-	-	-
Stock/index options						
-Purchases	-	-	-	-	-	-
-Sales	-	-	-	-	-	-
Other stock/ index contracts	-	-	-	-	-	-
Exchange-traded instruments						
Stock/index futures	15,556	-	-	15,556	10,750	10,750
Stock/index options	101,650	15,430	-	117,080	4,810	4,810
Total	246,952	19,979	4,059	270,990	24,328	24,235

Counterparty types

in k€	Notional amount	
	2008	2007
OECD banks	135,495	165,057
Other institutions and private individuals	135,495	165,057
Total	270,990	330,114

Market price risk

Risk management

The Investment Committee and the B2B unit are responsible for managing the market risk of DAB bank. Every business unit is responsible for implementing the market price risk strategy adopted by the Management Board, with due consideration given also to the regulatory requirements and the internally defined market risk processes of the bank.

Risk monitoring

The risk positions in the investment and trading books are monitored by way of a consistent limit system, by means of which the potential losses associated with market risks are identified at an early stage and limited.

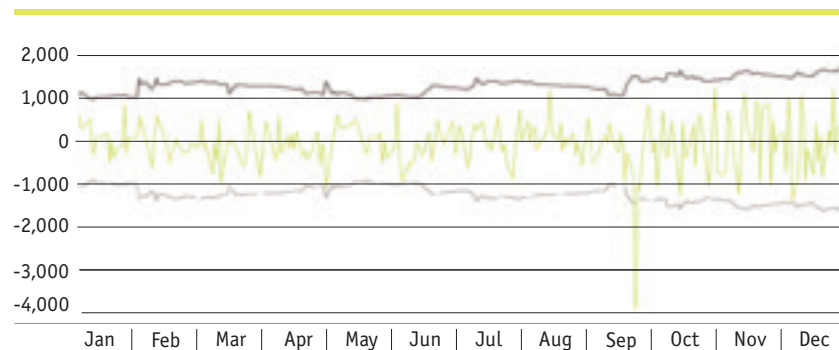
The risk limits, which are derived from the risk coverage capacity, are adopted by the Management Board at least once a year and may not be exceeded. When the limits have possibly been exceeded in the sub-portfolio level, an escalation process is triggered immediately and the steps taken to reduce the affected positions to a level within the limits are closely monitored. The Risk Management department has direct access at all times to the front-office systems used in Trading and can therefore monitor the risk situation and the compliance with risk limits on an intra-day basis, if necessary.

DAB bank AG uses the value-at-risk method of modern historical simulation to determine its market risk. For purposes of daily risk measurement and management, the bank quantifies the value-at-risk on the basis of a confidence level of 99% and a holding period of one day. Because the trading and banking books are managed on a joint basis, the value-at-risk is also presented on an aggregate basis. For the purpose of determining and allocating the risk capital required to cover positions bearing market risk, the value-at-risk is scaled by analogy to the other risk categories to a confidence level of 99.97% and a holding period of one year, with due consideration given to all portfolio effects.

In addition to the daily risk monitoring, the Risk Management department of DAB bank AG also conducts stress tests, which indicate the loss potential of our market risk positions in response to extreme market changes. The limits issued for that purpose are approved by the Management Board at least once a year.

The adequacy of our risk measurement methodology is verified by regular back-testing, in which the calculated value-at-risk figures are checked against the market value changes calculated on the basis of the corresponding positions. The results of back-testing have confirmed the high quality of our risk model.

Back-testing (confidence level 99% and holding period of one day):



On the overall bank level, we discovered one instance in which the projected value was exceeded in 2008. This excess resulted from the default of an issuer and the corresponding loss and could not be predicted by our risk simulation model.

To calculate the foreign exchange risk, we employ a statistical method that is based on various conservative assumptions.

The Management Board is informed every day about the development of market price risks, limit utilization and the profit and loss situation. In addition, the Management Board is informed every month about the results of the risk analyses, including back-testing and stress-testing.

Development of market risk in 2008

As in the past, the applied investment strategy was conservative in nature. In respect of the uniform Group wide standards, the positions to be included in the risk measurement system were expanded. For this reason, the market risk limits were increased at the beginning of the past fiscal year. In addition, the developments in 2008 were heavily influenced by the extremely volatile markets, especially in the second half of the year, which caused an additional increase in the utilization of market price risk.

The market risks inherent in the own-account trading positions of DAB bank at December 31, 2008 are presented on an aggregated basis in the table below. No significant limit violations occurred in 2008. The quantifiable risks in trading positions were lower than they were in the previous year because certain risk-prone positions were reduced. No derivative positions were held in the category of financial investments.

As of 2008, the risk capital required to cover the market risk has been calculated by application of the parameters used in the UniCredit Group.

Market risk

in € mn as of 12/31	2008	2007
Germany		
Total VaR	47.73	11.19
Limit	57.50	19.50
Utilization	83.01%	57.38%
Interest rate risk	41.61	6.57
Limit	49.00	10.00
Utilization	84.92%	65.70%
Share price risk	5.45	4.49
Limit	7.00	4.70
Utilization	77.86%	95.53%
FX risk	0.674	0.24
Limit	1.40	2.30
Utilization	48.14%	10.43%
Austria		
Total VaR	3.97	8.76
Limit	5.50	15.00
Utilization	72.18%	58.40%

Operational risk**Risk management**

Managing operational risk is the responsibility of the respective operating units of DAB bank. These activities are conducted with the aid of an internally defined operational risk management process that was introduced by Risk Controlling in 2005 and systematically further developed in the subsequent years. The operational risk managers in the respective operating units are responsible for the operational implementation and execution of this process, which entails the collection, analysis, evaluation and quality assurance of potential and actual risk data and the planning of appropriate measures. Their work is coordinated, monitored and followed up by a central operational risk manager in the Finance & Controlling department.

As part of an audit of the requirements to be met in order to apply an Advanced Measurement Approach (AMA pursuant to Section 278 ff. of the Bank Solvency Regulation), which was conducted by the regulatory authority in the third quarter of 2008, it was confirmed that DAB bank meets the legal and regulatory requirements. For DAB bank, this means that the capital adequacy requirements will be calculated by application of the Groupwide Op-Risk AMA model of the UniCredit S.p.A. as of 2009. The application of this model will lead to an improvement in the operational risk capital charges of DAB bank.

Risk monitoring

Significant errors on the part of DAB bank are recorded and analyzed with the aid of an errors database (actualized risks), which forms the basis for the targeted and detailed correction or reduction of errors and losses.

In addition, operational risk analyses are conducted with the operating departments and functional experts at least once a year, as part of the risk assessment process.

These risk analyses and assessments of the potential operational risks of DAB bank are catalogued with the aid of a risk database. The goal is to evaluate the potential loss and probability of occurrence of all the significant risks to the Group and adopt suitable economic measures to prevent the occurrence or mitigate the effects of every risk.

The central Op-Risk Management department keeps the operating units and the Management Board informed of the significant potential and actualized operational risks by means of regular reports.

Development of operational risk in 2008

As a result of the measures taken and the continual improvement of those measures, the economic measures taken in respect of many potential risks reduced both the occurrence and the effects of those risks. Such measures included the improved system performance of DAB bank, improvements to the processes of both internal and external service providers and the continual improvement of customer identity verification measures.

The operational risk capital of DAB bank for the year 2008 was €16.8 million, according to the calculation performed by application of the Standard Approach (STA according to Section 272 ff. Bank Solvency Regulation).

Operational risk capital according to the STA

On an aggregated basis, the significant operational risks of DAB bank at December 31, 2008 were the following:

- ▶ erroneous assessment of relevant facts,
- ▶ lacking or malfunctioning building infrastructure,
- ▶ defective processing,
- ▶ system failure or performance problems,
- ▶ fraud.

Liquidity risk

Risk management

The Investment Committee is responsible for making investment decisions within the framework of the strategy adopted by the Management Board for managing liquidity risks and in compliance with the regulatory requirements and with the bank's internal processes. The Trading department implements such decisions. Liquidity management is the responsibility of Finance & Controlling, which is charged with the task of identifying and monitoring potential liquidity risks. When liquidity risks are discovered by the liquidity management function, they are discussed immediately in the Investment Committee, after first checking back with the head of the corresponding operating department, so that liquidity assurance measures can be promptly initiated.

Risk monitoring

For the purpose of monitoring short-term liquidity risk, DAB bank uses the regulatory calculations prescribed by the Liquidity Regulation (LiqV). These calculations are generated and monitored every day.

Operational risk

in € mn	2008	2007	2006
Germany			
Risk	16.81	15.75	12.79
Limit	17.50	19.00	25.00
Utilization	96.06%	82.89%	51.16%
Austria			
Risk	3.26	2.23	1.87
Limit	3.50	3.00	3.00
Utilization	93.14%	74.33%	62.33%

In 2008, DAB bank continued to work on developing a system for optimal and effective liquidity management. The goal is to forecast future cash flows on the basis of a liquidity development model, in order to manage the bank's cash and cash equivalents in an appropriate economic manner.

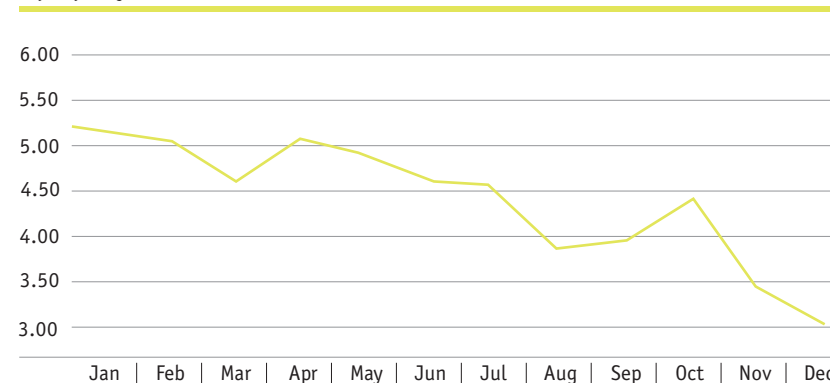
Finance & Controlling informs the Management Board and the weekly meeting of the Investment Committee about the liquidity situation of DAB bank by means of regular reports.

Development of liquidity risk in 2008

As a consequence of the financial markets turmoil in 2008, an atmosphere of mutual distrust was created, with banks reducing their interbank lending or in many cases actually refusing to make loans to other banks. This situation placed great strain on the money markets and triggered volatile interest rate and price movements. Thanks to the high volume of liquid assets resulting from the excess of deposits over loans on its balance sheet, DAB bank was able to benefit from the sometimes high interest premiums paid by companies in this situation. At the same time, however, DAB bank was itself compelled to write down the value of its investment holdings as a result of the insolvencies affecting financial companies and the sharply wider credit spreads. Nonetheless, the solvency of DAB bank was assured at all times.

Since the beginning of the year, the regulatory liquidity ratio for Maturity Band I, which is indicative of the bank's ability to meet its payment obligations at all times, was always higher than 3.0 and thus well above the value of 1, which would have to be reported under the Liquidity Regulation. On the last business day of the fiscal year, this ratio came to 3.08.

LiqV liquidity ratio 2008



Business risk

Risk management

As part of the general responsibility for income and costs, the operational implementation of the measures adopted by the Management Board to manage business risk is the responsibility of the individual cost center managers.

Risk monitoring

Business risks are measured and subjected to plausibility analysis by the Risk Controlling department. The business risk is measured on the basis of a value-at-risk approach. For this purpose, income and cost volatilities are measured on the level of the operating units and then condensed, with consideration given to correlation effects, to arrive at a value-at-risk, which

represents the potential changes in the value of the company that are associated with business risks. The newly developed model also makes it possible to characterize the anticipated development of expenses and income. The risk measurement results are reported to the Management Board on a regular basis.

Development of business risk in 2008

The business risks of DAB bank at December 31, 2008 are presented on an aggregated basis in the table below. The reduction in the utilization of the business risk limit resulted from the lower revenue and cost volatilities in 2008.

Business risk		
in € mn as of 12/31	2008	2007
Germany		
Risk	32.42	42.37
Limit	60.00	60.00
Utilization	54.03%	70.06%
Austria		
Risk	5.63	6.90
Limit	7.50	6.00
Utilization	75.07%	115.58%

Besides the continued practice of strict cost management, we continued to focus on stabilizing our operating profitability in 2008.

Other risks

Risk management

Other risks refer to non-quantifiable risks such as strategic risk and reputation risk. Managing the strategic risks and reputation risks of DAB bank is part of the general management responsibility of the Management Board.

Risk monitoring

At DAB bank, these risks are measured primarily by means of qualitative methods. For this purpose, the national and international environment is closely monitored and the company's strategic positioning is assessed on a permanent basis.

The Management Board regularly assesses the bank's adopted strategy as part of the long-term planning process. If necessary, the business model or business processes can be adjusted in response to changes in the basic operating environment. In developing such strategic initiatives, the Management Board consults closely with the Supervisory Board.

The reputation management of DAB bank is likewise the responsibility of the Management Board. For this purpose, steps are taken to identify potentially sensitive issues, estimate the possible impact of such issues and take early steps, in the form of communication activities, to influence their development. In coordination with the UniCredit Group, DAB bank will evaluate in 2009 whether and to what extent it makes sense to attribute reputation risk to the operational risks.

Risk situation and growth opportunities

The careful management of opportunities and risks is a critical success factor of any enterprise. As in the past, we will continue in 2009 to further develop the measurement procedures and methods applied today in accordance with best-practice principles and to better reflect the market realities. Particular attention will be given to a project of the UniCredit S.p.A., which is aimed at instituting a uniform Group wide risk management system. For this reason, all the risks to be measured in DAB bank will be reviewed and adapted when necessary to ensure compliance with the Group standards in 2009. In addition, we will continue to closely monitor and intensively analyze the developments pertaining to the financial markets crisis in order to identify the attendant effects in a timely manner. Based on our budget figures for the year, we anticipate that the total banking risk of DAB bank will not change significantly.



DAB bank

Forecast report

There is great uncertainty as to how the national and international economy will develop in 2009. The forecasts of the major banks and economic research institutions are wide-ranging. Some institutions believe that, after a brief recessionary phase that will last until mid-2009, the markets will recover and moderate growth will set in by the end of the year. However, there are some experts who consider it probable that the German economy will shrink by 4% by year's end, which would have a commensurate impact on the employment market. Due to the absence of adequate comparison data for the current financial markets crisis, it is simply not possible to make a reliable and especially long-term forecast. In the short to medium term, it can be assumed that economic conditions will worsen at first. Furthermore, the shrinking demand in foreign markets will exert a dampening influence on foreign trade in the near future. On a positive note, the lower commodity prices will help to improve the trade balance on the import side. In the coming year, moreover, exporters will benefit from the falling euro, which will make German products more attractive for foreign buyers. On the domestic side, the demand outlook is clouded by uncertainty, not least of all as a result of the rising unemployment figures, a trend that was already evident in December 2008. Due to the more restrictive lending policies of banks and the shrinking demand for their products, businesses will continue to scale back their investments. The medium to long-term development of the national and international economy will depend on the degree to which the effects of the financial crisis can be contained. It remains to be seen whether the many government stimulus programs will produce the intended results, or whether still more calamitous news will come out of the banking sector and whether the problems affecting the real economy can be brought under control.

Considering the poor state of the global economy, we expect that the German economy will suffer a significant contraction in 2009. It remains to be seen whether the government stimulus programs will have an appreciable impact on the economic situation.

Outlook for the stock markets and trading activity

The stock market environment has rarely been so challenging for investors. As before, the future development of the stock markets will depend on the problems in the financial markets and the attendant effects on the real economy. In view of the uncertainty concerning future developments, we expect that investors will continue to be very nervous in the first half of this year and therefore the markets will continue to be volatile for the time being. In the second half of the year, confidence in the eventual recovery from the global recession will grow, leading to a stabilization of stock markets.

Historically, stock markets tend to bottom out shortly before the recession is half way over. As soon as there are signs of economic stabilization, the extremely low risk propensity that can be observed at the present time can be expected to rise again, helping the global stock markets to a recovery. The substantially lower price of oil will help considerably. However, the eventual recovery of the stock markets will be driven more by the falling risk premium, and less by rising corporate profits.

The crisis in the financial markets provoked a massive loss of confidence among many investors. Especially those investors who are particularly security-conscious can be expected to revise their strategies and especially adapt their consumption and investment practices. This effect will also have an impact on our trading business. Therefore, we anticipate significantly less trading activity, especially in the first half of this year, because individual investors with a medium to long-term planning horizon will come back to the market only when confidence is restored. Therefore, we anticipate that long-term securities investing will pick up again in the second half of 2009 at the earliest. This increase will have a favorable impact on both the trading business and the custody business of DAB bank.

