

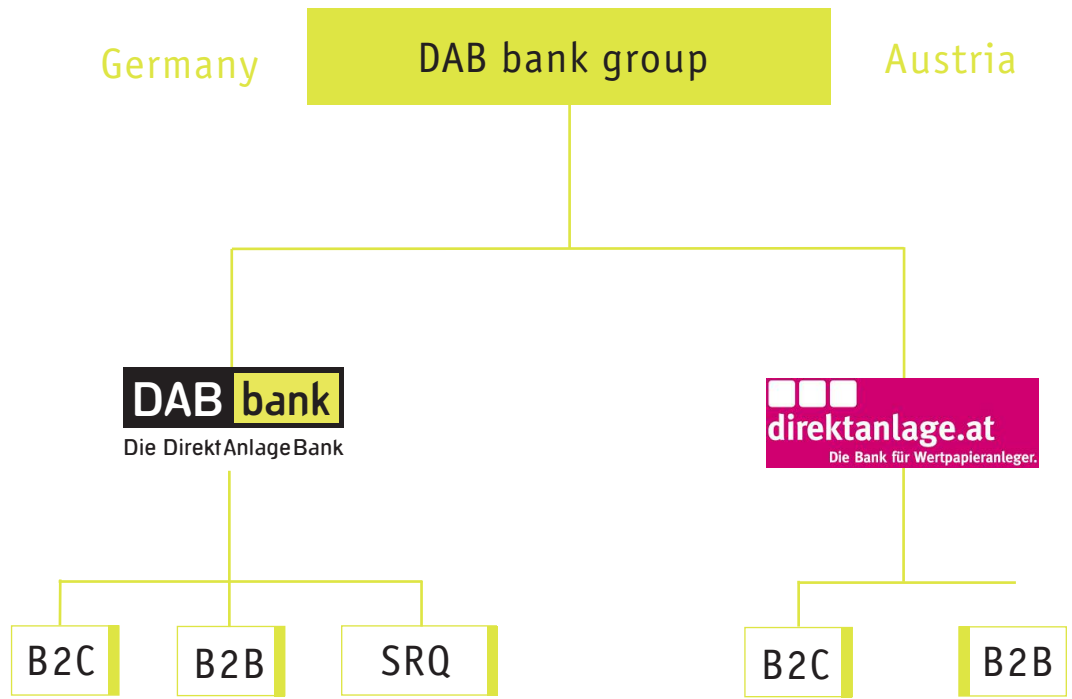


Annual Report 2010

**DAB bank**  
Die DirektAnlageBank

## Highlights of 2010

- ▶▶ **Solid profit before taxes**  
A high level of customer satisfaction is the indispensable basis for business success; and so DAB bank generated a solid profit before taxes of €28.57 million in financial year 2010.
- ▶▶ **Net commission income boosted by heightened level of customer activity**  
The profit before taxes received a boost from the higher net commission income in 2010, which at €86.22 million was 4% higher than the prior-year figure. The increase can be attributed in no small part to the heightened activity of our customers in the fourth quarter.
- ▶▶ **Second-best net financial income in the history of DAB bank AG**  
Thanks at least in part to the well-balanced strategy applied in managing its treasury portfolio, DAB bank generated net financial income of €69.56 million in 2010, the second-highest in its history.
- ▶▶ **Proposed dividend**  
Again in 2011, the Management Board and Supervisory Board will propose to the annual shareholders' meeting that the company pay a dividend equal to the entire consolidated unappropriated net profit according to IFRS; thus, shareholders will receive a tax-exempt dividend of 20 cents per share.
- ▶▶ **Numerous product and service innovations**  
Starting shot for the bank's program for the future, "DAB one": DAB bank continually impresses its customers with numerous new products and services.
- ▶▶ **Mission Elevation: DAB bank is the primary sponsor of FC Bayern Basketball**  
As the primary sponsor of the basketball team of FC Bayern München, DAB bank shares with that organization the common vision of being the "first" and the "best"
- ▶▶ **No-fee ETFs**  
DAB bank is the first direct bank in Germany to offer no-fee ETF-linked and ETC-linked savings plans on a permanent basis.
- ▶▶ **Launch of mobile banking**  
Banking, trading, information: DAB bank serves its customers even better by introducing an iPhone app and mobile web access.
- ▶▶ **Holding physical gold in a custody account with DAB bank**  
Customers can trade gold bars via DAB bank. The gold is held in the vault of a prestigious Swiss bank in Zurich and the current value of the customer's holdings is displayed in the DAB bank custody account statement.
- ▶▶ **FOREX trading at DAB bank**  
Customers can trade in the world's biggest and most liquid market
- ▶▶ **DAB Trader Card: New credit card offers value-added for traders**  
Advantages include a no-cost subscription to the DAB Profi Trader and use of the VIP telephone services of DAB bank.
- ▶▶ **DAB Start! – The program to help bank professionals start their own business as independent asset managers**  
"DAB Start!" is a comprehensive program that provides optimal support to bank professionals who would like to start their own business as independent financial portfolio managers.



## Key Figures of DAB bank Group (IFRS)

		2010	2009	Change	Page
<b>Results</b>					
Net commission income	k€	86,222	82,912	4.0%	56, 100, 120
Net financial income	k€	69,563	76,386	-8.9%	56, 100, 120, 121
Administrative expenses	k€	118,996	119,840	-0.7%	56, 100, 122
Result before taxes	k€	28,567	33,575	-14.9%	57, 100
Net profit	k€	16,436	23,310	-29.5%	58, 100
Cost-income ratio	in %	81.1	80.1	1.2%	58, 142
Return on equity before taxes	in %	16.4	19.4	-15.5%	-
<b>Balance Sheet</b>					
Total assets	€ mn	3,237.3	3,120.6	3.7%	58, 101
Shareholders' equity	€ mn	168.2	181.2	-7.2%	58, 101, 136
Overall ratio per Solv	in %	13.1	14.5	-9.7%	59, 144
<b>Share</b>					
Earnings per share	€	0.22	0.31	-29.0%	56, 100, 126
Dividend per share	€	0.20	0.30	-33.3%	58, 126
End of year share price (Xetra)	€	4.27	4.24	0.7%	25
Book value per share	€	1.98	2.10	-5.7%	25
Dividend yield	in %	4.7	7.1	-33.8%	25
Total shareholder return	in %	5.4	71.3	-92.4%	25
Market capitalization	€ mn	321.0	318.8	0.7%	25
<b>Key operating figures</b>					
Securities accounts	number	620,652	623,753	-0.5%	53, 54, 55
Volume of securities accounts and deposits	€ bn	26.79	23.30	15.0%	52, 53, 54, 55
Trades executed	number	4,506,466	4,110,814	9.6%	53, 54, 55
Trades per securities account per year	number	7.29	6.65	9.6%	54
<b>Employees</b>					
Employees (headcount)	number	621	663	-6.3%	60
Employees (full-time basis)	number	554	595	-6.9%	60

# DAB bank – The best bank for investors, traders and asset managers

All traders, investors and asset managers who value performance, innovation, authenticity, partnership and simplicity conduct their banking business with DAB bank. We stand for the highest quality; we measure ourselves by the satisfaction, loyalty and activity of our customers.