Interest rates

The global interest markets will be affected by two key factors in 2009. First, the extremely weak economic data will increase the pressure on central banks to lower interest rates. In those cases where the key interest rate has not already been set to zero, further rate reductions can be expected. Second, concerns are growing that the immense expansion of government debt could drive long-term capital market interest rates higher. As a result, the yield curves will become steeper because the risk premiums for long-term maturities will increase.

Whereas last year, most central banks were mainly preoccupied with combating inflation, in the meantime they are more concerned with stabilizing the financial system and mitigating the pain of the economic downturn to the greatest extent possible. Furthermore, central banks will try to lower borrowing costs for businesses and consumers by reducing money market interest rates. Such steps will be taken with the aim of reviving the economy.

The enormous government financing needs required to prop up the financial system and increasingly also to implement economic stimulus packages will lead to higher and higher levels of public debt. In the coming years, this debt will have to be financed in the bond market. At the present time, it is very difficult to predict how much upward pressure will come to bear on interest rates in the next few years. With regard to the first half of 2009 in particular, we anticipate that the European Central Bank will again act to bring about a significant reduction in interest rates in order to mitigate the effects of the deep recession.

Outlook for 2009 and for the subsequent years

We anticipate that the market environment will be similarly difficult in 2009, and that the stock market environment in particular will be very difficult, as investors will be extremely reluctant to enter the market. In the interest markets, we anticipate a significant downward correction during the further course of the year. As a result, we anticipate slightly higher net commission income and substantially lower net interest income.

According to our calculations, the taxation rate for the DAB bank Group will settle in at slightly more than 30% in the next few years, assuming that no further changes are made to the tax laws.

DAB bank benefits from the fact that it operates in a growing market for direct banks. Factors such as rising Internet usage rates, the growing use of online banking services and the attractive cost-benefit ratio in comparison with branch banks are the major growth drivers for the business of online brokers in Germany and Austria. We believe that these trends will continue to favor our business in 2009 and beyond.

The business strategy of DAB bank is to further extend our strong position in the online brokerage markets of Germany and Austria, which represent our core markets. In a difficult market environment, it is especially important that we offer increasingly unique products and services to our customers and business partners. Among other measures, we intend to take targeted steps to further strengthen the power of our brand. To this end, we will continue in 2009 to pursue the measures initiated last year to refine and sharpen the focus of our B2C strategy. An important element of this strategy is to provide forward-looking, impartial advice based on interactive communication with our customers, accompanied by an extensive, independent product selection and innovative pricing models.

Furthermore, we intend to optimize the efficiency of our successful promotional campaigns, including the portfolio analysis service known as the “DAB Depot-Check,” for example, by implementing integrative marketing, communication and product measures. In addition, we will seek to stimulate the trading activity of our customers by designing and implementing trader initiatives and order placement channels tailored to the needs of our different customer groups.

We will seek to extend our market leadership position, especially in the business customers segment. Above all, we intend to continually optimize and intensify our relationships with customers and business partners by means of customer events and seminar offerings, among other measures. Furthermore, we will take steps such as the creation of user groups and user labs, for example, to make sure that our product development activities incorporate the suggestions of our customers. In the B2B segment, moreover, we will intensify our sales and service support for intermediaries in order to further bolster the already high levels of customer loyalty and satisfaction. Among other measures, we will provide assistance to young entrepreneurs who wish to start up their own asset management business.

We will continue to place great emphasis on customer satisfaction. Our efforts to this end will build on the experiences and results of 2008. In addition, we will take additional steps to bring about appreciable improvements in customer service quality.

Our employees are critically important to the success of DAB bank. In 2009, therefore, we will continue to invest in our employees in order to continually optimize our service quality on a permanent basis.

Net commission income

The trading activity of our customers is a key factor affecting our commission income. If the international stock markets do not develop as strongly as we have projected, that would pose a corresponding risk to our profit performance. Those income components that are not dependent on market developments will have a stabilizing effect on our net commission income.

Net financial income

Our net financial income was heavily influenced by valuation effects in 2008. For 2009, we expect that interest rates will be considerably lower and that the volume of customer deposits will hold steady on a high level. Based on our projection of interest rate developments, the net interest income will be lower than the corresponding figure for 2008. If interest rates would fall even more sharply than we have projected, that would pose a corresponding risk to our projected performance. Our business growth will continue to outpace the growth of risk provisions recognized in our balance sheet.

Administrative expenses

The future development of our administrative expenses depends on the projected development of our business. At any rate, they can be expected to increase at a slower rate than our operating income. By means of proactive and flexible cost management, moreover, we can offset, within certain limits, the impact of changed or worsened market conditions on our profit performance.

Concluding summary

The developments that will occur in 2009 are extremely difficult to predict. The development of the financial markets poses both opportunities and risks. Despite the difficult market environment, we are optimistic about the business prospects of DAB bank in the new fiscal year.

Due to the uncertain situation of the financial markets, it is not yet possible to make a valid forecast for the year 2010.

Consolidated income statement (IFRS)

in € thousand	Notes	Quarterly Report 10/01/2008- 12/31/2008	Quarterly Report 10/01/2007- 12/31/2007	Full Year 01/01/2008- 12/31/2008	Full Year 01/01/2007- 12/31/2007
Interest income	20, 25	42,696	43,542	168,993	150,713
Interest expenses	20, 26	27,277	31,625	114,444	107,832
Net interest income		15,419	11,917	54,549	42,881
Credit risk provisions	27	319	-26	312	-228
Net interest income after credit risk provisions		15,100	11,943	54,237	43,109
Commission income	21, 28	54,933	68,234	206,679	280,787
Commission expenses	21, 28	25,723	32,911	98,260	137,807
Net commission income	28	29,210	35,323	108,419	142,980
Trading profit/loss	22, 29	-188	460	-5	949
Profit/loss from investments	23, 30	537	-24	-26,181	-6,942
Personnel expenses	31	11,293	11,210	41,149	41,438
Other administrative expenses	31	20,030	24,624	78,323	90,980
Depreciation/amortization of property and equipment and intangible assets	31	2,774	2,319	9,734	8,601
Administrative expenses	31	34,097	38,153	129,206	141,019
Net other operating income/expenses	32	-556	2,154	4,246	6,457
Net other income/expenses	35	-	-	-23	-19
Result before taxes		10,006	11,703	11,487	45,515
Income taxes	36	2,529	4,807	3,001	19,697
Unappropriated net profit		7,477	6,896	8,486	25,818
Minority interests in the net profit		58	-30	127	107
Net profit/loss (consolidated net profit in acc. with IFRS)		7,419	6,926	8,359	25,711
Allocation of net profit/loss to retained earnings		88	147	88	147
Consolidated unappropriated net profit	37	7,331	6,779	8,271	25,564
Earnings per share in EUR (basic)	38	0.10	0.09	0.11	0.34
Earnings per share in EUR (diluted)	38	0.10	0.09	0.11	0.34
Weighted average shares outstanding (basic)		75,187,007	75,187,007	75,187,007	75,187,007
Weighted average shares outstanding (diluted)		75,187,007	75,187,007	75,187,007	75,187,007

The audit opinion of the independent auditor relates exclusively to the full-year period.

Assets

in € thousand at 12/31	Notes	Annual Report 2008	Annual Report 2007
Cash reserve	40	36,139	115,951
Receivables from banks	8, 41	1,282,764	1,055,324
Receivables from customers	8, 42	268,572	421,402
Credit risk provisions	9, 43	-1,863	-1,511
Trading assets	10, 44	26,137	12,167
Financial assets	11, 45	2,123,224	2,561,722
Property and equipment	12, 46	11,104	11,503
Intangible assets	14, 47	67,260	67,903
Income tax assets (current)	19, 48	3,553	63
Income tax assets (deferred)	19, 48	21,718	16,564
Other assets	49	28,043	33,557
Total assets		3,866,651	4,294,645

Equity and liabilities

in € thousand at 12/31	Notes	Annual Report 2008	Annual Report 2007
Liabilities to banks	15, 50	324,460	108,083
Liabilities to customers	15, 51	3,261,371	3,899,576
Trading liabilities	16, 52	24,235	10,204
Provisions	17, 53	3,112	4,755
Income tax liabilities (current)	19, 54	3,941	6,254
Income tax liabilities (deferred)	19, 54	11,057	6,654
Other liabilities	18, 55	53,263	57,206
Subordinated capital	56	20,023	20,032
Liabilities		3,701,462	4,112,764
Subscribed capital	57	75,187	75,187
Additional paid-in capital	57	59,769	59,769
Retained earnings	57	21,785	21,634
Accumulated other comprehensive income	57	-1,258	-1,581
Consolidated unappropriated net profit		8,271	25,564
Equity before minority interests		163,754	180,573
Minority interests		1,435	1,308
Equity		165,189	181,881
Total equity and liabilities		3,866,651	4,294,645

Consolidated
balance sheet (IFRS)

Consolidated statement of changes in equity (IFRS)

in € thousand	Subscribed capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Consolidated unappropriated net profit	Minority interests	Total
at 01/01/2007	75,187	59,769	21,487	-663	21,804	-	177,584
Changes in measured value of financial instruments not recognized in the income statement	-	-	-	-918	-	-	-918
Change due to net profit/loss for the year	-	-	147	-	25,564	107	25,818
Dividend of DAB bank AG	-	-	-	-	-21,804	-	-21,804
Changes in the scope of consolidation	-	-	-	-	-	1,201	1,201
Changes resulting from foreign currency effects and other changes	-	-	-	-	-	-	-
at 12/31/2007	75,187	59,769	21,634	-1,581	25,564	1,308	181,881
at 01/01/2008	75,187	59,769	21,634	-1,581	25,564	1,308	181,881
Changes in measured value of financial instruments not recognized in the income statement	-	-	-	323	-	-	323
Change due to net profit/loss for the year	-	-	88	-	8,271	127	8,486
Dividend of DAB bank AG	-	-	-	-	-25,564	-	-25,564
Changes in the scope of consolidation	-	-	-	-	-	-	-
Changes resulting from foreign currency effects and other changes	-	-	63	-	-	-	63
at 12/31/2008	75,187	59,769	21,785	-1,258	8,271	1,435	165,189

Consolidated cash flow statement (IFRS)

in € thousand 01/01 - 12/31	2008	2007
Cash flow from operating activities		
Net profit/loss for the year	8,486	25,818
Write-downs, valuation adjustments and write-ups of receivables	371	-172
Depreciation and write ups of non-current assets	9,734	8,601
Changes in other non-cash items	-550	11,713
Profits/losses on sales of non-current assets	26,181	7,316
Other adjustments	-45,529	-34,108
Subtotal	-1,307	19,168
Changes in operating assets and liabilities, adjusted for non-cash transactions		
Receivables from banks	-227,440	-337,715
Receivables from customers	152,811	52,594
Trading assets	-13,970	30,691
Other assets from operating activities	2,131	-2,025
Liabilities to banks	216,377	-163,022
Liabilities to customers	-638,205	1,088,606
Trading liabilities	14,031	-4,353
Other liabilities from operating activities	-8,207	5,852
Income taxes paid	-9,020	-8,773
Interest and dividends received	168,993	150,713
Interest paid	-114,444	-107,832
Cash provided by/used in operating activities	-458,250	723,904
Cash flow from investing activities		
Cash receipts from sales of non-current assets	439,540	94
Cash payments for acquisition of non-current assets	-35,915	-653,814
Effects of changes in the consolidated group	-	-5,885
Cash used in investing activities	403,625	-659,605
Cash flow from financing activities		
Cash receipts from increases in subordinated capital	-9	3
Dividend payments	-25,564	-21,804
Change in cash from other financing activities	386	-918
Cash provided by/used in financing activities	-25,187	-22,719
Foreign exchange-induced changes in cash and cash equivalents	-	-
Increase/decrease in cash and cash equivalents	-79,812	41,580
Cash and cash equivalents at January 1	115,951	74,371
Cash and cash equivalents at December 31	36,139	115,951

Additional information on the cash flow statement is provided in the Notes (No. 62).

Notes to the consolidated financial statements

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Exempting consolidated financial statements according to IFRS

The consolidated financial statements of DAB bank at December 31, 2008, were prepared in conformity with the International Financial Reporting Standards (IFRS), insofar as they have to be applied in member countries of the European Union (IFRS/EU). In addition to the standards designated as IFRS, the International Financial Reporting Standards also encompass the International Accounting Standards (IAS) and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

As a capital market-oriented company, DAB bank AG prepares exempting consolidated financial statements in conformity with IFRS pursuant to § 315a (1) HGB in conjunction with § 291 (3) (1) (1) HGB. By publishing consolidated financial statements according to IFRS, moreover, DAB bank AG fulfills the conditions imposed by Deutsche Börse AG for admission to the Prime Standard segment and the respective follow-up obligations.

The present annual financial report prepared according to IFRS also complies with the requirements for financial reporting by capital market-oriented companies arising from the Securities Trading Act (WpHG) that have been in force since fiscal 2007 as a consequence of the implementation of the EU Transparency Directive (TUG).

Aside from a few exceptions, the International Financial Reporting Standards are conformant with the EU accounting directives. These exceptions were not of major significance for the assets and liabilities, financial position and operating results of the DAB bank Group.

Unlike the EU directives, the IFRS only prescribe certain minimum requirements concerning the classification scheme of the balance sheet and income statement. To achieve the required conformity with the EU directives, the

balance sheet and income statement items prescribed by the Bank Accounting Directive were disclosed in the notes to the consolidated financial statements. Similarly, disclosures required by EU law and/or HGB were also included in the notes, unless already prescribed by IFRS. Furthermore, we have expanded the income statement to include the required presentation of partial appropriation of net profit.

The updated Declaration of Conformity with the German Corporate Governance Code in the version of June 06, 2008, as required by § 161 AktG, was disclosed on the company's website <http://www.dab-bank.de/servicenavigation/investor-relations/corporate-governance.html> on December 19, 2008 and is available there for inspection.

All existing and currently applicable IFRS regulations at December 31, 2008 were observed.

In conformity with the relevant transitional regulations, the following regulations relevant to the DAB bank Group from a current perspective, but only required to be applied starting in fiscal 2009, were not yet applied in fiscal 2008:

▶ IFRS 8 Segment Reporting

In accordance with IFRS 8, the observance of which is mandatory as of January 1, 2009, the operating segments will be newly defined using the management approach as an exclusive basis. A segment is thus determined on the basis of internal reports, which are regularly reviewed by managerial decision-makers in order to allocate resources to the segment and to measure its performance. IFRS 8 completely supersedes IAS 14, the standard previously regulating segment reporting.

▶ IAS 1 Presentation of Financial Statements (amended 2007)

The new provisions of IAS 1 entail changes in the titles, presentation and composition of the components of the financial statements.

▶ IFRS 3 Business Combinations (revised 2008)

The revision of IFRS 3 involves a switch from the purchase price allocation principle to the principle of fair value measurement of the net assets acquired and the non-controlling interests.

▶ IAS 27 Consolidated and Separate Financial Statements according to IFRS (amended 2008)

The amended IAS 27 imposes a number of new rules, which basically reinforce the principle of presenting the group as a single economic entity in the consolidated financial statements. These changes are related to the revisions made to IFRS 3.

The presentation requirements prescribed by the new standards will be observed starting in 2009. Material effects on the presentation with regard to the assets, financial position and operating results are not expected.

Based on the information available at the present time, the following standards that are expected to enter into force in fiscal years 2009 or 2010 are not relevant to the DAB bank Group: IFRS 2 (revised 2008), IAS 23 (revised 2007), IAS 32 and IAS 1, IFRIC 12, 13, 14, 15, 16, 17 and 18.

Accounting and valuation methods

▶ 1 Uniform Group-wide accounting principles

The separate financial statements of the consolidated subsidiaries which were prepared in accordance with IFRS are incorporated into the consolidated financial statements of DAB bank AG by application of uniform accounting and valuation principles. The figures are stated in thousands of euros.

▶ 2 Continuity

In accordance with the IFRS Framework and the instructions contained in IAS 1 and 8, the principle of continuity is observed with respect to the recognition, measurement and presentation methods applied from year to year. If it should be necessary to change the recognition and measurement methods, the consequences of such changes are recognized in income. If it should be necessary to correct recognition and measurement errors from earlier accounting periods, the consequences of such corrections are charged or credited to retained earnings, instead of being recognized in income.