## **We are the specialist**

DAB bank is Germany's direct-bank specialist for investment-related services. As the first online broker in the German market, we have been setting the bar in the business of securities-related services for customers and business partners since 1994. Whether for investors who like to make their own decisions or for those who want support and advice, we are the one-stop source for the highest-quality, direct and efficient solutions for investment and trading. Thus, we are the perfect alternative to traditional branch banks.

## **We are unique:**

Because we offer a unique combination of the best-possible, low-cost access to financial markets, on the one hand, and the most extensive network of independent, reputable asset managers, on the other hand, we continually impress our customers with the best advice and support tailored to their specific needs. By combining the efficiency of a direct bank with the individuality of independent asset managers, we create the right conditions for the financial success of our customers. Also, we are an important member of the fast-growing European direct bank group within the UniCredit Group. As a result, our customers benefit from a uniquely wide range of products and services.

## **We are simple, transparent and fair:**

We are a fair and transparent partner for our customers in matters of capital accumulation, preservation and appreciation. And we make everything as simple as possible for our customers. Our customers are free to choose the best products for their own needs from our independent offering.

**We are the best bank for investors, traders and asset managers and therefore the perfect alternative to traditional branch banks!**





*Dear Shareholders, customers and business partners,*

Dynamic energy and team spirit, the joy of competition, top-level performance and above all, an uncompromising will to win: Those are the attributes of the basketball team of FC Bayern München, which is well on the way so far in the 2010/2011 season to achieving its goal of being elevated to the top national basketball league in Germany. And it should come as no surprise that DAB bank is a primary sponsor of this team, considering the many parallels that can be drawn between a basketball team like that and a direct bank like DAB. Speaking for all our employees, we too are a strong, passionately dedicated team that puts its expertise and innovation capacity to work every day to deliver top-level performance. We want to be the best bank for our customers: traders, investors and independent asset managers. Above all, we measure our success by the satisfaction of our customers. And for that reason, we are especially proud of the outstanding results of our latest customer satisfaction surveys in both our operating segments, B2B and B2C.

#### **Customer satisfaction is the basis of our economic success**

A high level of customer satisfaction is the basis of our economic success. And we will share the benefits of that success with our shareholders yet again this year. In the 2010 financial year, DAB bank generated a profit before taxes of €28.57 million, slightly less than the corresponding figure for 2009, in which our net financial income was higher as a result of more favorable market conditions. The consolidated net profit after taxes amounted to €16.44 million. The Management Board and Supervisory Board of DAB bank will propose to the annual shareholders' meeting that the entire net profit be distributed as a dividend to our shareholders, like last year. Thus, our shareholders can look forward to a dividend of 20 cents per share, which will again be paid on a tax-exempt basis. Thus, the DAB bank share is one of the strongest dividend stocks in Germany.

#### **Higher net commission income thanks to increased customer activity**

The profit before taxes was boosted in particular by the net commission income of €86.22 million, which was 4% higher than the corresponding prior-year figure of €82.91 million. The increase in net commission income resulted mainly from the heightened trading activity of our customers, for whom we executed 4,506,466 trades in 2010, 9.6% more than in 2009. And the fact that our customers executed more securities trades especially in the fourth quarter, encouraged by positive market trends, but also enticed by new product offerings and the introduction of even more trading services, makes us especially confident regarding the future.

At €69.56 million, the net financial income was 8.9% less than the corresponding prior-year figure. This decrease resulted mainly from the general environment of interest rates conditions, which was significantly less favorable in 2010 compared to 2009. Nonetheless, DAB bank generated the second-highest net financial income in its history, thanks in part to the well-balanced strategy applied in managing the bank's treasury portfolio in 2010.



*Markus Gunter*



*Dr. Markus Walch*



Despite higher investments in new products and services, the administrative expenses of €119.00 million were on the same level of the corresponding prior-year figure of €119.84 million.

The renewed increase in the volume of customer assets held in custody with DAB bank is especially impressive. At €26.79 billion, this amount was 15% higher than the corresponding figure at the end of 2009 (€23.30 billion). On the other hand, the number of securities accounts carried for customers declined slightly, by 0.5%, to 620,652, due to the fact that one of our B2B partners exited the market, and also as a result of special campaigns that led to the elimination of inactive customers. These measures had the effect of further improving our “customer quality.” For example, the average volume of assets per securities account and the number of trades per securities account increased appreciably.

Our two subsidiaries *direktanlage.at* and *SRQ FinanzPartner AG* also contributed to the business success of DAB bank. As the market leader among online brokers in Austria, *direktanlage.at* set new records with respect to the number of securities accounts carried for customers (59,358) and the volume of customer assets held in custody (€3.63 billion) at the end of 2010. Furthermore, it generated a profit before taxes of €9.06 million (as compared to €11.28 million in 2009), thereby making a significant contribution to the success of the overall group yet again in 2010. And *SRQ FinanzPartner AG*, in which DAB bank holds an 82.22% equity interest, also achieved a new record level of customer assets held in custody (€1.36 billion) at December 31, 2010.

### **The best of two worlds**

After having sold the customer base of our *FondsServiceBank (FSB)* segment to *Fondsdepot Bank GmbH, Hof*, in 2009, the migration of customer data was executed flawlessly in early April 2010, which marked the technical completion of this transaction. Having sold *FSB*, DAB bank can now focus entirely on its core business segments of B2B and B2C. The interplay of these two segments ensures that our customers can enjoy the best of two worlds. First, they enjoy the advantages of a direct bank: low-cost terms, high functional efficiency and reachability, vendor-neutral product selection and efficient access to the capital markets. Second, they can choose from among a wide selection of independent asset managers, making use of the partner network of DAB bank. Thus, they can obtain personalized advice in a face-to-face meeting, at a much lower cost than traditional banks can offer.

In the advertising campaigns conducted in 2010, DAB bank presented itself as “The First and the Best.” The First: *DirektAnlageBank* was founded in 1994 as the first online broker in Germany. The Best: We have received numerous awards for our performance. In 2010, such awards included the title of “Best Direct Bank for Active Traders” bestowed by the investor magazine *Euro am Sonntag*, “Best Certificate and ETF Broker” in the *Brokerwahl* survey and “Best Vendor of ETF-Linked Savings Plans” by *EXtra magazin*.