▶ 3 Changes in recognition, measurement and presentation

The recognition, measurement and presentation methods applied in the consolidated financial statements for 2008 are the same as those applied in the previous year.

▶ 4 Consolidation group

The consolidation group of the DAB bank Group at December 31, 2008, was composed of DAB bank AG, Munich (the parent company), and the subsidiaries direktanlage.at AG, Salzburg (share of equity 100%) and SRQ FinanzPartner AG, Berlin (share of equity 52.52%). Both subsidiaries are included in the consolidated financial statements of DAB bank AG in the course of full consolidation.

In connection with the acquisition of a majority interest in SRQ in fiscal year 2007, contractual agreements were concluded that grant option rights to both the minority shareholders and to DAB bank AG. These agreements govern the treatment of the remaining third-party shares not yet purchased by DAB bank AG.

All the companies in the consolidation group prepared their separate financial statements at the same balance sheet date of December 31, 2008.

▶ 5 Consolidation principles

When accounting for acquisitions, the acquisition cost of an affiliated company is set off against the Group's share of equity in that company at the time of the acquisition and the Group's proportional share of the assets (including intangible assets previously not recognized), liabilities, and contingent liabilities of the purchased company is remeasured at fair value. The difference between the higher acquisition cost and the remeasured value of equity is recognized as goodwill and subjected to an annual impairment test.

Trade receivables and payables among the companies of the consolidation group are netted as part of the debt and income consolidation process.

The consolidated unappropriated net profit of the DAB bank Group is equivalent to the unappropriated net profit of DAB bank AG.

▶ 6 Currency translation

Currency translation is performed in accordance with IAS 21. Thus, transactions are measured at the exchange rate in effect at the time of the transaction. As a rule, monetary assets and liabilities that are not denominated in euros, as well as cash transactions that have not yet been settled at the balance sheet date, are translated into euros (functional currency) at the

market exchange rates on the balance sheet date, as part of the subsequent valuation process. Non-monetary assets and liabilities carried at cost are measured at the exchange rate applicable to the acquisition. Non-monetary items carried at fair value are measured at the exchange rate on the valuation date.

As a rule, expenses and income resulting from the currency translation of monetary items are recognized in the corresponding items of the income statement.

The euro is the currency of account for all the companies included in the consolidated financial statements.

▶ 7 Financial instruments

A financial instrument is a contract that gives rise to both a financial asset on the books of one enterprise and a financial liability or equity instrument on the books of another enterprise. According to IAS 39, all financial instruments, including derivatives, must be recognized in the balance sheet. Furthermore, they must be classified according to given criteria and measured on the basis of this classification. Upon initial recognition, these items are measured at fair value, plus transaction costs, if applicable.

Loans and receivables comprise non-derivative financial instruments with fixed or determinable payments, which are not listed on an active market, which the company does not intend to sell in the short term and concerning which there is no reason to classify them as available-for-sale (AFS). Loans and receivables are carried at amortized cost using the effective interest method and presented in the items Receivables from banks, Receivables from customers and Other assets.

Held-for-trading financial instruments are measured at fair value and any fair value changes are recognized in income. These holdings appear in the balance sheet items of Trading assets and Trading liabilities. These items contain derivatives from customer transactions that we settle directly with a third counterparty.

The amendments to IAS 39.50 and IFRS 7 Reclassification of Financial Assets issued by the IASB, as well as the corresponding adoption by the European Union in mid-October 2008 and the transposition into European law, will give companies operating in the financial sector the option, under certain conditions, to reclassify various financial instruments in the categories of held-for-trading and available-for-sale financial assets. The DAB bank Group has not exercised this option.

Financial instruments of the category at fair value through profit or loss (AFV) are likewise recognized on the balance sheet at fair value. The changes in the fair values are directly accounted for in net profit or loss for the period. AFV financial instruments are included exclusively in the item Financial assets.

Financial instruments are classified as AFV in order to avoid the recognition and measurement discrepancies that arose in the past within the AFS category. The recognition and measurement discrepancies were materially attributable to intertemporal adjustments between the net interest income and the net investment profit or loss in view of the investment strategy practiced to date; in particular, the effects resulting from AFS holdings of a recognition directly in equity of fair value changes of holdings not yet sold was the decisive factor for the reclassification carried out at the time of initial use of the fair-value option.

All holdings designated as AFV are included in the portfolio management process conducted on the basis of our integrated risk management strategy. The related information is provided internally to the persons in key positions within the meaning of IAS 24 on this basis.

Investments in financial assets to be held to maturity (HtM) are original financial assets with fixed or determinable payments and fixed terms, for which the intent and ability to hold them to maturity exists unless they are classified as AFV or AFS assets, or they satisfy the definition of loans and receivables. HtM financial instruments are measured at amortized cost; issue premium and discount amounts are factored in pro rata (temporis). Impairment losses are recognized to account for decreases in value due to credit rating. If the reasons for such impairments no longer exist, the impairment loss is reversed up to the maximum amount of amortized cost. HtM investments in financial assets are included exclusively in the item Financial assets.

All other financial assets held by the DAB bank Group are classified as available-for-sale (AFS) securities and receivables and are measured at fair value. Any revaluation changes are recognized in a separate item of equity (AFS reserve) and are therefore not recognized in income until such time as the asset is sold or written down according to IAS 39. Furthermore, all AFS financial instruments are likewise presented under Financial assets exclusively.

Purchases and sales of financial instruments are recognized on the trade date, as a rule. Issue premiums and discounts are directly added to or deducted from the value of the financial instruments in question. The fair value of financial instruments can be determined reliably. In this regard, please refer to Note 64: Additional disclosures concerning financial instruments.

Impairment losses are recognized in financial assets if objective indications of an impairment exist and the effects on expected future cash flows can be reliably estimated. Criteria for the existence of objective indications of a possible impairment are mainly related to the credit rating or significant negative changes in the market environment of the debtor.

Financial assets are derecognized only when the company no longer holds or has transferred the contractual rights to receive cash flows in accordance with IAS 39.17.

Detailed explanations regarding the risk management of financial instruments are provided in the Risk Report as a component of the Management Report on page 48 ff.

▶ 8 Receivables

The receivables from banks and receivables from customers are carried at amortized cost using the effective interest method, as a rule. Interest income is no longer recognized when collection of the corresponding receivable can no longer be expected, regardless of legal entitlement. Interest receivables are accrued pro rata temporis and recognized in the corresponding items.

▶ 9 Credit risk provisions

The credit risk provisions include specific provisions that have been formed to account for all apparent and latent credit risks.

Specific risk provisions are formed exclusively for receivables due from customers. They are measured at the amount of the anticipated losses, in consideration of the securities furnished as collateral. They are reversed to the extent that the credit risk no longer exists or utilized when the receivable is considered to be uncollectible. Receivables are classified as uncollectible when it is considered improbable that they can be collected in the foreseeable future or if they have been fully or partially waived. Uncollectible receivables are charged off directly. To the extent that amounts are recovered on charged-off receivables, such amounts are recognized in income.

▶ 10 Trading assets

Trading assets include held-for-trading securities and the positive market values of derivatives traded with customers or counterparties. Trading assets are measured at market prices. Valuation and realization profits and losses from trading assets are recognized in the income statement under Net trading profit or loss.

▶ 11 Financial assets

The financial assets of the DAB bank Group consist of AFV, HtM, and AfS financial instruments. Financial assets in the category of AFV and AfS are measured at fair value. Any decrease or increase in the value of AFV financial assets is recognized in income. In contrast, any changes in the value of AfS financial assets are not recognized in income, as a rule. Fair value changes in AfS financial assets are not recognized in income until such time as the asset in question is sold or written down in accordance with IAS 39. Financial assets in the category of HtM are carried at amortized cost. In this regard, issue premiums and discounts are factored in pro rata temporis. Impairment losses are recognized to account for decreases in value due to credit rating.

▶ 12 Property and equipment

Items of property and equipment are measured at acquisition or production cost, less scheduled straight-line depreciation based on the expected useful lives of the assets in question, provided they are depletable. In the case of leasehold improvements, the lease term, including any renewal options, is applied as the useful life if that is shorter than the customary useful life. Impairment losses are recognized in cases where items of property and

equipment have sustained value losses within the meaning of IAS 16.63 that go beyond the scheduled depreciation. When the reasons for recognizing such an impairment loss no longer exist, the original value of the asset is reinstated up to no more than the amortized acquisition or production cost of the asset in question. Subsequently incurred acquisition or production costs are added to the asset's value. Gains and losses on the sale of property and equipment are recognized in the income statement under Net other operating income/expenses. Costs incurred to preserve property and equipment are recognized as expenses in the year in which they occur.

Property and equipment	Economic life
Leasehold improvements	09 - 15 years
Facilities	06 - 15 years
Office machines	05 - 08 years
Hardware	03 - 10 years
Other plant and office equipment	04 - 25 years

▶ 13 Leases

Lease contracts are accounted for on the basis of the economic content of the agreements according to the provisions of IAS 17 in conjunction with IFRIC 4. For this purpose, an estimate is made on the basis of the criteria set forth in IAS 17.10 and 17.11, in particular.

In case of finance leases, we carry the asset under Property and equipment and the liability under Liabilities. Each leased asset is recognized at the fair value of the leased asset at the inception of the lease, or at the present value of the minimum lease payments, if lower. The present value of the minimum lease payments is calculated using the effective interest method. The lease payments are apportioned between a finance charge and an amount for the

reduction of the outstanding liability. Thus, the latter amount is applied against the outstanding liability and the former amount is recognized as interest expenses. Contracts classified as finance leases are of subordinate importance in the DAB bank Group.

DAB bank presents its obligations as a lessee under contracts classified as operating leases within the item Other obligations.

These obligations relate exclusively to computer hardware leases. The lease payments are recognized within the Administrative expenses.

▶ 14 Intangible assets

The intangible assets consist of software, customer base and goodwill.

Software is carried at amortized cost. It is amortized on a straight-line basis over useful lives of 3 to 10 years. The amortization charges are included within the item Depreciation/amortization of property and equipment and intangible assets, under Administrative expenses.

The item Customer base includes a customer base in the original amount of 5,220 thousand euros (carrying amount: 3,828 thousand euros, remaining life: 11 years) originating from the takeover of FondsServiceBank, and a customer base in the original amount of 1,620 thousand euros (carrying amount: 1,422 thousand euros, remaining life: 13.2 years) in connection with the acquisition of SRQ FinanzPartner AG. Both customer bases are being amortized on a straight-line basis over an assumed useful life of 15 years. The determination of the useful life mainly depends on the business model and the assumed shrinkage rate in each case.

18,138 thousand euros of the total goodwill in the amount at 22,694 thousand euros, 18,138 thousand euros is attributable to direktanlage.de AG. In connection with the acquisition of vbankdirekt AG on November 21, 2001, a goodwill item was recognized in the amount of 6,387 thousand euros. The remaining goodwill item of 11,751 thousand euros was recognized in connection with the full consolidation of direktanlage.at AG. In addition, goodwill exists in the amount of 4,556 thousand euros arising from the majority takeover of the shares in SRQ FinanzPartner AG.

The goodwill is subjected to an impairment test according to IAS 36 at least annually. Impairment losses are recognized when there is reason to believe that an impairment has occurred.

▶ 15 Liabilities

Liabilities are carried at amortized cost, based on the effective interest rate method, which basically corresponds to the repayment amount.

▶ 16 Trading liabilities

The trading liabilities contain the negative market values of derivatives traded with customers or counterparties. Trading liabilities are measured at market prices. Valuation and realization profits and losses from trading liabilities are recognized in the income statement under Net trading profit or loss.

▶ 17 Provisions

The provisions have been established to account for all discernible risks, based on the best estimate of the amounts required to settle the corresponding obligations, in accordance with IAS 37.36 ff.

The provisions for pensions and similar obligations have been established on the basis of expert actuarial opinions. Actuarial gains and losses are treated in accordance with IAS 19.93 (faster recognition). The expenses related to the pension provisions are recognized as expenses under Personnel expenses.

▶ 18 Other liabilities

The Other liabilities include accruals as the significant item requiring explanation. Like provisions, accruals are established to account for future expenditures that are uncertain with respect to their timing or amount; but in the case of accruals, this uncertainty is less than for provisions. Accruals are formed to account for liabilities relating to goods or services received, which have neither been paid, formally agreed, nor invoiced by the supplier. This item also includes short-term liabilities due to employees, such as bonus payments and vacation benefits, as well as liabilities relating to taxes that are not dependent on income. The accruals are stated at the anticipated amount required to settle the corresponding obligations.

▶ 19 Income taxes

Income taxes are recognized and measured in accordance with IAS 12. Barring the few exceptions set out in the Standard, deferred taxes are recognized for all temporary differences between the carrying amounts of assets or liabilities according to IFRS and the respective tax bases (balance sheet method). Deferred tax assets are recognized for unutilized tax loss carry-forwards to the extent that future realization within the meaning of IAS 12 is probable.

Because this method is based on future tax assets or liabilities (liability method), deferred taxes are calculated by application of the tax rates expected to be in effect when the differences reverse.

▶ 20 Interest and similar income and expenses (including dividend income)

Interest income and interest expenses are recognized pro rata temporis for all relevant financial instruments using the effective interest method (IAS 18.30(a)). Dividend income is recognized upon creation of the legal claim for payment (IAS 18.30(c)).

▶ 21 Commission income and expenses

The Net commission income comprises all commission and similar income and expenses arising from the service business. Some commissions are generated on services that are provided over a period of time and some commissions are generated on services provided at specific points in time (IAS 18.AG14(b)&(c)). In this context, commission income and expenses is accordingly recognized pro rata temporis, in accordance with the so-called matching principle.

▶ 22 Trading profit/loss

Trading profit/loss includes all realization and valuation changes in securities holdings that were acquired with the intent to earn short-term profits or for which there are indications that short-term profit-taking occurred in the recent past (HfT financial instruments) (IAS 39.9).

▶ 23 Net investment profit/loss

The Net investment profit/loss includes all realization and valuation changes in securities holdings carried under financial assets (HtM, AFS, and AFV financial instruments).

▶ 24 Management's exercise of discretionary judgment

Within the scope of application of the recognition and measurement methods described above, no material effects on the consolidated financial statements have resulted from the exercise of discretionary judgment and estimates by the management of DAB bank AG, beyond the matters disclosed in the notes to the financial statements and the management report.

The judgments are related to the following in particular:

- ▶ The classification of assets in relation to the valuation categories according to IAS 39, while adhering to the formal criteria set forth in the IFRS standards;
- ▶ The measurement of financial instruments in the event that no active market exists according to the definition of IAS 36.6. This also entails a discretionary judgment as to whether an active market exists.

Estimates relate in particular to the following:

- ▶ The useful lives of property and equipment and intangible assets and the related amount of scheduled depreciation. Explanatory notes are provided in Notes 12 and 14.
- ▶ The valuation parameters in the impairment tests of the customer base (carrying amount 5,250 thousand euros), the goodwill (carrying amount 22,694 thousand euros), and all assets for which there is an indication of a need to conduct an impairment test (securities of the HtM portfolio: carrying amount 32,986 thousand euros).
- ▶ The estimation of the timing and amount of future payments for the valuation of receivables and individual securities (Receivables from customers: carrying amount 2,251 thousand euros, and AFV securities: carrying amount 500 thousand euros).
- ▶ The parameters for determination of the pension provisions and the weighting with regard to the criteria for creation and reversal of provisions. Explanatory notes are provided in the Notes 17 and 53.
- ▶ The substantive value and utilization of deferred taxes on loss carryforwards (carrying amount: 13,000 thousand euros).

Notes to the income statement

► 25 Interest income and similar income

in € thousand	Unimpaired financial instruments			Unimpaired financial instruments	2008	2007
	Stocks	Bonds	Loans and receivables			
01/01 – 12/31						
Receivables from banks	-	-	52,148	-	52,148	35,810
Receivables from customers	-	-	20,608	-	20,608	27,136
Trading assets (HFT)	-	-	-	-	-	-25
AFV financial assets	8	66,525	-	-	66,533	72,624
AfS financial assets	31	10,090	-	-	10,121	10,096
HTM financial assets	-	19,574	-	-	19,574	5,063
Other assets	-	-	9	-	9	9
Total	39	96,189	72,765	-	168,993	150,713

► 26 Interest expenses

in € thousand	2008	2007
01/01 – 12/31		
Liabilities to banks	2,583	2,916
Liabilities to customers	110,594	103,881
Subordinated liabilities	1,175	1,035
Other liabilities	92	-
Total	114,444	107,832

The interest expenses from Liabilities to banks and Liabilities to customers relate exclusively to the deposit business.