### Surprising our customers in a positive way

Ever since DAB bank was founded, we have continually surprised our customers in a positive way, year after year, with numerous new products and services; but we outdid ourselves in 2010. In connection with our program for the future, "DAB one," which we have been pursuing since the beginning of 2010, we introduced numerous innovations already in the first year. We are proud of these innovations, which have reinforced our claim to be the "best bank for investors, traders and asset managers."

To cite one example, our traders are especially pleased with FOREX currency trading at DAB bank. By that service, we provide them with easy access to the world's biggest and most liquid financial market and give them even more ways to profit from market trends. We have also received especially positive feedback concerning the expanded range of order functions. Using combination orders like "one cancels other," "next order" and "enhanced bracket order," traders can implement their desired strategy for a given security without having to constantly monitor the price. In the meantime, DAB bank offers such combination and limit orders not only for stock exchange trading, but also for over-the-counter trading with numerous trading partners. Customers of DAB bank can now choose from an immense range of order options.

One of the highlights for our investors is the new option of purchasing physical gold in an especially easy and transparent manner. The purchased gold bars are held in safe custody in the vaults of a major Swiss bank. The current value of the customer's gold holdings is displayed in the customer's custody account statement in the same way as the customer's securities holdings.

Among the many new products and services we have introduced for asset managers, we would like to emphasize our "DAB Start!" program for bank professionals looking to start their own business. We developed this program in collaboration with Dresden University of Applied Sciences. A growing number of bank professionals are interested in starting their own business, so that they can advise their clients in a truly independent manner, without sales constraints. The online tool of "DAB Start!" contains all the necessary information about the profession of financial portfolio manager. Interested parties can check to see if they meet the requirements for the corresponding professional license and they can prepare a business plan using interactive features. By means of this program, we can win new partners in our B2B segment and extend our market leadership position.

### The bank for ETF investors in Germany

DAB bank achieved an especially important milestone in September, when it was the first German direct bank to permanently offer no-fee ETF-linked savings plans, in collaboration with our product partner db x-trackers. This new feature attracted considerable publicity, in both the German and the international media. In addition, our no-fee campaigns with specific issuers have increasingly helped to establish DAB bank as the best bank for ETF investors in Germany.

As part of its program for the future, DAB bank will also further expand the range of banking services available to its core target groups of traders and securities investors. The orientation toward specific target groups is demonstrated by the new DAB Trader Card, a credit card that features numerous benefits for traders. At DAB bank, traders have access to a package of banking services tailored to their specific needs. The newly introduced benefit of being able to withdraw money free of charge (including from Shell gas stations in Germany and from the ATMs of the UniCredit Group in 18 European countries) further enhanced the appeal of DAB bank's range of banking services.

Also as part of our "DAB one" program, we have made the bank's online presence even better. For example, we completely overhauled the "Markets & Prices" section of our website. Thanks to numerous new user-friendly features, customers can now obtain more targeted information on indexes and securities. Furthermore, DAB bank is continually increasing the number of applications that can be submitted online, instead of in paper form.

DAB bank's mobile offering is also setting a new bar. By taking advantage of the new, specially developed iPhone app of DAB bank, as well as optimized web access for smart phones, our customers can obtain extensive information, place trade orders and conduct their banking business, including wire transfers, for example, from their mobile phones. Numerous individually configurable templates make all that especially easy for our customers.

#### **Accepting the challenge of athletic competition**

These few examples illustrate the tremendous strides DAB bank has made in 2010. And our plans for 2011 are no less ambitious because we intend to continue with our "DAB one" program for the future. We will further improve our performance in the areas of trading, investment, banking, online, quality and efficiency, with the goal of ensuring an extremely high level of customer satisfaction in the future as well. In that quest, we are inspired by the spirit of athletic competition that also drives the basketball team of FC Bayern München from one victory to another. The graphic concept of the present Annual Report is meant to express the idea that we will keep our eye on the ball and accept the athletic challenge of being Germany's best bank for traders, investors and independent asset managers.



Markus Gunter  
Management Board member



Dr. Markus Walch  
Management Board member

**Dear shareholders:**

DAB bank AG can look back on a successful year in 2010. The bank's activities last year were characterized by continual improvements in its products and services. The satisfaction of our customers makes it clear that DAB bank AG is on the right path, which is also evidenced by the year's results. By reason of its consistent focus on investors, traders and independent asset managers, DAB bank AG is strategically well positioned for 2011 as well.

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 and supervised its activities on a regular basis. 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. All variances between actual performance figures and budget figures were explained to us. The Management Board coordinated the company's basic strategy 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 of DAB bank AG held four regular meetings and one special meeting. When necessary, the Supervisory Board adopted resolutions by way of circulation. In the 2010 financial year, the Supervisory Board adopted resolutions by circulation on two occasions. 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.

In the interest of exercising its duties efficiently, the Supervisory Board established an Executive Committee and an Audit Committee. These committees prepared draft resolutions and other topics to be voted on by the full Supervisory Board. Furthermore, certain decision-making authorities of the Supervisory Board were delegated to the committees. The committee chairmen report on the work of the committees to the Supervisory Board at the next meeting. The composition and tasks of the individual committees are outlined in the summary on page 15 ff. The Executive Committee convened four times in financial year 2010. In addition, resolutions were adopted by circulation procedure on three occasions. The Audit Committee also held four meetings and in two cases adopted a resolution by circulation.

*Dr. Theodor Weimer**Alessandro Foti**Werner Allwang*

*Nikolaus Barthold**Peter Buschbeck**Gunter Ernst*

The regular deliberations of the full Supervisory Board were devoted to the operating results and financing status of DAB bank AG, as well as significant projects in the areas of B2C, B2B, 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 AG, as well as developments in the areas of Compliance, Internal Audit, Legal Affairs and Risk Controlling. Besides making personnel and compensation decisions concerning the Management Board, the Supervisory Board also dealt with the compensation system of DAB bank AG in general and other personnel-related matters. The Management Board and Supervisory Board presented and explained the compensation system for the members of the Management Board to the annual shareholders' meeting. The annual shareholders' meeting approved the compensation system for the Management Board.

### **Corporate governance and Declaration of Conformity**

The Supervisory Board deliberated on the contents of the German Corporate Governance Code, and especially on the new requirements of May 26, 2010. The Management Board and Supervisory Board discussed these requirements, issued the Declaration of Conformity pursuant to Section 161 of the German Stock Corporations Act (AktG) and made it permanently available to shareholders on the company's website in November 2010. Additional information on corporate governance and the Declaration of Conformity and a detailed report on the amount and structure of compensation of the Supervisory Board and Management Board are provided on pages 12 to 22 of the present Annual Report.