► 27 Credit risk provisions

in € thousand	2008	2007
01/01 – 12/31		
Additions	761	373
Reversals	390	545
Recoveries on charged-off receivables	59	56
Total	312	-228

► 28 Net commission income

in € thousand	2008	2007
01/01 – 12/31		
Commission income from	206,679	280,787
Securities and custodial services	100,470	127,235
Brokerage of third-party products	93,747	138,321
Foreign trade/payments	3,500	6,679
Other service operations	8,962	8,552
Commission expenses for	98,260	137,807
Securities and custodial services	19,099	27,405
Brokerage of third-party products	76,288	108,240
Foreign trade/payments	353	322
Other service operations	2,520	1,840
Total	108,419	142,980

▶ 29 Trading profit/loss

in € thousand	2008	2007
01/01 - 12/31		
Trading portfolios (HfT)		
Bonds and other fixed-income securities	1,021	1,430
Stocks and other variable-yield securities	-1,029	-306
Derivative financial instruments	3	-175
Total	-5	949

▶ 30 Profit/loss from investments

in € thousand	2008	2007
01/01 - 12/31		
AFV financial assets	-26,300	-7,186
Bonds and other fixed-income securities	-25,716	-8,553
Stocks and other variable-yield securities	-584	267
Derivative financial instruments	-	1,100
AFS financial assets	119	244
Bonds and other fixed-income securities	626	-359
Stocks and other variable-yield securities	-507	603
HtM financial assets	-	-
Bonds and other fixed-income securities	-	-
Total	-26,181	-6,942

The profit/loss from investments contains the profits and losses on the sale of AFV, AFS, and HtM financial instruments and the changes in value of such instruments that are to be recognized in income. This item also contains the profit/loss contribution of derivative financial instruments held for hedging purposes.

▶ 31 Administrative expenses

in € thousand	2008	2007
01/01 - 12/31		
Personnel expenses	41,149	41,438
Wages and salaries	34,489	35,298
Social security	5,771	5,661
Pension and other benefit costs	889	479
Other administrative expenses	78,323	90,980
Marketing expenses	12,467	13,972
Communication expenses	6,583	9,532
IT expenses	17,634	17,377
Securities clearing and settlement expenses	19,643	24,984
Remaining other administrative expenses	21,996	25,115
Depreciation and amortization	9,734	8,601
of equipment	1,716	1,601
of software and other intangible assets (excluding goodwill)	8,018	7,000
Total	129,206	141,019

The expenses resulting from lease payments in connection with the company's obligations under operating leases amounted to 5,638 thousand euros in 2008 (2007: 6,094 thousand euros). The personnel expenses contain severance payments of 1,022 thousand euros for 2008.

▶ 32 Net other operating income/expenses

in € thousand 01/01 - 12/31	2008	2007
Other operating income	8,579	12,177
Reversal of provisions and accruals (non-credit business)	2,047	5,473
Income from product management	974	2,975
Income from defective processing of securities transactions	1,346	1,787
Other	4,212	1,942
Other operating expenses	4,333	5,720
Losses from defective processing of securities transactions and ex gratia payments	3,575	4,537
Other	758	1,183
Total	4,246	6,457

The net other operating income/expenses include an overall effect from currency translation differences in the amount of -23 thousand euros (2007: 91 thousand euros).

▶ 33 Impairment losses on goodwill

In accordance with IFRS 3, goodwill is no longer amortized on a scheduled basis. Instead, an impairment test is conducted every year, or when circumstances warrant, to determine the existence of any impairments. Goodwill exists in connection with direktanlage.at AG and SRQ FinanzPartner AG.

We apply the value-in-use as the basis for determining the substantive value of the respective goodwill. The value-in-use is determined with reference to the projected future cash flows. These cash flows are based on both quantitative and qualitative assumptions made by the management with regard to the business development of the company.

As a rule, we extrapolate from the trends of prior years, taking seasonal and business-cycle fluctuations into account with regard to all value drivers and/or income components. In addition, external information sources are consulted to support or correct the assessment of future performance initially based on internal data collection. For this purpose, scenarios are developed that indicate a possible upper and lower limit to the income estimates, among other things.

Assumptions that constitute a central basis for assessments regarding future income trends include the company's market position in relation to the framework in the respective industry environment, the scalability of the business model, customer and employee satisfaction, and profit trends in past years.

As a rule, we use a planning horizon of three years as a basis for determining the substantive value of the goodwill. As a rule, cash flow projections refer to seven years in order to be able to determine a more accurate economic value-in-use over a longer term of development.

Moreover, the impairment tests are based on the following parameters:

in %	12/31/2008	12/31/2007
Goodwill of direktanlage.at AG		
Initial growth rate	6	24
Final growth rate	1	1
Risk-adjusted discount rate to determine present values	12	9
Goodwill of SRQ FinanzPartner AG		
Duration initial growth rate	71	42
Final growth rate	1	2
Risk-adjusted discount rate to determine present values	18	12

The risk-adjusted discount rate serves as a measure for the opportunities and risks included in the investments and reflects the estimates regarding the future profits in every case.

The impairment tests conducted in this context at December 31, 2008, confirmed both the substantive value of the stated goodwill of direktanlage.at AG in the amount of 18,138 thousand euros and the substantive value of the goodwill of SRQ FinanzPartner AG in the amount of 4,556 thousand euros.

▶ 34 Impairment losses on the customer bases

The intangible assets include two customer bases, one attributable to the business unit FondsServiceBank (FSB) and the other to our subsidiary SRQ FinanzPartner AG (SRQ). We subjected both customer bases to an impairment test at the balance sheet date. In general, all income and expense components were subjected to a review, and the shrinkage rates and the risk-adjusted discount rates in particular were updated, so that fair values for the customer bases were determined on a new basis. Both impairment tests confirmed the substantive values of both the FSB customer base in the amount of 3,828 thousand euros and the SRQ customer base in the amount of 1,422 thousand euros.

▶ 35 Net other income/expenses

The Other expenses include other taxes which are not considered to be income taxes.

▶ 36 Income taxes

The income taxes break down as follows:

in € thousand	2008	2007
01/01 - 12/31		
Current taxes	3,859	8,647
Deferred taxes	-858	11,050
Total	3,001	19,697

The current taxes shown above resulted mainly from application of the regulation aimed at limiting loss deductions for corporate income tax and trade tax (minimum tax rule). The deferred income taxes resulted primarily from the recognition and/or reversal of temporary differences and the utilization of tax loss carryforwards from earlier years.

The total amount of corporate income tax and trade tax loss carryforwards at the balance sheet date was 82,147 thousand euros (2007: 79,035 thousand euro). No impairment losses were recognized.

The differences between the statutory and the effective income taxes are presented in the following reconciliation statement:

in € thousand	2008	2007
01/01 - 12/31		
Result before taxes	11,487	45,515
Applicable tax rate	15.80%	26.40%
Income taxes derived from applicable rate	1,816	12,016
Tax effects from		
previous years and changes in tax rates	135	3,160
foreign income	1,013	-211
tax-exempt income	-451	-
differing legal norms	322	4,556
non-deductible expenses	166	176
Effective income taxes	3,001	19,697

The domestic income tax rate applied as the basis for the reconciliation statement is composed of the uniform corporate income tax rate of 15.0% and the solidarity surtax of 5.5% of corporate income tax. Since January 1, 2008, the domestic income tax rate has been 15.8%.

The income tax rate applicable in 2007 was 26.4% and was composed of the corporate income tax rate of 25.0% and the solidarity surtax of 5.5% of corporate income tax. In 2007, the effects from prior years and tax rate changes and the related non-recurring income taxes resulted mainly from the revaluation of the deferred tax assets and liabilities allocated to domestic companies in connection with the German Corporate Tax Reform Act of 2008, which was implemented in the third quarter of 2007.

The foreign income tax effects result from the different tax rates applied in Germany and Austria.

The effects resulting from the imposition of current and deferred trade taxes which are not computed in Germany on the basis of uniform tax rates and the reduction of the official rates of corporate income tax and solidarity surtax caused by the deductibility of trade taxes are presented under the item Tax effects from differing legal norms.

In accordance with IAS 12.81 (g), the deferred tax assets and liabilities have been assigned to the following balance sheet items:

in € thousand at 12/31	2008		2007	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Tax loss carryforwards	13,000	-	12,482	-
Credit risk provisions	-	97	-	190
Trading assets	-	8,033	-	3,404
Property and equipment	-	130	-	24
Intangible assets	-	1,893	-	1,956
Non-current financial assets	451	543	558	750
Other assets	-	31	-	-
Trading liabilities	7,991	-	3,365	-
Provisions	114	330	157	330
Other liabilities	162	-	2	-
Total	21,718	11,057	16,564	6,654

The change in the balance of deferred taxes from temporary differences caused an expense of 4,574 thousand euros (2007: 3,540 thousand euros) and an income of 4,910 thousand euros (2007: 2,834 thousand euros). The utilization of deferred tax assets from loss carryforwards led to an expense in the amount of 97 thousand euros (2007: 10,344 thousand euros), the subsequent capitalization of tax loss carryforwards gave rise to income in the amount of 615 thousand euros.

► 37 Appropriation of net profit (as per HGB/AktG)

The unappropriated net profit of DAB bank AG for the 2008 fiscal year, as calculated in accordance with national laws, including in particular the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG), amounted to 8,271 thousand euros. At the annual shareholders' meeting to be held on May 14, 2009, the Management Board and Supervisory Board of DAB bank AG will propose distributing a dividend of 0.11 euros per no-par bearer share. The consolidated unappropriated net profit of the DAB bank Group calculated in accordance with IFRS is likewise 8,271 thousand euros.

► 38 Earnings per share

	2008	2007
01/01 - 12/31		
Net profit in € thousand	8,359	25,711
Average number of shares outstanding	75,187,007	75,187,007
Earnings per share (basic) in €	0.11	0.34
Net profit in € thousand	8,359	25,711
Number of potential shares	-	-
Adjusted average number of shares outstanding	75,187,007	75,187,007
Earnings per share (diluted) in €	0.11	0.34

► 39 Value-added statement

Origination		
in € thousand	2008	2007
01/01 - 12/31		
Total income	141,209	187,188
Credit risk provisions	312	-228
Other administrative expenses	78,323	90,980
Depreciation/amortization of property and equipment and intangible assets (including goodwill)	9,734	8,601
Change in provisions	308	970
Value-added	52,532	86,865

Distribution		
in € thousand	2008	2007
01/01 - 12/31		
Employees (personnel expenses)	41,149	41,438
Government (taxes)	3,024	19,716
Shareholders of DAB bank AG (dividend)	8,271	25,564
Enterprise (self-financing)	88	147
Value-added	52,532	86,865

Notes to the balance sheet

► 40 Cash reserve

in € thousand at 12/31	2008	2007
Cash on hand	1,653	1,665
Balances with central banks	34,486	114,286
Total	36,139	115,951

The prescribed minimum cash reserve at December 31, 2008, amounted to 66,119 thousand euros (2007: 67,511 thousand euros).

► 41 Receivables from banks

from banks, by maturity

in € thousand at 12/31	2008	2007
Payable on demand	132,567	174,161
Due in	1,150,197	881,163
up to 3 months	327,576	633,286
more than 3 months to 1 year	822,621	247,877
more than 1 year to 5 years	-	-
more than 5 years	-	-
Total	1,282,764	1,055,324

from banks, by domestic and foreign

in € thousand at 12/31	2008	2007
Domestic	1,145,657	935,465
Foreign	137,107	119,859
Total	1,282,764	1,055,324

from affiliated companies

in € thousand at 12/31	2008	2007
Total	78,459	120,624

by overdue status

in € thousand at 12/31	2008	2007
Neither overdue nor written down	1,282,764	1,055,324
Overdue, but not yet written down	-	-
Total	1,282,764	1,055,324

► 42 Receivables from customers

by maturity

in € thousand at 12/31	2008	2007
Payable on demand	228,593	313,383
Due in	39,979	108,019
up to 3 months	-	-
more than 3 months to 1 year	39,979	68,040
more than 1 year to 5 years	-	39,979
more than 5 years	-	-
Total	268,572	421,402
thereof secured by mortgages	-	-

by domestic and foreign

in € thousand at 12/31	2008	2007
Domestic	172,970	240,677
Foreign	95,602	180,725
Total	268,572	421,402

by overdue status

in € thousand at 12/31	2008	2007
Neither overdue nor written down	266,321	419,538
Overdue, but not yet written down	-	-
Total	266,321	419,538

The receivables due on a daily basis consist mainly of loans against securities. The receivables with a defined maturity consist primarily of financing extended in connection with equipment leasing funds, which are funded and secured by maturity-matched deposits.

► 43 Credit risk provisions

Changes in provisions

in € thousand at 01/01	Individual risks		Latent risks		Total	
	2008	2007	2008	2007	2008	2007
1,511	2,111	-	-	1,511	2,111	
Changes recognized in income						
Additions	761	373	-	-	761	373
Releases	390	545	-	-	390	545
Changes not recognized in income						
Utilization	19	428	-	-	19	428
at 12/31	1,863	1,511	-	-	1,863	1,511

In the DAB bank Group, receivables amounting to 28 thousand euros were completely charged off in 2008 (2007: 29 thousand euros). The amounts recovered on charged-off receivables in 2008 totaled 59 thousand euros (2007: 56 thousand euros).

The bank's credit business consists mainly of loans against securities. The apparent and latent risks of such loans are adequately accounted for through the recognition of specific write-downs. The amount of value-adjusted customer receivables covered by collateral amounts to 388 thousand euros (2007: 353 thousand euros).

► 44 Trading assets

in € thousand at 12/31	2008	2007
Trading assets (HFT)		
Bonds and other fixed-income securities	565	207
Stocks and other variable-yield securities	1,244	1,666
Derivative financial instruments	24,328	10,294
Total	26,137	12,167

The trading assets include the securities held in connection with our offering of bonds, stock and hedge fund certificates, as well as the positive fair values of derivatives traded with customers or counterparties.

At the balance sheet date, the securities presented under Trading assets were not subject to any restrictions on disposal.

A breakdown of derivative financial instruments by residual maturities is presented on page 64 of the Management Report (Risk Report).

► 45 Financial assets

Breakdown of financial assets

in € thousand at 12/31	2008	2007
AFV financial assets	1,388,183	1,861,791
Bonds and other fixed-income securities	1,386,055	1,857,706
thereof: long-term financial assets	-	-
Stocks and other variable-yield securities	2,128	4,085
thereof: long-term financial assets	-	-
AFS financial assets	229,443	311,758
Equity investments	20	20
Bonds and other fixed-income securities	228,036	310,420
thereof: long-term financial assets	-	-
Stocks and other variable-yield securities	1,387	1,318
thereof: long-term financial assets	-	-
HtM financial assets	505,598	388,173
Bonds and other fixed-income securities	505,598	388,173
including: long-term financial assets	-	-
Total	2,123,224	2,561,722

At the balance sheet date, we applied an impairment test to our holdings of HtM financial assets for which there was an indication of possible impairments. The impairment test conducted in this context confirmed the substantive value of the tested securities and thus the substantive value of the total portfolio in the amount of the the stated carrying amount totaling 505,598 thousand euros. At the balance sheet date, the market value of all HtM holdings amounted to 499,475 thousand euros.

The carrying amounts at December 31, 2008, break down as follows:

in € thousand	Equity investments	Bonds and other fixed-income securities	Stocks and other variable-yield securities	Total
Marketable securities	-	2,119,689	2,831	2,122,520
Listed securities	-	2,119,654	1,490	2,121,144
Unlisted securities	-	35	1,341	1,376
Unmarketable securities	20	-	684	704

The equity investments in the amount of 20 thousand euros are held by our subsidiary direktanlage.at AG.