### **Audit of the separate and consolidated financial statements**

The separate financial statements and management report of DAB bank AG and the consolidated financial statements and Group management report for financial year 2010, including the accounting records, were audited by the independent auditor KPMG and were provided with an unqualified audit opinion on both cases. In fulfillment of the audit duties prescribed in Section 317 (4) of the German Commercial Code (HGB), the independent auditors also examined the company's monitoring systems for the early detection of risks. The independent auditors confirmed that the internal control system and risk management system do not exhibit serious deficiencies 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 independent auditor attended the meeting of the Audit Committee of March 9, 2011 and informed the members of the Audit Committee about the results of the annual audit. The resolution to be adopted by the Supervisory Board on the adoption and approval of the separate financial statements of the parent company and the consolidated financial statements of the Group for 2010 was prepared at this meeting. The members of the Audit Committee of the Supervisory Board attended the final meeting of the Management Board with the independent auditors. The above-mentioned financial statements were submitted to the

Supervisory Board along with the report of the independent auditor in a timely manner. The independent auditor reported on the results of the audit at the Supervisory Board meeting of March 9, 2011. At this meeting, the Management Board discussed the separate financial statements of DAB bank AG and the consolidated financial statements of the Group, as well as the risk management system. Furthermore, the independent auditor discussed the scope, points of emphasis and costs of the annual audit and provided in-depth answers to the questions of the Supervisory Board members. The Supervisory Board examined the financial statements and management reports of both DAB bank AG and the Group and concurred with the results of the audit. Based on the final results of the Audit Committee and 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 20 cents per share for the 2010 financial year.

The Supervisory Board wishes to thank the Management Board and all employees for their dedication and hard work. We are convinced that DAB bank AG is correctly positioned to continue operating successfully both in Germany and Austria in the future as well.

Munich, March 9, 2011

For the Supervisory Board:



Dr. Theodor Weimer  
Chairman of the Supervisory Board



## 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 the sense 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

2010 Declaration of Conformity with the German Corporate Governance Code 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, published by the Federal Ministry of Justice in the official announcements section of the electronic Federal Gazette, were followed in financial year 2009 and will be followed in the future, with the exception of the recommendations mentioned below. With respect to the period from December 23, 2009 (date of the last Declaration of Conformity) to July 1, 2010, the Declaration refers to the German Corporate Governance Code in the version of June 18, 2009. With respect to the company's corporate governance practices as of July 2, 2010 (announcement in the electronic Federal Gazette of the German Corporate Governance Code in the version of May 26, 2010), the Declaration refers to the recommendations of the German Corporate Governance Code in the version of May 26, 2010.

- ▶ **Deductible for D&O insurance (3.8 para. 3 of the Code):**  
According to Section 3.8 para. 3 of the Code, an appropriate deductible should be agreed if the company carries D&O insurance for the Supervisory Board. A deductible conforming to the new legal provision was agreed for the Management Board when the D&O insurance protection was renewed with effect as of January 31, 2010. However, the insurance policy does not include a deductible for members of the Supervisory Board. The Management Board and Supervisory Board continue to hold the opinion that all the company's directors and officers are bound by duty to act in a responsible manner; therefore, such a deductible is not necessary for members of the Supervisory Board.
- ▶ **No Management Board Chairman or Speaker (4.2.1 sentence 1 of the Code):**  
Contrary to the recommendation, DAB bank AG has neither a Management Board Chairman nor a Management Board Speaker; in that respect, the company adheres fully to the collegiality principle of the German Stock Corporations Act (AktG).
- ▶ **No severance payment cap (4.2.3 para. 4 sentence 1 of the Code):**  
Contrary to the recommendation, no cap on severance payments was agreed when concluding the Management Board contracts. Management Board contracts are concluded for a term of three years. In the event of premature termination of the Management Board contract without impor-

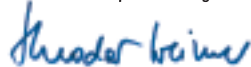


tant cause, the compensation to be granted will not exceed the remaining term of the employment contract. Therefore, the Supervisory Board does not consider it necessary to stipulate a severance payment cap of two years' compensation in its Management Board contracts.

- ▶ No Nominating Committee (5.3.3 of the Code):  
The Supervisory Board has not formed a Nominating Committee due to the shareholders' majority status. Nonetheless, care is taken to ensure that the Supervisory Board members elected by the shareholders possess the necessary knowledge, abilities and professional aptitude to perform their duties adequately.
- ▶ No statement of concrete objectives relative to the composition of the Supervisory Board (5.4.1 para. 2 and 3 of the Code):  
In the new version of the German Corporate Governance Code dated May 26, 2010, Section 5.4.1 para. 2 and para. 3 contain recommendations stating that the Supervisory Board should adopt concrete objectives relative to its composition. The Supervisory Board will adopt concrete objectives relative to the composition of the Supervisory Board as part of its preparations for the annual shareholders' meeting in 2011.

Munich, November 17, 2010

For the Supervisory Board:



Dr. Theodor Weimer  
Chairman of the Supervisory Board

For the Management Board:



Markus Gunter  
Mgmt Board Member



Dr. Markus Walch  
Mgmt Board Member

## Management and supervision structure

### Supervisory Board

As a German stock corporation (Aktiengesellschaft, AG), DAB bank is subject to the German law of stock corporations. Therefore, it maintains a dual structure of management and supervision functions, which are performed by the members of the Management Board and by the members of the Supervisory Board, respectively. In accordance with the German One-Third Employee Representation Act, two thirds of the members of the Supervisory Board represent the shareholders and one third of them represent the employees. At its meeting of March 9, 2011, the Supervisory Board adopted concrete objectives relative to its composition, in consideration of Section 5.4.1 of the German Corporate Governance Code. These objectives can be found on the Internet at [www.dab-bank.de/servicenavigation/investor-relations/corporate-governance.html](http://www.dab-bank.de/servicenavigation/investor-relations/corporate-governance.html).

The Supervisory Board supervises and advises the Management Board on the conduct of business. The Supervisory Board discusses the business development, business plan and strategy and the implementation thereof at regular intervals of time. It deals with the quarterly, semiannual and annual reports and adopts the consolidated financial statements of the DAB bank Group and the separate financial statements of DAB bank AG after due consideration of the audit reports of the independent auditor and the results of the review conducted by the Audit Committee. As part of its duties, it also monitors the company's compliance with applicable laws, regulations and decrees, on the one hand, and the company's internal guidelines, on the other hand (compliance).

The Supervisory Board also appoints the members of the Management Board. Key Management Board decisions such as larger acquisitions, disinvestments and financing measures require the consent of the Supervisory Board, to the extent they do not fall under the authority of the Executive Committee of the Supervisory Board by virtue of the Supervisory Board's internal rules of procedure. The Supervisory Board has adopted internal rules of procedure to govern the work of the Management Board, including in particular the divisional responsibilities of individual Management Board members, and to

specify the matters that are reserved for the full Management Board and the required majority for adopting Management Board resolutions. The internal rules of procedure of the Supervisory Board require the formation of committees. There are currently two such committees, the Audit Committee and the Executive Committee. Their duties, responsibilities and procedures are conformant with the requirements of the German Corporate Governance Code. The respective committee chairmen report to the Supervisory Board on the work of their committees on a regular basis.

The Executive Committee is composed of the Chairman, the Vice Chairman and a Supervisory Board member elected by the Supervisory Board. The Chairman of the Supervisory Board is regularly the Chairman of the Executive Committee and the Vice Chairman of the Supervisory Board is regularly the Vice Chairman of the Executive Committee. The Executive Committee performs the duties of a compensation committee, to the extent that German law does not require such matters to be handled by the full Supervisory Board. In particular, the Executive Committee submits proposals for the appointment of Management Board members, handles the employment contracts with Management Board members and prepares the draft resolution on the adoption of Management Board compensation to be voted on by the full Supervisory Board, and periodically reviews the compensation system of the Management Board. In addition, the Executive Committee performs the duties of a nominating committee and makes recommendations to the shareholder representatives on the Supervisory Board concerning the proposals to be made to the annual shareholders' meeting regarding the election of shareholder representatives to the Supervisory Board by the meeting. Moreover, the Executive Committee adopts resolutions in lieu of the Supervisory Board concerning the approval of transactions and actions that require the consent of the Supervisory Board.

The Audit Committee is composed of the Vice Chairman of the Supervisory Board as its Chairman, the Chairman of the Supervisory Board as its Vice Chairman and a Supervisory Board member elected by the Supervisory Board. In accordance with German law, the Audit Committee must include at least one independent member of the Supervisory Board who possesses expert

knowledge in the areas of financial accounting or the auditing of financial statements. The Audit Committee supervises the financial accounting process. Together with the independent auditor, the Audit Committee discusses the quarterly, semiannual and annual financial statements prepared by the Management Board. Based on the report of the independent auditor on the results of the annual audit, the Audit Committee makes proposals concerning the adoption of the annual financial statements by the Supervisory Board. It concerns itself with the company's risk monitoring system and monitors the effectiveness of its internal control system, especially as it relates to financial reporting, as well as the effectiveness of the risk management system and internal audit system. The Internal Audit Department reports to the Audit Committee on a regular basis. Furthermore, the Audit Committee oversees the audit of the annual financial statements, including in particular the independence and qualifications of the independent auditor and its services. In addition, the Audit Committee monitors compliance with applicable laws, regulations and decrees, on the one hand, and with the company's internal guidelines, on the other hand (compliance).

### **Management Board**

As the executive body of the company, the Management Board is bound by duty to serve the company's interest and sustainably increase the company's value. The members of the Management Board jointly bear responsibility for the general management and make decisions on fundamental questions of business policy and strategy, as well as annual budgets and multi-year business plans.

The Management Board is responsible for preparing the company's quarterly and semiannual financial statements, the consolidated financial statements of the DAB bank Group and the separate financial statements of DAB bank AG. Furthermore, the Management Board is charged with assuring compliance with applicable laws, regulations and decrees and with the company's internal guidelines and takes steps to assure compliance on the part of group companies as well. The Management Board works closely together with the Supervisory Board. It provides comprehensive information to the Supervisory Board on all matters relevant to the overall company, including strategy and

implementation, planning, business development, financing and financial performance, compliance and entrepreneurial risks, on a prompt and regular basis. In filling senior management positions in the company, the Management Board adheres to the principles of diversity and especially strives to give appropriate consideration to women.

### Composition of the Supervisory Board and its committees

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 20, 2010, one representative of the shareholders, Mr. Jan Wohlschiess, resigned from the Supervisory Board. The annual shareholders' meeting of May 20, 2010 elected Mr. Peter Buschbeck as a representative of the shareholders.

#### Members of the Supervisory Board:

- ▶ Dr. Theodor Weimer (Chairman)
- ▶ Alessandro Foti (Vice Chairman since May 20, 2010)
- ▶ Jan Wohlschiess (Vice Chairman until May 20, 2010)
- ▶ Peter Buschbeck (since May 20, 2010)
- ▶ Gunter Ernst
- ▶ Werner Allwang (employee representative)
- ▶ Nikolaus Barthold (employee representative)

#### Members of the Executive Committee:

- ▶ Dr. Theodor Weimer (Chairman)
- ▶ Alessandro Foti (Vice Chairman since May 20, 2010)
- ▶ Jan Wohlschiess (Vice Chairman until May 20, 2010)
- ▶ Peter Buschbeck (since May 20, 2010)

#### Members of the Audit Committee:

- ▶ Alessandro Foti (Chairman since May 20, 2010)
- ▶ Jan Wohlschiess (Chairman until May 20, 2010)
- ▶ Dr. Theodor Weimer (Vice Chairman)
- ▶ Gunter Ernst

### Composition of the Management Board

No personnel changes occurred on the Management Board.

#### Members of the Management Board:

- ▶ Markus Gunter
- ▶ Dr. Markus Walch

### Purchase or sale of the company's shares

By virtue of Section 15a of the German Securities Trading Act (WpHG), members of the Management Board and Supervisory Board are legally obligated to disclose the purchase or sale of shares of DAB bank AG or of financial instruments that are linked to the company's shares, when the value of such transactions conducted by the member and persons related to the member within a calendar year is equal to or greater than €5,000. The transactions notified to DAB bank AG were duly published and can be found on the company's website at <https://www.dab-bank.de/servicenavigation/investor-relations/corporate-governance.html>.

The shareholdings of the individual members of the Supervisory Board and Management Board are presented on page 152 of this Annual Report.

### Relations with shareholders

DAB bank reports to its shareholders on business developments and on the company's financing and financial performance four times every financial year. The annual shareholders' meeting is usually held in the first five months of the financial year. DAB bank allows its shareholders to authorize proxies to exercise their voting rights for them at the meeting. The Management Board is authorized to allow shareholders to participate in the annual shareholders' meeting without being physically present there and without having authorized a proxy to represent them, and to exercise all or some of their rights by means of electronic communications, in full or in part (online participation). The Management Board is also authorized to allow shareholders to cast their votes in writing or by way of electronic communications also without participating in the annual shareholders' meeting (letter option). The provisions of the Management Board relative to online par-

ticipation and/or the letter option are announced in the notice of meeting. The reports, documents and information required by law for the annual shareholders' meeting, including the Annual Report, are made available on the Internet, along with the agenda of the annual shareholders' meeting and any counter-motions or election proposals of shareholders that must be made available.