The Bonds and other fixed-income securities and the Stocks and other variable-yield securities break down as follows:

in € thousand at 12/31	2008	2007
Bonds and other fixed-income securities	2,119,689	2,556,299
Money market instruments	41,858	55,005
of public issuers	-	-
of other issuers	41,858	55,005
Bonds and debt issues	2,077,831	2,501,294
of public issuers	341,237	661,369
of other issuers	1,736,594	1,839,925
Stocks and other variable-yield securities	3,515	5,403
Stocks	121	431
Investment fund shares	1,977	3,582
Index certificates	1,417	1,390

In the table below, the Bonds and other fixed-income securities are broken down by maturities:

in € thousand at 12/31	2008	2007
Term to maturity		
up to 3 months	416,257	648,706
3 months to 1 year	570,286	611,737
1 year to 5 years	998,022	1,008,427
more than 5 years	135,124	287,429
Total	2,119,689	2,556,299

Financial assets by overdue status

in € thousand at 12/31	2008	2007
Neither overdue nor written down	2,119,689	2,556,299
Overdue, but not yet written down	-	-
Total	2,119,689	2,556,299

▶ 46 Property and equipment

Changes in property and equipment

in € thousand	Operational and business equipment
Acquisition/production cost	
Balance at 01/01/2007	18,217
Additions	9,504
Disposals	2,253
Changes in consolidation group	73
Balance at 12/31/2007	25,541
Depreciation and impairments	
Balance at 01/01/2007	14,224
Scheduled depreciation	1,601
Disposals	1,787
Balance at 12/31/2007	14,038
Carrying amounts	
Balance at 12/31/2007	11,503
Acquisition/production cost	
Balance at 01/01/2008	25,541
Additions	1,316
Balance at 12/31/2008	26,857
Depreciation and impairments	
Balance at 01/01/2008	14,038
Scheduled depreciation	1,715
Balance at 12/31/2008	15,753
Carrying amounts	
Balance at 12/31/2008	11,104

▶ 47 Intangible assets

Changes in intangible assets

in € thousand	Software	Customer base	Goodwill
Acquisition/production cost			
Balance at 01/01/2007	79,645	5,220	21,763
Additions	7,958	-	-
Disposals	16,526	-	-
Changes in consolidation group	86	1,620	4,556
Balance at 12/31/2007	71,163	6,840	26,319
Amortization and impairments			
Balance at 01/01/2007	41,533	696	3,625
Scheduled amortization	6,562	438	-
Disposals	16,435	-	-
Balance at 12/31/2007	31,660	1,134	3,625
Carrying amounts			
Balance at 12/31/2007	39,503	5,706	22,694
Acquisition/production cost			
Balance at 01/01/2008	71,163	6,840	26,319
Additions	7,378	-	-
Disposals	15	-	-
Balance at 12/31/2008	78,526	6,840	26,319
Amortization and impairments			
Balance at 01/01/2008	31,660	1,134	3,625
Scheduled amortization	7,563	456	-
Disposals	13	-	-
Balance at 12/31/2008	39,210	1,590	3,625
Carrying amounts			
Balance at 12/31/2008	39,316	5,250	22,694

The software contains advance payments of 3,963 thousand euros (2007: 1,693 thousand euros) for IT projects that were not yet completed on the balance sheet date.

The item Customer base includes a customer base in the amount of 3,828 thousand euros, originating from the takeover of FondsServiceBank, and a customer base in the amount of 1,422 thousand euros in connection with the acquisition of SRQ FinanzPartner AG.

Of the total goodwill in the amount of 22,694 thousand euros, 18,138 thousand euros is attributable to direktanlage.de AG. Goodwill exists in the amount of 4,556 thousand euros arising from the acquisition of a majority interest in SRQ FinanzPartner AG.

► 48 Income tax assets

in € thousand at 12/31	2008	2007
Tax refund claims	3,553	63
Deferred tax assets from tax loss carryforwards	13,000	12,482
Deferred tax assets from temporary differences	8,718	4,082
Total	25,271	16,627

► 49 Other assets

in € thousand at 12/31	2008	2007
Prepaid expenses	2,879	3,071
Trade receivables	10,026	13,864
Receivables due from public-sector entities	10,283	12,361
Other assets	4,855	4,261
Total	28,043	33,557

from affiliated companies

in € thousand at 12/31	2008	2007
Total	309	483

by overdue status

in € thousand at 12/31	2008	2007
Neither overdue nor written down	8,559	9,903
Overdue, but not yet written down	1,385	3,823
up to 3 months	1,270	3,206
more than 3 months up to 6 months	21	231
more than 6 months up to 1 year	94	386
more than 1 year up to 5 years	-	-
more than 5 years	-	-
Total	9,944	13,726

The valuation allowances charged against various trade receivables at the balance sheet date amounted to €82 thousand (2007: €138 thousand).

▶ 50 Liabilities to banks

by maturity

in € thousand at 12/31	2008	2007
Payable on demand	281,773	65,093
Due in	42,687	42,990
up to 3 months	2,708	3,011
more than 3 months to 1 year	39,979	-
more than 1 year to 5 years	-	39,979
more than 5 years	-	-
Total	324,460	108,083

by domestic and foreign

in € thousand at 12/31	2008	2007
Domestic banks	275,580	40,864
Foreign banks	48,880	67,219
Total	324,460	108,083

to affiliated companies

in € thousand at 12/31	2008	2007
Total	4,700	13,227

▶ 51 Liabilities to customers

by maturity

in € thousand at 12/31	2008	2007
Payable on demand	2,414,227	3,479,240
Due in	847,144	420,336
up to 3 months	701,014	225,468
more than 3 months to 1 year	143,791	194,769
more than 1 year to 5 years	2,339	99
more than 5 years	-	-
Total	3,261,371	3,899,576

by domestic and foreign

in € thousand at 12/31	2008	2007
Domestic	2,774,294	3,233,690
Foreign	487,077	665,886
Total	3,261,371	3,899,576

Every customer of DAB bank AG is insured by the German deposit insurance fund (Einlagensicherungsfonds des Bundesverbands deutscher Banken e.V.), Cologne, up to a deposit amount of currently 28,450 thousand euros (2007: 27,990 thousand euros).

▶ 52 Trading liabilities

The trading liabilities consist of the negative fair values of derivatives traded with customers or counterparties. A breakdown by residual maturities is presented on page 64 of the Management Report (Risk Report).

► 53 Provisions

Changes in provisions

in € thousand	2008	2007
at 12/31	4,755	7,672
Changes recognized in income		
Additions	851	1,848
Reversals	543	1,585
Changes not recognized in income		
Changes due to business combination	-	1,210
Utilizations	1,917	4,390
Transfers	-34	-
at 12/31	3,112	4,755

The total balance of Provisions includes provisions under existing contracts in the amount of 1,615 thousand euros (2007: 1,468 thousand euros), provisions for compensation of loss or damage in the amount of 1,390 thousand euros (2007: 1,433 thousand euros), provisions for long-term obligations toward employees in the amount of 72 thousand euros (2007: 76 thousand euros) and provisions for litigation expenses in the amount of 35 thousand euros (2007: 65 thousand euros).

All provisions consist of current liabilities, except for obligations toward employees.

The provisions also contain pension obligations, which break down as follows:

Changes in pension provisions

in € thousand	2008	2007
Present value of pension obligations at 01/01	1,713	1,634
Changes recognized in income		
Present value of the pension claims earned in the fiscal year	-149	104
Interest expense	96	82
Amortized amount of actuarial gains and losses	-60	-107
Changes not recognized in income	-	-
Present value of pension obligations at 12/31	1,600	1,713

The parameters used to determine the pension obligations are as follows:

in € thousand	12/31/2008- 01/01/2009	12/31/2007- 01/01/2008
at 12/31		
Discount rate	5.75	5.25
Pension trend	1.90	1.90
Salary and vested rights trend	2.75	2.50
Career trend	1.50 / 0.50	1.50 / 0.50

The provisions for pensions and similar obligations relate to benefits payable upon termination of the employment relationship and benefits payable after termination of the employment relationship. Pension provisions in the stricter sense relate to the benefits payable after termination of the employ-

ment relationship and consist entirely of defined benefit plans, which are calculated on the basis of actuarial opinions in accordance with the rules of IAS 19.

The present value of the unfunded defined benefit obligations at the balance sheet date corresponds to the value of provisions in the balance sheet. In this respect, the company exercised the option allowed in the revised IAS 19.93 of fully recognizing unamortized actuarial gains and losses in income for the period.

The defined benefit plans relate to the employees of FSB FondsServiceBank GmbH, which was merged into DAB bank AG, and to the employees of direkt-anlage.at AG. The total number of entitled persons at the balance sheet date is 39 persons (2007: 39 persons), 28 vested claims and 11 unvested claims existed at the balance sheet date. No contributions or benefit payments are currently being made in connection with the existing plans. At the current time, we are not planning to expand the total volume of defined benefit plans.

The total expected pension expenses for 2008 are 92 thousand euros.

Provisions that are no longer needed are reversed and the corresponding amounts are recognized in income.

▶ 54 Income tax liabilities

in € thousand at 12/31	2008	2007
Income tax provisions	3,941	6,254
Deferred tax liabilities from temporary differences	11,057	6,654
Total	14,998	12,908

▶ 55 Other liabilities

in € thousand at 12/31	2008	2007
Accruals	30,607	32,857
Trade payables	2,467	7,230
Receivables due from public-sector entities	16,315	14,213
Other liabilities	3,874	2,906
Total	53,263	57,206

Other liabilities to affiliated companies		
in € thousand at 12/31	2008	2007
Total	21	-

The accruals relate mainly to short-term liabilities due to employees and trade payables in connection with outstanding invoices.

► 56 Subordinated capital

by maturity

in € thousand at 12/31	2008	2007
Due in		
up to 3 months	2,000	-
more than 3 months to 1 year	-	-
more than 1 year to 5 years	18,023	20,032
more than 5 years	-	-
Total	20,023	20,032

Subordinated capital

Nominal amount in in € thousand	Interest rate	Starting date	Expiration date	Counterparty
2,000	3-month Euribor + 0.75% p.a.	03/31/2004	03/31/2009	Bayerische Hypo- und Vereinsbank AG
8,000	3-month Euribor + 1.00% p.a.	09/30/2005	09/30/2010	Bayerische Hypo- und Vereinsbank AG
10,000	3-month Euribor + 0.88% p.a.	12/12/2006	12/13/2011	Volkswohl Bund Lebensversicherung a.G.

The subordinated liabilities fulfill the regulatory requirements of §10 (5a) KWG (German Banking Act).

The item Subordinated liabilities contains pro-rated interest of 23 thousand euros (2007: 31 thousand euros) and a debt discount of 19 thousand euros (2007: 25 thousand euros) on the subordinated loan extended by Volkswohl Bund Lebensversicherung a.G., which has been recognized as a prepaid expense. Interest expenses of 1,176 thousand euros (2007: 1,035 thousand euros) were incurred on subordinated liabilities in 2008.

► 57 Equity

Subscribed capital

The share capital of DAB bank AG amounts to 75,187,007 euros, unchanged from the previous year. It is divided into 75,187,007 no-par bearer shares, each of which grants the same rights.

The issuance of new shares is possible particularly within the framework of the authorizations in connection with Authorized Capital I and II and Conditional Capital I and II.

There are no restrictions on the voting rights or the transfer of shares. Furthermore, no agreements between companies are known that would result in restrictions on the transfer of voting rights and shares of the company. There are no holders of shares with special rights granting supervisory powers. To the extent that employees of DAB bank AG are shareholders of the company, they exercise the supervision of their voting rights directly.

Additional paid-in capital

The Additional paid-in capital comprises the remaining premium amount from the issue of stock in connection with DAB bank AG going public in fiscal 1999.

Retained earnings

The retained earnings consist entirely of Other retained earnings.

Accumulated other comprehensive income

The accumulated other comprehensive income reflects the measurement result of the securities of financial assets classified as AfS holdings, factoring in a related effect on deferred taxes. Changes in value are not recognized in income until the asset is sold or an impairment loss is recognized.

Authorized capital

1.) Authorized Capital I:

By resolution of the annual shareholders' meeting of May 11, 2006, the Management Board was authorized to increase the share capital by an amount of up to 22,500,000.00 euros by issuing new bearer shares in exchange for cash or in-kind contributions, on one or more occasions in the time until May 11, 2011, with the consent of the Supervisory Board (Authorized Capital I/Authorized Capital 2006/I). When shares are issued against in-kind contributions, the Management Board is authorized to exclude the subscription right of existing shareholders with the consent of the Supervisory Board.

The Authorized Capital I was recorded in the Commercial Register on May 23, 2006.

At December 31, 2008, the Authorized Capital I still existed in the full amount of 22,500,000 euros.

2.) Authorized Capital II:

By resolution of the annual shareholders' meeting of May 10, 2007, the Management Board was authorized to increase the share capital by an amount of up to 15,000,000.00 euros by issuing new bearer shares in exchange for cash or in-kind contributions, on one or more occasions in the time until May 10, 2012, with the consent of the Supervisory Board (Authorized Capital II/Authorized Capital 2007/I). When shares are issued against in-kind contributions, the Management Board is authorized to exclude the subscription right of existing shareholders with the consent of the Supervisory Board.

The Authorized Capital II was entered into the Commercial Register on May 21, 2007.

At December 31, 2008, the Authorized Capital II still existed in the full amount of 15,000,000 euros.

Conditional Capital/Stock Option Plan

1.) By resolution of the annual shareholders' meeting of September 2, 1999 (recorded in the Commercial Register on October 12, 1999), the share capital was conditionally increased by an amount of up to 3,500,000 euros by issue of up to 3,500,000 bearer shares (Conditional Capital I). The conditional capital increase will be executed only for the purpose of redeeming stock options in connection with the Stock Option Plan. Thus, it will be executed only to the extent that the beneficiaries of stock options exercise their options, in which case shares will be issued from the Conditional Capital. The preemptive shares qualify for dividends from the beginning of the fiscal year in which they are issued.

At the balance sheet date of December 31, 2008, no stock options existed in connection with the 1999 Stock Option Plan of DAB bank AG for the members of the Management Board and the employees of DAB bank AG. No stock options were granted in 2008.

2.) By resolution of the annual shareholders' meeting of May 17, 2001, the share capital was conditionally increased by an amount of up to 3,300,000 euros by issue of up to 3,300,000 bearer shares (Conditional Capital II).

The conditional capital increase will be executed only for the purpose of redeeming stock options in connection with the International Stock Option Plan. Thus, it will be executed only to the extent that the beneficiaries exercise their stock options, in which case shares will be issued from the Conditional Capital. The preemptive shares qualify for dividends from the beginning of the fiscal year in which they are issued.

At December 31, 2008, no stock options existed in connection with the 2001 International Stock Option Plan of DAB bank AG for group employees. No stock options were granted in 2008.

Changes in the Subscribed, Authorized and Conditional Capital of DAB bank AG

	Subscribed capital € thousand	Authorized capital € thousand	thereof: exclusive of sub- scription rights € thousand	Conditional capital € thousand
at 01/01/2008	75,187	37,500	37,500	6,800
at 12/31/2008	75,187	37,500	37,500	6,800

Authorized capital

Decision year	Original amount € thousand	Still available € thousand	Limited in time until
2006	22,500	22,500	11,05,2011
2007	15,000	15,000	10,05,2012
at 12/31/2008	37,500	37,500	

Conditional capital

Decision year	Original amount € thousand	Still available € thousand	Limited in time until
1999	3,500	3,500	-
2001	3,300	3,300	-
at 12/31/2008	6,800	6,800	

▶ 58 Treasury shares

In accordance with § 71 (1) (7) AktG, the company is authorized to buy and sell its own shares for trading purposes until October 31, 2009. The shares acquired for this purpose may not exceed 5% of the company's share capital at the close of any day. The price at which treasury shares are purchased may not be more than 10% higher or lower than the average of the closing prices of the DAB bank AG share in the XETRA-trading system (or comparable successor system) on the three stock exchange days preceding the purchase.

The total shares held by the company, including the shares purchased for the purpose indicated above, and any other treasury shares held by the company or attributable to the company by virtue of §§ 71a ff. AktG, may not exceed 10% of the company's share capital at any time.

This authorization supersedes the authorization to purchase treasury shares for trading purposes granted by the shareholders at the annual shareholders' meeting of May 10, 2007, under Agenda Item 6, which is hereby annulled.

DAB bank AG purchased treasury shares in 2008 for the purpose of correcting errors and to process customer orders. Overall, transactions in the period listed above involved 1,639 shares; this corresponds to a share of 1,639 euros or 0.002% of the capital stock. Of this amount, 1,639 shares were used for correcting errors; this likewise corresponds to a share of 0.002% of the capital stock. At an average purchase price/sale price of 5.75 euros / 5.58 euros per share, a loss of 270 euros was earned on these transactions. The dividend of 64.60 euros attributable to the 190 treasury shares held by the company at the date of the annual shareholders' meeting was carried forward to new account.