Among other matters, the annual shareholders' meeting resolves on the utilization of profit, the ratification of the actions of the Management Board and Supervisory Board and the election of the independent auditor. Measures that change the bank's capital and amendments to the Articles of Incorporation are resolved by the annual shareholders' meeting and carried out by the Management Board. The Supervisory Board is authorized to make amendments to the Articles of Incorporation that relate only to wording. Shareholders can submit counter-motions to the draft resolutions proposed by the Management Board and Supervisory Board and file motions to annul the resolutions of the annual shareholders' meeting. In addition, shareholders holding a proportion of share capital equal to at least €100,000 can demand the judicial appointment of a special auditor to review certain transactions.

In our investor relations work, we provide extensive information to our investors about the developments of the company. DAB bank AG also makes intensive use of the Internet for reporting purposes. The company makes available on its website its quarterly, semiannual and annual reports, ad-hoc disclosures, analyst presentations and press releases, as well as the financial calendar for the current year, indicating all important publication dates for financial communications and the date of the annual shareholders' meeting.

### Corporate Governance guidelines

Our Articles of Incorporation, the internal rules of procedure of the Supervisory Board and the Management Board, all Declarations of Conformity, the reporting on the fulfillment of the provisions of the German Corporate Governance Code and other corporate governance documents are available in the Internet at [www.dab-bank.de/servicenavigation/investor-relations/corporate-governance.html](http://www.dab-bank.de/servicenavigation/investor-relations/corporate-governance.html).

### Compensation Report for the Management Board and Supervisory Board

The Compensation Report summarizes the principles applied in setting the compensation of the Management Board of DAB bank AG and explains the structure and the general and individual amount of the compensation of Management Board members. The Compensation Report also describes the principles and amount of the compensation of the Supervisory Board.

The Compensation Report follows the recommendations of the German Corporate Governance Code. It contains the disclosures required to be made in either the notes to the financial statements or the management report by virtue of the German Commercial Code (HGB) or International Financial Reporting Standards (IFRS). Thus, it is an integral part of the audited consolidated financial statements and the Group management report. With regard to the presentation of itemized compensation for Management Board and Supervisory Board members, reference is made in the notes to the financial statements and in the management report to the present report within the Corporate Governance section.

#### 1. Compensation system for members of the Management Board in financial year 2010

By means of various new laws and regulations, including above all the amendments made to the Stock Corporations Act (AktG) by way of the Appropriateness of Management Board Compensation Act, which entered into force on August 5, 2009, and the Act on the Regulatory Requirements to be

Met by the Compensation Systems of Financial Institutions and Insurance Companies, which entered into force on July 27, 2010, the German parliament created new requirements relative to the Management Board compensation of stock corporations and banks. The goal is to ensure that Management Board compensation is set on the basis of sustainable, long-term corporate governance principles and to avoid the assumption of excessive risks due to inappropriate compensation incentives.

At DAB bank AG, the compensation system for the Management Board is resolved by the Supervisory Board. The Supervisory Board also sets the overall compensation of each individual Management Board member, based on the draft resolutions prepared by the Executive Committee of the Supervisory Board. For financial year 2009, the Management Board and Supervisory Board resolved to present the compensation system in effect at that time for Management Board members to the annual shareholders' meeting for approval. That compensation system was approved by a large majority of the shareholders present and represented at the annual shareholders' meeting of May 20, 2010.

DAB bank AG reviews the compensation system for the Management Board on a regular basis. In financial year 2010, the Supervisory Board addressed the statutory changes intensively in its meetings of May 6, 2010 and July 21, 2010 and commissioned the preparation of appropriate expert opinions on the compensation system, the balance between fixed and variable proportions and permissible targets for the variable compensation. Based on the results of a parallel self-assessment conducted by the company, initially on the basis of Circular 22/2009 of the Federal Financial Services Supervisory Authority of December 21, 2009, and then on the basis of the Statutory Order on the Regulatory Requirements to be Met by the Compensation Systems of Financial Institutions, it was determined that DAB bank AG is not a significant institution within the meaning of the above-mentioned regulations and is therefore required to implement the general requirements for the compensation systems of banks. In further developing the compensation system and setting the compensation on that basis, the Supervisory Board

also observed the prescriptions of the Stock Corporations Act and the current version of the German Corporate Governance Code.

Accordingly, the Supervisory Board modified the previous Management Board compensation system of DAB bank AG with effect as of January 1, 2010 to emphasize even more the previously existing measures aimed at promoting the company's sustainable development. As a key element of the modified compensation system, the payment of variable compensation is deferred over several years and is made contingent on the fulfillment of certain criteria in the year of payment. Thus, the compensation can still be lowered appreciably if a given target is missed but that does not become evident until the year of deferred payment. Furthermore, the proportion of short-term and long-term variable compensation was reduced so that the Management Board will not be dependent on the variable compensation. Thus, the Management Board compensation system of DAB bank AG is geared even more to the sustainable development of the company's business. Furthermore, the entrepreneurial risks assumed by the Management Board are evaluated over a longer period of time. In view of the changes made to the old system, the new compensation system will be presented for approval to the annual shareholders' meeting of DAB bank AG in May 2011.

DAB bank AG also reviews the level of compensation on a regular basis. The level of compensation is determined primarily on the basis of the tasks assigned to the Management Board members and their performance, with due consideration given also to such factors as the size of the company, the current economic and financial situation of the company and the future outlook for DAB bank AG, as well as the level and structure of Management Board compensation at comparable companies. External and group market comparisons (within the corporate group) are performed for the purpose of assessing the appropriateness of Management Board compensation.

The compensation of the Management Board in financial year 2010 was composed of a fixed component and a variable component, the latter being subdivided into a success-dependent variable proportion, known as the Short-

Term Incentive (STI), and a long-term compensation component, known as the Long-Term Incentive (LTI). Assuming 100% target fulfillment (target value), the amount of the two variable components, which are tied to the achievement of the targets agreed for the financial year and the targets set out in the strategic plan, are roughly equal to the fixed base salary. The STI is limited to a maximum amount of 150% of the target value and the LTI is limited to a maximum amount of 125 % of the target value, which cannot be exceeded even if the targets are over-achieved (caps). The level of agreed variable compensation components is also not guaranteed, but is determined every year anew, depending on the agreed targets and target achievement, and can even be as low as zero if the targets are missed by a substantial margin. The measurement criteria applied for the variable compensation are geared to the medium-term and long-term economic success and individual success of DAB bank AG and its Management Board members and the Unicredit Group. Payment of a portion of the variable compensation is deferred to allow for an adequate evaluation of the long-term component of measurable success. The deferred payment itself is only paid when certain pre-defined parameters are met in the year of payment.

The granting of competitive compensation tied to successful performance and the deferment of a portion of the variable compensation to the medium-term to long-term future are also meant to promote the long-term loyalty of the management to the company and the UniCredit Group.