No treasury shares were held by the DAB bank Group at December 31, 2008.

▶ 59 Trust transactions

The trust assets in the amount of 199,987 thousand euros consist of securities held in trust in connection with the partial retirement plans known in Germany as Altersteilzeit plans. These assets are offset by trust liabilities in the same amount. The securities held in trust for this purpose consist entirely of shares and other variable-yield securities measured at fair value.

In accordance with IFRS, the trust assets and trust liabilities of the DAB bank Group are not presented on the face of the consolidated balance sheet. If included in the balance sheet, the trust transactions would correspond to the balance sheet items of Financial assets and Liabilities to customers.

▶ 60 Assets and liabilities in foreign currency

The euro equivalent of assets denominated in a foreign currency at the balance sheet date amounted to 93,777 thousand euros (2007: 113,913 thousand euros), and that of liabilities denominated in a foreign currency 96,581 thousand euros (2007: 108,757 thousand euros). Foreign currency transactions were effected primarily in U.S. dollars.

▶ 61 Pledge of securities for own liabilities

Securities with a nominal value of 10,000 thousand euros (carrying amount: 10,007 thousand euros) were pledged to Clearstream Banking AG, Frankfurt a.M. and Luxembourg, as security for the settlement of securities trades. Furthermore, securities with a nominal value of 10,000 thousand euros (carrying amount: 10,007 thousand euros) were pledged to HSBC Trinkaus & Burkhardt AG, Düsseldorf, as security for the settlement of securities trades in connection with a securities lending transaction.

Notes to the cash flow statement

▶ 62 Cash flow statement

The cash flow statement shows changes in the net cash holdings of the company. Cash flows are assigned to the categories of operating activities, investing activities and financing activities.

The stated amount of cash and cash equivalents is equal to the cash reserve item of the balance sheet. This item contains cash on hand and balances with central banks.

The item Changes in other non-cash items contains the net reversal of deferred taxes and the changes in provisions.

The effects from interest income and interest expense and/or from income taxes paid are included in the item Other adjustments.

Notes to the segment report

▶ 63 Segment reporting

The DAB bank Group is managed on the basis of regional responsibilities, that being equivalent to the companies comprised within the DAB bank Group. The countries of Germany and Austria, in which the DAB bank Group operates, are the regions that constitute the primary segments for segment reporting according to IAS 14. Figures are attributed to the regions with reference to the head office of the respective company. The cross-regional consolidation entries are presented in the Consolidation column.

In the future, the segment report will be based exclusively on the companies comprised within the DAB bank Group. This treatment meets the requirements of IFRS 8.2 ff., in particular.

The DAB bank Group operates in the business of brokerage and financial services. We consider this business to be the only defined segment in which we operate. Therefore, we do not consider it useful to present a segmentation based on types of business (secondary segmentation).

The Financial Review contains a breakdown by customer groups (B2C and B2B). These two customer groups differ primarily with regard to the structure of their needs, while the products and services offered to both customer groups are basically identical. Thus, a segmentation based on the B2C and B2B customer groups, beyond the information contained in other parts of the Annual Report, has not been presented.

Consolidated Segment Reporting according to IFRS

Income Statement by Regions:

in € thousand

	Germany	Austria	Consolidation	Group
Net interest income				
01/01/2008-12/31/2008	44,776	9,773	-	54,549
01/01/2007-12/31/2007	33,040	9,841	-	42,881
Credit risk provisions				
01/01/2008-12/31/2008	138	174	-	312
01/01/2007-12/31/2007	-233	5	-	-228
Net interest income after credit risk provisions				
01/01/2008-12/31/2008	44,638	9,599	-	54,237
01/01/2007-12/31/2007	33,273	9,836	-	43,109
Net commission income				
01/01/2008-12/31/2008	90,951	17,468	-	108,419
01/01/2007-12/31/2007	118,736	24,244	-	142,980
Trading profit/loss				
01/01/2008-12/31/2008	-140	135	-	-5
01/01/2007-12/31/2007	979	-30	-	949
Profit/loss from investments				
01/01/2008-12/31/2008	-26,320	139	-	-26,181
01/01/2007-12/31/2007	-7,036	94	-	-6,942
Personnel expenses				
01/01/2008-12/31/2008	33,501	7,648	-	41,149
01/01/2007-12/31/2007	33,716	7,722	-	41,438
Other administrative expenses				
01/01/2008-12/31/2008	69,780	8,628	-85	78,323
01/01/2007-12/31/2007	79,853	11,127	-	90,980
Depreciation/amortization of property and equipment and other intangible assets				
01/01/2008-12/31/2008	8,904	830	-	9,734
01/01/2007-12/31/2007	7,849	752	-	8,601
Administrative expenses				
01/01/2008-12/31/2008	112,185	17,106	-85	129,206
01/01/2007-12/31/2007	121,418	19,601	-	141,019
Net other operating income/expenses				
01/01/2008-12/31/2008	3,526	805	-85	4,246
01/01/2007-12/31/2007	6,363	94	-	6,457
Net other income/expenses				
01/01/2008-12/31/2008	-	-23	-	-23
01/01/2007-12/31/2007	-	-19	-	-19
Result before taxes				
01/01/2008-12/31/2008	470	11,017	-	11,487
01/01/2007-12/31/2007	30,897	14,618	-	45,515

Balance Sheet by region

in € thousand

	Gemany	Austria	Consolidation	Group
Cash reserve and receivables from banks				
12/31/2008	1,168,261	150,642	-	1,318,903
12/31/2007	1,051,952	119,323	-	1,171,275
Receivables from customers, less risk provisions				
12/31/2008	217,759	48,950	-	266,709
12/31/2007	344,656	75,254	-19	419,891
Trading assets				
12/31/2008	26,137	-	-	26,137
12/31/2007	12,167	-	-	12,167
Liabilities to banks				
12/31/2008	321,459	3,001	-	324,460
12/31/2007	104,971	3,131	-19	108,083
Liabilities to customers				
12/31/2008	2,858,358	403,013	-	3,261,371
12/31/2007	3,425,782	473,794	-	3,899,576
Trading liabilities				
12/31/2008	24,235	-	-	24,235
12/31/2007	10,204	-	-	10,204

Additional information by regions:

	Germany	Austria		Group
Cost-income ratio (in %)				
01/01/2008-12/31/2008	99.6	60.8		91.8
01/01/2007-12/31/2007	79.7	57.3		75.6
Investments in property and equipment and intangible assets (in € thousand)				
01/01/2008-12/31/2008	7,183	1,511		8,694
01/01/2007-12/31/2007	16,413	1,049		17,462
Total book value of segment assets (in € thousand)				
12/31/2008	3,443,540	443,795		3,866,651
12/31/2007	3,794,267	520,352		4,294,645
Total book value of segment liabilities (in € thousand)				
12/31/2008	3,287,511	415,022		3,701,462
12/31/2007	3,622,789	490,336		4,112,764
Cash flow from operating activities (in € thousand)				
01/01/2008-12/31/2008	-397,341	-60,909		-458,250
01/01/2007-12/31/2007	565,823	158,081		723,904
Cash flow from investing activities (in € thousand)				
01/01/2008-12/31/2008	322,498	81,127		403,625
01/01/2007-12/31/2007	-502,213	-157,392		-659,605
Cash flow from financing activities (in € thousand)				
01/01/2008-12/31/2008	-15,773	-9,414		-25,187
01/01/2007-12/31/2007	-15,901	-6,818		-22,719
Employees (headcount)				
12/31/2008	585	127		712
12/31/2007	579	125		704
Trades (number)				
01/01/2008-12/31/2008	8,173,794	1,061,240		9,235,034
01/01/2007-12/31/2007	10,382,543	1,124,474		11,507,017
Securities accounts (number)				
12/31/2008	1,037,990	53,023		1,091,013
12/31/2007	1,055,359	50,963		1,106,322

Other disclosures

► 64 Additional disclosures concerning financial instruments

Carrying amounts and fair values by financial instruments

The specified fair value of the financial instruments according to IFRS 7.25 ff. is the amount at which an asset could be exchanged or a liability settled on the balance sheet date between knowledgeable, willing partners in an arm's length transaction.

The financial instruments held by DAB bank are presented either at fair value or at amortized cost on the balance sheet date, depending on the category to which they are assigned. The fair values were calculated on the basis of the market intelligence available.

The fair values of certain financial instruments carried at amortized cost are nearly identical to their carrying amounts. Such cases include the cash reserve and our receivables and liabilities without a clear due date or interest obligation. For the other receivables and liabilities, for determining the fair values the future expected cash flows are discounted to the present value using current interest rates by application of the individually applicable yield curve. Listed (real and indicative) market prices are used for measuring the value of exchange-traded securities, derivatives, and debt instruments. The fair value of forward foreign exchange contracts is measured on the basis of current forward rates.

In situations where fair values of exchange-traded securities cannot be determined with sufficient certainty due to inactive markets, we use the most recent transactions involving similar financial instruments as a basis to determine the fair value. If no plausible fair value can be derived in this way,

we determine the fair value by comparison with essentially identical financial instruments. If a direct comparison is also impossible, we assign a valuation using economically plausible modeling using discounted cash flows on the basis of observable market data.

The difference between the fair values and carrying amounts of assets was 3,851 thousand euros (2007: -2,482 thousand euros) and the same difference in the case of liabilities was 3,847 thousand euros (2007: 1,835 thousand euros). The net balance of these values, to be understood as undisclosed reserves or undisclosed liabilities, was 4 thousand euros (2007: -4,317 thousand euros).

Financial instruments under IFRS 7

in € thousand at 12/31	Valuation category per IAS 39	2008		2007	
		Fair value	Carrying amount	Fair value	Carrying amount
Cash reserve	LaR	36,139	36,139	115,951	115,951
Receivables from banks	LaR	1,292,617	1,282,764	1,055,828	1,055,324
Receivables from customers (including credit risk provisions)	LaR	266,830	266,709	421,576	419,891
Trading assets	HfT	26,137	26,137	12,167	12,167
Financial assets		2,117,101	2,123,224	2,557,051	2,561,722
AFV financial instruments	AFV	1,388,183	1,388,183	1,861,791	1,861,791
HtM financial instruments	HtM	499,475	505,598	383,502	388,173
AfS financial instruments	AfS	229,443	229,443	311,758	311,758
Other assets*	LaR	10,026	10,026	13,864	13,864
Assets (total)		3,748,850	3,744,999	4,176,437	4,178,919
Liabilities to banks	AC	324,886	324,460	108,582	108,083
Liabilities to customers	AC	3,264,259	3,261,371	3,900,242	3,899,576
Trading liabilities	HfT	24,235	24,235	10,204	10,204
Subordinated capital	AC	20,556	20,023	20,702	20,032
Other liabilities*	AC	2,467	2,467	7,230	7,230
Liabilities (total)		3,636,403	3,632,556	4,046,960	4,045,125

* Trade receivables or payables

The fair values of all financial instruments classified as held for trading, at fair value through profit or loss, held to maturity and available for sale are presented below.

in € thousand	Quoted	Measurement	Measurement	Fair value	Quoted	Measurement	Measurement	Fair value
	market prices	method based on market data	method not based on market data		market prices	method based on market data	method not based on market data	
Trading assets	18,072	8,065	-	26,137	7,430	4,737	-	12,167
Non-current financial assets	2,007,812	109,289	-	2,117,101	2,328,238	228,813	-	2,557,051
AFV financial instruments	1,293,951	94,232	-	1,388,183	1,747,978	113,813	-	1,861,791
HtM financial instruments	484,418	15,057	-	499,475	268,502	115,000	-	383,502
AfS financial instruments	229,443	-	-	229,443	311,758	-	-	311,758
Trading liabilities	16,263	7,972	-	24,235	2,556	7,648	-	10,204

Net results by valuation categories

in € thousand	2008	2007
	Net results	Net results
Loans and receivables (LaR)	72,453	63,183
Financial assets and financial liabilities measured at fair value, recognized in income (HFT)	-5	924
Financial assets measured at fair value recognized in income (AFV)	40,233	65,588
Investments in financial assets held to maturity (HtM)	19,574	5,063
Assets available for sale (AFS)	10,240	10,190
Financial liabilities measured at amortized cost (AC)	-114,444	-107,832

In 2008, the change in value attributable to AfS financial assets that was recognized directly in equity amounted to 525 thousand euros (2007: -1,012 thousand euros). The amount attributable to AfS financial assets that was removed from equity and recognized in income amounted to -202 thousand euros (2007: 94 thousand euros).

► 65 Key regulatory ratios (based on German Commercial Code, HGB)

The regulatory requirements of the new Basel Capital Accord, Basel II, the transposition of which into German law is governed by the Bank Solvency Regulation (SolV), was applied by DAB bank AG for the first time as of January 1, 2008. DAB bank AG has decided to apply the Standardized Approach for measuring its credit risks. For measuring its operational risks, DAB bank continued to apply the Standardized Approach in 2008, but will switch to the Advanced Measurement Approach (AMA) during the course of 2009.

The Group-level monitoring of key regulatory ratios is now performed exclusively by the parent company of DAB bank AG, Bayerische Hypo- und Vereinsbank AG, Munich. This treatment accords with Section 10a of the German Banking Act (KWG) in conjunction with Article 25 (2b) of the German Large Exposures and Multimillion Loan Regulation (GroMiKV).

Compliance with the key regulatory ratios is monitored every day. DAB bank was in compliance with these ratios at all times in 2008.

The liable equity of DAB bank AG, which is determined on the basis of German commercial law, amounted to €95 million. The capital charges for default risks declined from €65 million in 2007 to €53 million in 2008.

The capital charges for operational risks amounted to approximately €17 million for 2008, as compared to approximately €16 million in the previous year, while the capital charges for market risk positions decreased slightly from €0.64 million in the previous year to €0.58 million in 2008.

Based on the foregoing, the overall ratio according to the SolvV came to 10.8%, slightly higher than the corresponding ratio for the previous year (9.3%). This figure is still well above the minimum ratio of 8.0% prescribed by banking regulations.

Key regulatory ratios (based on German Commercial Code, HGB)

at 12/31 in € thousand	2008	2007
Core capital	81,057	76,072
Supplementary capital	13,968	18,766
Eligible capital	95,025	94,840
Capital charges for default risk	52,909	65,081
Capital charges for market risk positions	576	642
Capital charges for operational risk	16,812	15,748
Surplus capital	24,728	13,367
Overall ratio per SolvV	10.8%	9.3%

With an equity ratio of 10.8%, DAB bank AG is adequately endowed with equity capital. In reference to the entire year 2008, DAB bank AG was likewise always sufficiently endowed with equity capital.

► 66 Significant concentrations of assets and liabilities

The assets and liabilities of the DAB bank Group do not show any significant concentrations. Detailed information on the risks of our business is presented in the Risk Report as a component of the Management Report.

► 67 Contingent liabilities and other obligations

in € thousand at 12/31	2008	2007
Contingent liabilities		
from guarantees and warranty agreements	1,157	1,022
Other commitments		
from rental agreements	30,717	34,602
from lease agreements	18,149	20,575
Total	50,023	56,199

The terms of rental and lease agreements are customary for the market and no burdens have been shifted to future fiscal years.

The residual terms of future minimum lease payments due to non-cancellable operating leases break down as follows:

in € thousand at 12/31	2008	2007
Maturity		
up to 1 year	5,431	5,837
more than one year to 5 years	12,718	14,738
more than 5 years	-	-
Total	18,149	20,575

▶ 68 Group affiliation

At December 31, 2008, UniCredit S.p.A., Rome, Italy, indirectly held and Bayerische Hypo- und Vereinsbank AG, Munich, directly held 76.36% of the shares of DAB bank AG. No further direct or indirect investments in capital that exceed 10% of voting rights exist, to the knowledge of the Management Board.

The consolidated financial statements of DAB bank AG at December 31, 2008, prepared in accordance with International Financial Reporting Standards (IFRS/EU), are deemed to be exempting financial statements according to § 315a (1) HGB in conjunction with § 291 (3) (1) (1) HGB. They are included in the consolidated financial statements of UniCredit S.p.A., Rome, Italy, by way of the sub-group consolidated financial statements of Bayerische Hypo- und Vereinsbank AG, Munich.

▶ 69 Letter of comfort

Political risks excluded, DAB bank AG, Munich, has undertaken to ensure that direktanlage.at AG, Salzburg, can meet its contractual obligations, within the limit of the Group's share in the equity of that company.