More specifically, the Management Board compensation for financial year 2010 consists of the following main components:

#### **Non-success-dependent compensation in the form of fixed salary**

The fixed, non-success-dependent salary is paid in twelve equal monthly installments. The fixed salary is set for the entire term of the respective employment contract, without prejudice to the voluntary and statutory possibilities of review and adjustment by the Supervisory Board.

For the first time since they were appointed to the Management Board, the contractually stipulated base pay of both Management Board members was increased to make up for the reduction in the amount of variable compensation, in connection with the extension of their appointments. The fixed annual salary of Dr. Walch, which had not been changed since he was first appointed to the Management Board on July 1, 2007, was increased from €250 thousand to €300 thousand, effective January 1, 2010. The fixed annual salary of Mr. Gunter, which had not been changed since he was first appointed to the Management Board on July 1, 2008, was increased from €260 thousand to €300 thousand, also effective January 1, 2010.

#### **Success-dependent variable compensation, Short-Term Incentive (STI)**

As one of the modifications made to the compensation structure, the contractually stipulated amount of variable compensation for both Management Board members was reduced, in order to satisfy the regulatory objectives for the variable compensation of bank executives. In the case of Dr. Walch, the target value for 100% target fulfillment, which serves as the basis for the STI component of variable compensation and had not been changed since he was first appointed to the Management Board on July 1, 2007, was reduced from €250 thousand to €180 thousand, effective January 1, 2010. In the case of Mr. Gunter, the STI component of variable compensation, which had not been changed since he was first appointed to the Management Board on July 1, 2008, was reduced from €255 thousand to €180 thousand, also effective January 1, 2010.

The amount of agreed variable compensation components is not guaranteed. It is determined every year anew on the basis of the individual target fulfillment of each Management Board member. The maximum amount of the STI component is limited to 150% of the target value (cap); it can also be zero if the agreed targets are missed.

The Supervisory Board sets the targets and weightings for the individual STI of each Management Board member at the beginning of each financial year. The targets for financial year 2010 are based on key performance indicators of the company and the UniCredit Asset Gathering Business Line, in the proportion of one half, and on sustainability factors to be achieved or upheld, in the proportion of one half.

After reviewing the fulfillment of the targets adopted at the beginning of the financial year, the Supervisory Board determines the amount of variable compensation for each member of the Management Board at the end of the financial year, once the company's profit for the year has been determined. Depending on the degree of target fulfillment, the amount of the STI component can be as low as 0% and as high as 150% of the target value, as the maximum limit.

Depending on the absolute amount of the STI component, it is paid on a deferred basis over a period of three years. Within this period, the Supervisory Board assesses every year whether the targets established as a condition for payment of the deferred portion of the STI component are met.

A provision in the amount of €595,438 was recognized in financial year 2009 for the bonus claims of the Management Board. Based on the target fulfillment determined and resolved by the Supervisory Board in 2010 for financial year 2009, the bonus claim of the Management Board members for financial year 2009 amounts to €479,688. Of that total, an amount of €355,000 (€180,000 for Mr. Gunter and €175,000 for Dr. Walch) is owed to the Management Board members for the past financial year. Of this bonus, an amount of €100 thousand was paid to each Management Board member in financial year 2010 and payment of the remaining amount was deferred to financial years 2011 and 2012, with half the remaining balance to be paid in each year.

The amount exceeding the original provision was reversed and recognized in income in financial year 2010.

At the time of the audit of the annual financial statements, the target fulfillment for financial year 2010 was not yet available, pending the results for the targets related to the corporate group.

#### **Long-Term Incentive (LTI)**

In addition to the STI, Management Board members are also offered a Long-Term Incentive (LTI) by the UniCredit Group. Top-level executives of the UniCredit Group are eligible to participate in this plan, which is offered in different forms from year to year.

Dr. Markus Walch participated in the Stock Option & Performance Shares Plan of the UniCredit Group (LTI 2008) in financial year 2009. This plan consisted of two parts. Under the first part, each Management Board member was granted a certain number of stock options for shares of UniCredit S.p.A., Italy, which can only be exercised if the beneficiary is still working for the UniCredit Group at the end of four years after the grant date (vesting period). Each option confers the right to purchase one share of UniCredit S.p.A., Italy, at a price determined before the options are granted. The options can be exercised during a period of six years from the vesting date. A total of 55,642 stock options, each conferring the right to purchase shares at a price of €4,185, were granted to Dr. Walch in 2009. Under the second part, a certain number of shares ("performance shares") of UniCredit S.p.A., Italy, were granted free of charge to each Management Board member on a deferred basis; they will be delivered at the end of the third year after the grant date if the relevant targets set out in the strategic plan of UniCredit have been achieved and the beneficiary is still working for the UniCredit Group at that time. A total of 15,540 performance shares were granted to Dr. Walch under this part of the plan.

DAB bank AG reimburses UniCredit for the costs of participation by its Management Board members in the Long-Term Incentive Plan as of the vesting date, as a general rule. Calculated on a period accrual basis, DAB bank AG incurred costs of €10 thousand for the LTI 2008 in financial year 2010.

Both Mr. Gunter and Dr. Walch participated in the LTI 2009 of the UniCredit Group in financial year 2010. The LTI 2009 for financial year 2010 involves a “cash-based” LTI Plan, under which a cash bonus will be paid. Assuming 100% target fulfillment, the target value for this cash bonus is €90 thousand each for Dr. Walch and Mr. Gunter; it is limited to a maximum amount of 125% of the target value, even if the targets would be over-fulfilled (cap). The vesting period for this plan is three years.

The beneficiaries are responsible for paying taxes on the advantages so obtained. In the case of stock options, this taxable advantage is measured as the value of the shares to be purchased, minus the pre-defined purchase price at the time of exercising the options; in the case of performance shares, the taxable advantage is the value of the share at the grant date; and in the case of the cash-based LTI, the taxable advantage is the amount of the cash bonus paid.

### Pensions

Pension benefits are offered to members of the Management Board exclusively on a defined-contribution basis. Under one plan, the Management Board members Markus Gunter and Dr. Markus Walch voluntarily make monthly contributions from their salaries to the same pension fund used by the other employees of DAB bank AG.

Effective January 1, 2010, DAB bank AG also withholds fixed, non-success-dependent contributions from the salaries of its Management Board members and pays them to a provident fund.

The company has not made direct pension commitments to any member of the Management Board and therefore no provisions need to be recognized in respect of pension obligations to Management Board members.