▶ 70 Events after the balance sheet date

Effective January 5 and February 2, 2009, respectively, DAB bank AG purchased additional shares for a purchase price of 3,099 thousand euros under the terms of the purchase agreement and the related agreements concerning option rights that were concluded with SRQ FinanzPartner AG (SRQ). Thus, DAB bank holds 81.61% of SRQ's equity. The carrying amount of this investment is 8,984 thousand euros. No incidental costs were incurred in connection with this transaction. The difference between the acquisition cost and the remeasured value of assets and liabilities at the date of initial consolidation (February 28, 2007), in the proportion corresponding to the new shareholding of DAB bank AG, that difference being 6,919 thousand euros, will be presented as goodwill in future periods. With regard to the assets and liabilities of SRQ acquired at the initial consolidation date, please refer to page 124 of the Annual Report for 2007.

▶ 71 Related party disclosures

Compensation paid to members of the Supervisory Board, the Management Board and the Senior Vice President of DAB bank AG

in € thousand	Fixed component		Performance-related components		Components with a long-term incentive effect		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Management Board and Senior Vice President	1,426	1,443	948	1,449	-	-	2,374	2,892
Supervisory Board	76	75	22	21	-	-	98	96
Total	1,502	1,518	970	1,470	-	-	2,472	2,988

The compensation paid to the individual members of the Supervisory Board, the Management Board, and the Senior Vice President (Generalbevollmächtigte) in 2008 is presented in the table below:

in € thousand	Fixed component	Performance - related components	Components with a long-term incentive effect	Total
Members of the Management Board and the Senior Vice President				
Markus Gunter	138	170	-	308
Ernst Huber	681	553	-	1,234
as member of the DAB Management Board	81	73	-	154
as member of the da.at Management Board	600	480	-	1,080
Alexander von Uslar	266	-	-	266
Dr. Markus Walch	262	75	-	337
Wolfgang Strobelt	79	150	-	229
Members of the Supervisory Board				
Werner Allwang	7	2	-	9
Nikolaus Barthold	10	3	-	13
Gunter Ernst	10	3	-	13
Dr. Volker Jung	10	3	-	13
Johannes Maret	4	1	-	5
Matthias Sohler	5	2	-	7
Jan Wohlschiess	10	3	-	13
Andreas Wölfer	20	5	-	25
Total	1,502	970	-	2,472

The key members of management include all members of the Management Board, the Supervisory Board and the Senior Vice President (Generalbevollmächtigte). The compensation paid in 2008 and in the comparison period consisted entirely of amounts payable on a short-term basis, which together are equivalent to the total compensation stated above. Other types of compensation within the meaning of IAS 24.16 were not provided.

Receivables from members of the Supervisory Board, Management Board and the Senior Vice President

in € thousand at 12/31	2008	2007
Members of the Management Board and the Senior Vice President	-	9
Members of the Supervisory Board	30	-
Total	30	9

At the balance sheet date, receivables of 30 thousand euros were due from members of the Supervisory Board in connection with loans extended against securities as collateral. No further loans, advances, or contingent liabilities existed. The members of the Supervisory Board did not receive any compensation in 2008 for services rendered personally.

In 2008, the company maintained business relationships with the following companies included in the consolidated financial statements of the ultimate parent company UniCredit S.p.A.:

- ▶ Pioneer Investments Kapitalanlagegesellschaft mbH, Unterföhring
- ▶ Pioneer Investments Austria GmbH, Vienna
- ▶ Pioneer Asset Management SA, Luxembourg
- ▶ Bank Austria Creditanstalt Aktiengesellschaft, Vienna
- ▶ Bayerische Hypo- und Vereinsbank AG, Munich
- ▶ BodeHewitt AG & Co. KG, Grünwald
- ▶ H.F.S. Fondsbeteiligung für Sachwerte GmbH, Munich
- ▶ HVB Information Services GmbH, Munich
- ▶ HVB Payments & Services GmbH, Aschheim/Dornach
- ▶ Schoellerbank Aktiengesellschaft, Vienna

Significant business relationships with affiliated companies are presented in the table below:

in € thousand	Expenses		Income	
	2008	2007	2008	2007
Other companies included in the UniCredit S.p.A. with significant influence:				
Bayerische Hypo- und Vereinsbank AG	1,459	1,625	7,248	13,409
Other companies included in the UniCredit S.p.A.				
Bank Austria Creditanstalt Aktiengesellschaft	24	6	13	7
HVB Information Services GmbH	501	597	-	-
Pioneer Investments Kapitalanlagegesellschaft mbH	302	-	1,574	1,396
Pioneer Investments Austria GmbH	-	-	263	253
Pioneer Asset Management SA	-	-	1,147	559

in € thousand at 12/31	Receivables		Payables	
	2008	2007	2008	2007
Other companies included in the UniCredit S.p.A. with significant influence:				
Bayerische Hypo- und Vereinsbank AG	79,607	129,023	17,675	23,867
Other companies included in the UniCredit S.p.A.				
Bank Austria Creditanstalt Aktiengesellschaft	3,032	100	600	249
HVB Information Services GmbH	-	-	21	-
Pioneer Investments Kapitalanlagegesellschaft mbH	89	343	-	-
Pioneer Investments Austria GmbH	-	73	-	-
Pioneer Asset Management SA	220	140	-	-

All transactions, including the delivery and receipt of banking-related and non-banking-related goods and services, as well as the delivery and receipt of IT and outsourcing services, were conducted at customary market terms.

▶ 72 Employees

	2008	2007
Average number of employees (headcount)		
Managing Directors	7	7
Senior Vice President	1	1
Holders of commercial power of attorney	11	14
Other salaried employees	658	630
Parental leave/military service	20	21
Vocational trainees	15	9
Employees (total)	712	682

The employee numbers presented in the Annual Report for 2007 (678) did not contain the employees of SRQ.

▶ 73 Members of the Supervisory Board and Management Board, and Senior Vice President

Members of the Supervisory Board of DAB bank AG:

Andreas Wölfer (Chairman)

Member of the Management Board of Bayerische Hypo- und Vereinsbank AG, Munich, and Head of Private Banking Austria

At December 31, 2008, Mr. Andreas Wölfer did not serve on any other legally prescribed Supervisory Boards of German companies.

At December 31, 2008, Mr. Andreas Wölfer also served on the following other, comparable oversight boards of German and foreign companies:

- ▶ HVB Banque Luxembourg Société Anonyme, Luxembourg, Vice Chairman of the Board of Directors*)
- ▶ direktanlage.at AG, Salzburg, Chairman of the Supervisory Board*)
- ▶ Wealth Management Capital Holding GmbH, Munich, Chairman of the Board of Directors*)
- ▶ UniCredit (Suisse) Bank S.A., Lugano, member of the Board of Directors *)

Matthias Sohler (Vice Chairman until May 8, 2008)

Ancient member of the Management Board of Bayerische Hypo- und Vereinsbank AG, Munich
COO (Global Banking Services, IT)

Jan Wohlschiess (Vice Chairman since May 8, 2008)

Head of Organisation Division Private Banking, UniCredit S.p.A., Rome, Italy, and Director of Bayerische Hypo- und Vereinsbank AG, Munich

At December 31, 2008, Mr. Jan Wohlschiess did not serve on any other legally prescribed Supervisory Boards of German companies, nor on any other, comparable oversight boards of German and foreign companies.

Gunter Ernst

Person of independent means

At December 31, 2008, Mr. Gunter Ernst served on the following other, legally prescribed Supervisory Boards of German companies:

- ▶ Gütermann AG, Gutach, Vice Chairman
- ▶ Schwäbische Bank AG, Stuttgart, Vice Chairman
- ▶ Wüstenrot & Württembergische AG, Stuttgart

At December 31, 2008, Mr. Gunter Ernst did not serve on any other, comparable oversight boards of German and foreign companies.

Dr. Eng. h.c. Volker Jung

Person of independent means

At December 31, 2008, Dr. Eng. h.c. Volker Jung served on the following other, legally prescribed Supervisory Boards of German companies:

- ▶ Vattenfall Europe AG, Berlin

At December 31, 2008, Dr. Eng. h.c. Volker Jung did not serve on any other, comparable oversight boards of German and foreign companies.

Johannes Maret (until May 8, 2008)

Person of independent means

Werner Allwang (employee representative)

Manager, B2B Own-Account Trading, DAB bank AG, Munich

At December 31, 2008, Mr. Werner Allwang did not serve on any other legally prescribed Supervisory Boards of German companies, nor on any other, comparable oversight boards of German and foreign companies.

Nikolaus Barthold (shareholder representative until May 8, 2008, employee representative since May 8, 2008)

Senior Manager, B2B Trading, DAB bank AG, Munich

At December 31, 2008, Mr. Nikolaus Barthold did not serve on any other legally prescribed Supervisory Boards of German companies, nor on any other, comparable oversight boards of German and foreign companies.

*) Group mandates of UniCredit S.p.A., Rome, Italy

Members of the Management Board of DAB bank AG:**Markus Gunter (since July 1, 2008)**

Responsible for B2C, B2B, FSB Partner, Marketing and Products & Services

In addition, he held the following other offices at December 31, 2008:

Member of the Supervisory Board:
SRQ FinanzPartner AG, Berlin, Chairman*)
Innovatum AG, Munich, Vice Chairman

Ernst Huber (until July 31, 2008)**Alexander von Uslar**

Responsible for Finance, Human Resources, Internal Audit, Communication, Legal & Compliance and Credit

In addition, he held the following other offices at December 31, 2008:

Member of the Supervisory Board:
direktanlage.at AG, Salzburg *)
SRQ FinanzPartner AG, Berlin, Vice Chairman *)

Dr. Markus Walch

Responsible for IT, Operations, FSB Customer and Projects, Processes & Quality

He did not hold any other offices at December 31, 2008.

*) Group mandates of UniCredit S.p.A., Rome, Italy

Senior Vice President of DAB bank AG:**Wolfgang Strobel (until March 31, 2008)**

▶ 74 Changes in the Management Board and Supervisory Board

Management Board:

Effective July 1, 2008, the Supervisory Board appointed Mr. Markus Gunter to the Management Board. Effective July 31, 2008, Mr. Ernst Huber resigned from the Management Board of DAB bank AG to devote his full attention again to his duties as Chairman of the Management Board of direktanlage.at. Effective March 31, 2008, Wolfgang Strobel resigned from his position as Senior Vice President of DAB bank.

Supervisory Board:

Since May 8, 2008, the Supervisory Board has been composed of four shareholder representatives and two employee representatives, in accordance with the provisions of the One-Third Employee Representation Act (DrittelbG). Effective at the close of the annual shareholders' meeting of May 8, 2008, Mr. Matthias Sohler and Mr. Johannes Maret resigned from the Supervisory Board. The annual shareholders' meeting of May 8, 2008 re-appointed Mr. Gunter Ernst, Dr. Volker Jung and Mr. Andreas Wölfer as representatives of the shareholders and appointed Mr. Jan Wohlschiess for the first time. Mr. Nikolaus Barthold resigned from his seat as shareholder representative and was appointed to the Supervisory Board along with Mr. Werner Allwang as employee representatives. In its constitutive meeting of May 8, 2008, the Supervisory Board elected Mr. Andreas Wölfer as its Chairman and Mr. Jan Wohlschiess as its Vice Chairman.

▶ 75 Shareholdings of members of the Management Board, the Supervisory Board, and the Senior Vice President

at 12/31/2008	Shares	Options
Members of the Management Board and Senior Vice President		
Markus Gunter	-	-
Alexander von Uslar	-	-
Dr. Markus Walch	-	-
Members of the Supervisory Board		
Werner Allwang	2,001	-
Nikolaus Barthold	-	-
Gunter Ernst	-	-
Dr. Volker Jung	-	-
Jan Wohlschiess	-	-
Andreas Wölfer	-	-
Treasury stock	-	-

▶ 76 Share purchases and sales

	Members of the Management Board of DAB bank AG	Members of the Supervisory Board of DAB bank AG
Purchases of shares of DAB bank AG	-	1,000
Sales of shares of DAB bank AG	-	3,500
Derivatives on shares	-	-

▶ 77 Relationships between the independent auditor and DAB bank AG

in € thousand	2008	2007
Fees paid for:		
The audit	333	326
Other certification and valuation services	178	106
Total	511	432

▶ 78 Supplementary disclosures

Appointment and removal of Management Board members and amendment of Articles of Incorporation:

The members of the Management Board are appointed and removed by the Supervisory Board according to the provisions of § 84 AktG and § 6 (1) of the Articles of Incorporation of DAB bank AG. If a required Management Board member is lacking, then one will be appointed by the courts according to the provisions of § 85 AktG. All amendments to the Articles of Incorporation require a resolution at the annual meeting of stockholders that is passed with a simple majority of votes cast or of the capital represented at the time of voting. The authority to amend the Articles of Incorporation, which only applies to the wording, has been delegated to the Supervisory Board pursuant to § 12 (1) of the Articles of Incorporation in conformity with § 179 (1)(2) AktG.

Change of control:

No material agreements between DAB bank AG and third parties exist that become effective upon a change of control as a consequence of a takeover offer.

Reimbursement agreements:

No reimbursement agreements exist that have been made by DAB bank AG with the members of the Management Board or employees for the event of a takeover offer.

▶ 79 Declaration of the legal representatives

The Management Board of DAB bank AG hereby states that the provisions of the Implementation Act for the EU Transparency Directive (TUG) and the Securities Trading Act (WpHG) have been complied with as follows:

“To the best of our knowledge and belief, we declare that, in accordance with the generally accepted standards for group reporting that have been applied, the consolidated financial statements present a true and fair view of the assets, financial position and results of operations of the Group, the Group management report represents the course of business including the operating result and the Group’s position in such a way that a true and fair view is imparted, and the material opportunities and risks of expected development in the following fiscal year are described.”

▶ 80 Timing of release for publication

The present consolidated financial statements will be submitted to the Supervisory Board for adoption and approval on March 16, 2009.

Munich, February 16, 2009



Alexander von Uslar
Member of the
Management Board



Markus Gunter
Member of the
Management Board



Dr. Markus Walch
Member of the
Management Board

Audit Opinion

We have audited the consolidated financial statements prepared by DAB bank AG, Munich, comprising the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs (International Financial Reporting Standards), as adopted by the European Union, and the additional requirements of German commercial law pursuant to § 315a (1) HGB (“Handelsgesetzbuch”: German Commercial Code) is the responsibility of the company’s management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the

accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the European Union, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks relating to future development.

Munich, March 02, 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Bauer
Wirtschaftsprüfer
(German Public Auditor)

Luhmer
Wirtschaftsprüfer
(German Public Auditor)

* Courtesy translation of the management report and the financial statements published in the original language of German.

Quarterly Summary of consolidated income statements (IFRS)

	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
in € thousand	2007	2008	2008	2008	2008
Interest income	43,542	42,906	40,971	42,420	42,696
Interest expenses	31,625	29,486	28,874	28,807	27,277
Net interest income	11,917	13,420	12,097	13,613	15,419
Credit risk provisions	-26	-1	-9	3	319
Net interest income after credit risk provisions	11,943	13,421	12,106	13,610	15,100
Commission income	68,234	53,057	51,892	46,797	54,933
Commission expenses	32,911	24,060	24,862	23,615	25,723
Net commission income	35,323	28,997	27,030	23,182	29,210
Trading profit	460	96	238	-151	-188
Profit/loss from investments	-24	1,937	-838	-27,817	537
Personnel expenses	11,210	10,450	9,666	9,740	11,293
Other administrative expenses	24,624	20,950	19,045	18,298	20,030
Depreciation/amortization of property and equipment and intangible assets	2,319	2,279	2,311	2,370	2,774
Administrative expenses	38,153	33,679	31,022	30,408	34,097
Net other operating income/expenses	2,154	2,732	1,538	532	-556
Net other income/expenses	-	-17	-6	-	-
Result before taxes	11,703	13,487	9,046	-21,052	10,006
Income taxes	4,807	4,202	3,056	-6,786	2,529
Unappropriated net profit	6,896	9,285	5,990	-14,266	7,477
Minority interests in the net profit	-30	49	56	-36	58
Net profit/loss	6,926	9,236	5,934	-14,230	7,419
Allocation of net profit/loss to retained earnings	147	-	-	-	88
Consolidated unappropriated net profit	6,779	9,236	5,934	-14,230	7,331

in € thousand	2004	2005	2006	2007	2008
Interest income	75,401	76,871	100,721	150,713	168,993
Interest expenses	30,324	36,289	57,175	107,832	114,444
Net interest income	45,077	40,582	43,546	42,881	54,237
Credit risk provisions	-1,137	-115	511	-228	312
Net interest income after credit risk provisions	46,214	40,697	43,035	43,109	54,247
Commission income	98,221	156,650	228,238	280,787	206,679
Commission expenses	26,403	56,526	99,648	137,807	98,260
Net commission income	71,818	100,124	128,590	142,980	108,419
Trading profit	1,288	2,662	2,827	949	-5
Profit/loss from investments	-12,748	-12,303	-16,098	-6,942	-26,181
Personnel expenses	29,658	37,523	37,920	41,438	41,149
Other administrative expenses	59,174	70,539	82,893	90,980	78,323
Depreciation/amortization of property and equipment and intangible assets	7,298	8,562	8,224	8,601	9,734
Administrative expenses	96,130	116,624	129,037	141,019	129,206
Restructuring and integration expenses	-	3,400	-	-	-
Net other operating income/expenses	7,157	4,525	5,702	6,457	4,246
Amortization (and impairment) of goodwill	1,472	-	-	-	-
Net other income/expenses	-12	8,352	-13	-19	-23
Result before taxes	16,115	23,891	35,006	45,515	11,487
Income taxes	-8,634	4,623	13,035	19,697	3,001
Unappropriated net profit	24,749	19,268	21,971	25,818	8,486
Minority interests in the net profit	-	-	-	107	127
Net profit/loss	24,749	19,268	21,971	25,711	8,359
Allocation of net profit/loss to retained earnings	13,471	5,734	167	147	88
Consolidated unappropriated net profit/loss	11,278	13,534	21,804	25,564	8,271

The figures from FondsServiceBank were included in the DAB bank Group for the first time effective January 1, 2005. Since February 28, 2007, SRQ FinanzPartner AG has been consolidated in the DAB bank Group.

Five-year summary of consolidated income statements (IFRS)

Five-year summary of key figures of the DAB bank Group per IFRS

		2004	2005	2006	2007	2008
Operating results						
Net commission income	€ thousand	71,818	100,124	128,590	142,980	108,419
Net financial income	€ thousand	33,617	30,941	30,275	36,888	28,363
Administrative expenses	€ thousand	96,130	116,766	129,037	141,019	129,206
Result before taxes	€ thousand	16,115	23,891	35,006	45,515	11,487
Net profit	€ thousand	24,749	19,268	21,971	25,711	8,359
Value-added	€ thousand	45,785	61,427	72,939	86,865	52,532
Cost-income ratio	in %	84.5	83.4	78.7	75.6	91.8
Return on equity before taxes	in %	10.8	14.4	20.2	25.3	6.6
Balance sheet						
Total assets	€ mn	2,168.5	2,510.5	3,361.9	4,294.6	3,866.7
Equity	€ mn	162.2	169.6	177.6	181.9	165.2
Overall ratio SolvV	in %	16.5	11.5	12.3	9.3	10.8
Share						
Earnings per share	in %	0.33	0.26	0.29	0.34	0.11
Dividend per bearer share	€	0.15	0.18	0.29	0.34	0.11
Year-end closing price (Xetra)	€	5.50	6.80	7.00	6.03	2.57
Book value per share	€	1.92	2.01	2.12	2.12	1.90
Dividend yield	€	2.7	2.6	4.1	5.7	4.3
Total shareholder return	in %	-7.4	26.4	7.8	-8.3	-56.5
Market capitalization	in %	413.5	511.3	526.3	453.4	193.2
Key operational indicators						
Securities accounts	No.	473,796	955,720	1,018,519	1,106,322	1,091,013
Volume of customer assets in securities accounts and deposits	€ bn	13.90	24.98	29.63	32.82	23.16
Trades executed	No.	3,218,905	9,494,762	10,890,064	11,507,017	9,235,034
Trades executed per securities account per year	No.	6.88	10.47	11.03	10.84	8.43
Employees						
Employees (head count)	No.	539	675	646	704	712
Employees (full-time equivalents)	No.	470	598	580	643	646

The figures from FondsServiceBank were included in the DAB bank Group for the first time effective January 1, 2005. Since February 28, 2007, SRQ FinanzPartner AG has been consolidated in the DAB bank Group.

The overall ratio according to SolvV refers exclusively to DAB bank AG. In the fiscal years 2004 to 2006, the overall ratio was presented in accordance with Principle I (KWG).

DAB bank

L A I M E R W Ü R F E L
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Glossary

Asset management:

(Fiduciary) management of assets for clients.

Assets:

Assets refer to all items on the assets side of the balance sheet.

Basel II:

Under the new Basel II standards, the capital adequacy requirements are less generalized and more oriented to the specific risks of the bank in question. Thus, they are determined with reference to the credit ratings (internal or external) of the bank's borrowers. The Basel II requirements also place a greater emphasis on the security furnished by borrowers, which is differentiated to a greater degree than before. Also, banks have to reserve capital to cover their operational risks as well. The Basel II capital adequacy rules are the regulatory standards that succeeded the Basel I capital adequacy rules introduced in 1988.

B2B (business to business):

The B2B business of DAB bank comprises its business with asset managers, fund brokers and financial intermediaries, and their clients. The services offered by FondsServiceBank also fall within the B2B segment.

B2C (business to consumer):

The B2C business of DAB bank comprises its business with individual investors.

BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht):

The German Federal Financial Supervisory Authority.

Bond:

General term for all debt instruments with definite (fixed or variable) rates of interest and generally having a fixed (typically longer-term) maturity and a contractually specified repayment schedule. Companies issue bonds to raise long-term debt financing.

Bond fund:

A bond fund is an investment fund that invests exclusively or predominantly in fixed-income securities.

Cash flow:

Cash flow is an indicator that provides insight into the financing capacity of a company.

Certificate:

A certificate can refer to an investment certificate (also known as fund share), evidencing ownership of shares of an investment fund, or to an index certificate, evidencing ownership of a share in a portfolio or index. The value of the certificate is based on the value of the securities which are held by the investment fund or which represent the underlying instrument for the portfolio or index.

Corporate governance:

The term corporate governance refers to the legal and factual framework of rules and standards applicable to the management and supervision of commercial enterprises. By enhancing transparency, corporate governance rules serve to strengthen trust and confidence that a given company is being managed responsibly, in a manner likely to preserve and create value over time.

Cost-income ratio:

At DAB bank, the cost-income ratio is defined as the ratio of administrative expenses to the sum of net interest income after credit risk provisions, the net commission income, the trading profit or loss, the profit or loss from investments, the net other operating income and expenses and the net other income and expenses. A low cost-income ratio is indicative of high productivity.

DAB Sekunden-Handel:

This is the name of DAB bank's OTC trading platform, on which customers can buy and sell securities directly from or to the issuers. Among its many advantages, prices are quoted in real time and investors can trade at many times when the official stock exchanges are not open. The DAB Sekundenhandel platform is open for trading weekdays from 8:00 a.m. to 11:00 p.m., Saturdays from 10:00 a.m. to 1:00 p.m. and Sundays from 5:00 p.m. to 7:00 p.m. Also, investors do not incur stock exchange fees, such as the broker's commission, when they trade on the DAB Sekundenhandel platform.

Default risk:

Possible losses in value resulting from the default or credit quality deterioration of customers.

Derivative:

A derivative is a financial product, the price of which is tied to the price of an underlying financial instrument (shares, bonds, currencies, indexes). Certificates and warrants are examples of derivatives.

Discount:

Difference between the repayment amount and the lower issue price or between the listed stock exchange price and the face value of a given security. German law forbids issuing equity shares at a discount to par value, but this practice is common for fixed-income securities.

Dividend:

The distribution of a stock corporation's profit to its shareholders on the basis of the shares held. The total dividend payout is not necessarily equal to the company's profit for the year, because that profit may first be reduced by appropriations to various capital reserves (legally mandated in some cases). The shareholders present and represented at the annual meeting vote on the amount of the dividend and the mode of distribution.

Dividend yield:

The percentage ratio of the dividend amount to the share price at a given date. It expresses the rate of return per share on the money invested in a given company.

Effective yield:

The actual return on an investment, after deduction of incidental expenses such as fees, etc. The effective yield is also determined also by the purchase price, the interest income and the issue premium or discount.

Equity ratio:

The ratio of a company's equity to its total assets.

Fair value:

Amount at which a financial instrument can be traded between knowledgeable, willing partners in an arm's-length transaction.

Financial intermediaries:

This term refers to asset managers licensed to operate as such by the German Federal Financial Supervisory Authority (BaFin), as well as investment fund brokers and institutional investors.

Flat Fee:

Products are available at a flat fee.

Free float:

The percentage of a company's stock that is traded freely on the stock exchange, as opposed to being held by large-block shareholders with a majority interest.

Frequent trader discount:

DAB bank grants a 30% discount on the basic fee for all trades after the first 100 eligible trades in a given calendar halfyear.

Goodwill:

Company value

Hedging:

Hedging refers to the purchase or sale of derivative financial instruments (futures, options, swaps) for the purpose of protecting the value of existing securities or currency positions against negative market price developments by taking on a second, compensatory risk.

Income that does not depend on customers' trading activity:

At DAB bank, such income is composed of the net financial income or expenses, plus the following components of the net commission income: portfolio commissions, account maintenance fees, money transfer fees, internally generated sales revenue and foreign exchange income or expenses.

International Financial Reporting Standards (IFRS):

These standards are published by the International Accounting Standards Board (IASB), an international organization supported by national accountancy associations. The purpose of this organization is to promote transparent, comparable financial reporting on an international basis.

Investment fund:

The assets of an investment fund are managed by an investment company. The investors receive share certificates in evidence of their part ownership of the fund assets. In most cases, the income of an investment fund, deriving from capital gains, dividends, interest, etc., is distributed to the shareholders. Some investment funds reinvest their income, leading to an increase in the value of the fund's shares.

Investor Relations (IR):

The purpose of investor relations is to disseminate information to interested persons in the capital markets, including shareholders and stock analysts, on the subject of a company's business strategy, financial performance and key value drivers.

Initial Public Offering (IPO):

This term refers to the administrative process by which a company offers its stock for sale to the public in the primary market for the first time. An IPO typically entails the necessity of attaining a listing on an organized stock exchange.

Issue premium:

The amount by which the issue price exceeds the nominal value of securities being issued for the first time; or the amount by which the stock market price exceeds the intrinsic value. Also, the sales load that investors pay to purchase shares in most investment funds is sometimes called the issue premium.

Lowest-price guarantee:

The lowest-price guarantee of DAB bank gives its customers the peace of mind of knowing that they can purchase the 30 bestselling investment funds in Germany at the guaranteed lowest price. If any customer is able to purchase one of these funds at a lower price somewhere else, DAB bank will pay that investor the difference.

Mark-to-market:

This term refers to the practice of writing down the carrying amount of financial instruments to their lower market value.

Market capitalization:

This indicator is calculated as the number of common shares outstanding multiplied by the market price of each share.

MiFID:

This acronym stands for the European Union Directive „Markets in Financial Instruments Directive,” which took effect in 2007. The goals for the European Union "Markets in Financial Instruments Directive," are to improve investor protection, promote greater competition and harmonize the European financial markets.

Net financial income:

At DAB bank, the net financial income is defined as the sum of the net interest income before credit risk provisions, the trading profit or loss and the profit or loss from investments.

Operational risk:

The possibility of losses resulting from defective internal processes, human error, technological failure or external events.

Portfolio:

In connection with securities, the term portfolio refers to the entirety of securities held by a company or individual.

Portfolio commission:

The remuneration (typically annual) paid by the investment company to the fund broker.

Price-earnings ratio (PER):

This indicator, which is used in the evaluation of stocks, is calculated as the share price divided by the earnings per share, which are derived in turn from the company's profit for the year. The higher the PER, the more expensive a stock is.

Prime Standard:

Segment of the Frankfurt Stock Exchange established on January 1, 2003. The Prime Standard segment is geared to companies that wish to sell their securities to international investors. Such companies must satisfy stringent, international standards of corporate transparency that go beyond the requirements of the General Standard segment. DAB bank fulfills the standards of the Prime Standard segment.

Rating:

Evaluation of the credit quality of a financial instrument (issue rating) or debtor (issuer rating) by independent rating agencies.

Return on equity:

The ratio of earnings before taxes to the average equity during a given period. It expresses the rate of return on the capital provided by the company or its shareholders.

Risk controlling:

Ongoing measurement and monitoring of risks, including the development of suitable methods, as well as risk analysis and reporting, by a neutral, process-independent organizational unit.

Risk management:

This term refers to the operational management of specific portfolios, based on risk-return considerations.

Sales load:

Difference between the issue price and the value of an investment fund share, paid by the investor. The sales load is typically applied to cover the selling expenses of the investment company. Expressed as a percentage of the share value, the sales load is charged either on the redemption (back-end load) or purchase (front-end load) of shares in the investment fund. The amount of the sales load depends primarily on the type of investment fund and the focus of its investment activity.

Savings plan:

Investors make regular, fixed contributions to a savings plan, which are used to purchase shares in an investment instrument. The amount and periodicity of contributions can be arranged on a flexible basis.

Securities issue:

Securities are issued either directly by the issuing company or through a bank. Companies issue securities in order to raise capital.

Share capital:

The share capital is the capital stock of a stock corporation, issued in the form of certificated shares.

Share certificate:

A share certificate (also known as investment certificate) evidences the share of an investment fund held by an investor. The value of the share certificate depends on the value of the securities held by the fund.

Shareholder value:

The value of a company for its shareholders. Shareholders participate in value creation through share price appreciation, dividend payments, stock buy-backs, etc.

Straight Forward Dealings (SFDs):

An innovative investment instrument, similar to a warrant, which is linked to the performance of the individual stocks included in the DAX 30 stock index. The implicit lever of this product creates the potential for high profits. By means of taking short positions, investors can also profit in bear markets. The maximum risk of loss is limited to the capital invested. Also, there is no minimum investment or trading restrictions. SFDs are designed for opportunistic investors.

Star Partner:

Thanks to its cooperation agreements with the prestigious investment firms named as its Star Partners, DAB bank can offer its customers special products under special terms. For example, investors receive a discount of at least 50% on the sales load for the investment funds. And at DAB bank, investors pay a flat fee of only 6.95 euros per order for the warrants and certificates.

Stock index:

A stock index is an indicator of the performance of all the stocks in a given stock market and/or group of stocks (example: DAX30). Stock indexes are a useful indicator of the general stock market trends.

Subprime:

What is known as the subprime crisis or U.S. real estate crisis is a banking crisis that occurred since summer 2007, after the real estate prices in the U.S., which had been increasing before that time, stagnated or even dropped, and at the same time, increasing numbers of borrowers were no longer able to make their installment payments. Initially, this primarily affected subprime loans, the majority of which were granted to borrowers with a low credit rating.

Time deposit:

Bank deposit with a fixed term and interest rate.

Unappropriated net profit:

The unappropriated net profit of a stock corporation is the final line of the profit appropriation statement according to German commercial law. It begins with the net profit, to which is added or from which is deducted any profit or loss carried over from the previous year, profit withdrawals or appropriations to reserves, and/or dividend distributions.

Value driver:

Business unit that makes a particularly strong contribution to creating value for the company.

Volatility:

Range of fluctuation of security prices, foreign exchange rates, commodity prices, interest rates or even investment fund shares over a certain period of time.

Watchlist:

The watchlist is used to maintain an overview and follow the development of interesting values, enabling investments to be made when conditions are favorable.

Warrants:

Warrants are a type of derivative financial instrument. They entitle the holder to buy (call warrant) or sell (put warrant) securities or currency amounts at predetermined prices and terms, or to receive a cash settlement instead.

Wertpapierhandelsgesetz (WpHG):

German Securities Trading Act.

Withholding tax:

A withholding tax on investment income introduced as part of the 2008 corporate tax reform. This tax is assessed using an established tax rate that is independent from the personal income tax rate. It essentially covers tax on investment income.

Xetra (Exchange Electronic Trading):

The electronic trading system of Deutsche Börse AG, which is offered in addition to the standard floor trading. The prices are not set by floor traders, but are calculated automatically through the matching of purchase and sale orders.

Management Board

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Alexander von Uslar

Dr. Markus Walch

Supervisory Board

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(Chairman)

Jan Wohlschiess

(Vice Chairman)

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