### Ancillary benefits

The ancillary benefits in the form of in-kind compensation are materially less significant and are non-success-dependent in all cases. They consist mainly in the option of using the company car for private use at a reduced cost, the ability to use the company’s telecommunications equipment for private use, which is subsidized by the company, the assumption by the company of insurance premiums for a group accident insurance plan and a so-called D&O insurance for directors and officers, which includes a deductible. The company paid an amount of less than €1 thousand for the group accident insurance in financial year 2010. The value of ancillary benefits is measured as the actual costs incurred.

No advances were granted to the members of the Management Board. Furthermore, no contingent liabilities of any kind were assumed on behalf of Management Board members.

No loans were granted to the Management Board member Markus Gunter in financial year 2010. The Management Board member Dr. Markus Walch has the option of borrowing money from DAB bank AG using the credit card issued on a private bank account with DAB bank AG, up to a credit limit of €2.5 thousand. The giro account carried for Dr. Walch does not feature an overdraft facility.



### Change of control and severance awards

No employment termination or severance award rights have been agreed with individual members of the Management Board in the event of a “change of control,” meaning a significant change in the ownership structure of DAB bank AG.

The employment contracts of Management Board members do not expressly stipulate severance payments, and therefore no severance award caps either, for the event of premature termination of their employment relationships with the company. However, a severance payment can result from the individual termination agreement concluded in connection with the termination of an employment contract.

The compensation granted to each member of the Management Board for financial year 2010 is presented in the table below:

#### Itemized compensation granted to the individual Management Board members:

in € thousands	Fixed	Success-driven	Long-term incentive	Value of ancillary		Total
	salary	components	components	Pensions	benefit	
Markus Gunter	300	180	30	46	14	570
Dr. Markus Walch	300	180	39	46	16	581
<b>Total</b>	<b>600</b>	<b>360</b>	<b>69</b>	<b>92</b>	<b>30</b>	<b>1,151</b>

### Former Management Board members

The variable compensation for financial year 2009 was paid in financial year 2010 to the former Management Board member Alexander von Uslar, who left DAB bank as of the end of September 30, 2009. Furthermore, the in-kind benefit represented by the option of using the company car for private use at a reduced cost and the ability to use the company’s telecommunications equipment will also be settled in financial year 2010.

### 2. Compensation of the Supervisory Board

The rules applicable to the compensation of Supervisory Board members are set out 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 end of the financial year. The base compensation of each member of the Supervisory Board is €10,000. 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 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)<sup>2</sup> x €20,000. The total amount of variable compensation for the Supervisory Board may not be more than €80,000 or less than €20,000. The Supervisory Board determines the distribution of the variable compensation among its members every year, in consideration of the work performed individually on the committees.

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

The compensation granted to each member of the Supervisory Board for financial year 2010 is presented in the table below:

**Itemized compensation of Supervisory Board members:**

in €	Fixed salary	Success-driven component	Components with a long-term incentive effect	Total
Dr. Theodor Weimer (Chairman)	20,000	5,510	-	25,510
Alessandro Foti (Vice Chairman since May 20, 2010)	13,056	3,597	-	16,652
Jan Wohlschiess (Vice Chairman until May 20, Mai 2010)	5,833	1,607	-	7,440
Peter Buschbeck (since May 20, 2010)	6,111	1,684	-	7,795
Gunter Ernst	10,000	2,755	-	12,755*
Werner Allwang (employee representative)	10,000	2,755	-	12,755*
Nikolaus Barthold (employee representative)	10,000	2,755	-	12,755*
<b>Total</b>	<b>75,000</b>	<b>20,663</b>	<b>-</b>	<b>95,663</b>

\* 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 their personal liability risk in the event that the insured persons would cause financial losses in connection with the performance of their duties. A deductible conformant with the legal requirements was agreed with the Management Board members.

### 4. Compensation of employees

The compensation of the employees of DAB bank AG consists of a fixed salary component and a variable salary component. The fixed salary component is paid in 12 equal monthly installments. The variable salary component is paid once a year on the basis of target fulfillment. The ratio of the fixed salary component to the variable salary component is governed by an internal company agreement; that ratio increases with the employee's organizational level. For all employees, the share of total compensation represented by the variable compensation is measured in such a way as to avoid a significant dependency on the variable compensation, in order not to create negative incentives on that basis.

As a general rule, the variable proportion of the annual target income is composed of two components, a "performance-oriented" component and a "results-oriented" component, which are separate and independent of each other. The maximum amount of variable compensation is set by means of a cap. No benefits based on individual employment contracts have been promised to any employee of DAB bank AG for the event of termination of their employment relationships, which would be payable in the full amount despite negative contributions by the individual employee, nor have variable compensation payments of guaranteed amounts been promised.

Binding performance-oriented targets are agreed with the employee once a year in a special meeting with the employee. Fulfillment of those targets is measured only on the basis of the employee's individual performance. The results-oriented targets are set once a year, based on various corporate objectives, including sustainable and long-term success parameters.

The compensation of employees performing supervisory functions at DAB bank AG, such as employees working in Internal Audit, Compliance and Risk Management, is not dependent on the business results of DAB bank AG; as of January 1, 2011, their variable compensation is oriented solely to their individual performance, so as not to undermine their supervisory functions. In that connection, the compensation of employees who provide advice to customers was altered to include a special emphasis on sustainability criteria.

On average, DAB bank AG had 473 employees in financial year 2010. The total amount of all compensation paid in financial year 2010 (without social insurance contribution) was €22.77 million, including €19.60 million in the form of fixed compensation and €3.17 million in the form of variable compensation. All employees receive a variable compensation component.



## Financial communication

### DAB bank share

Three years after the financial crisis erupted, stock market investors have still not been able to answer the question of whether it has finally ended, or whether further setbacks are to be expected. Despite outstanding economic data, the restoration of investor confidence has been halting at best, due in particular to media reports on the budget problems of the PIIGS countries. Financial stocks were especially hard hit by those reports.

The DAB bank share went through its most volatile phase in the first half of the year, during which time it reached both its low and its high for the year. Having started the year on January 4 at €4.24, the DAB bank share initially shot up to €4.51 (January 11, 2010), but then suffered repeated declines, reaching its low for the year of €3.77 on February 8. Following the publication of preliminary 2009 figures in late February, the share price rose well above €4 and ended the first quarter on March 31, 2010 at €4.14.

The DAB bank share was extremely dynamic in the second quarter. Having remained rather constant around €4.20 from late February to mid-April, it quickly rose to its high for the year of €4.79 on May 20, the date of the company's annual shareholders' meeting. After that, the share price moved downward, finally settling in on a level slightly higher than €4. The share gradually recovered in June and ended the first half at €4.17 on June 30.

Despite the highly promising forecasts of the German economic research institutions, investors were very cautious in the third quarter, as evidenced by the lower trading volumes for stocks, in particular. That tendency also affected the DAB bank share, which exhibited extremely low volatility in the summer months. Few shares were traded in the price range between €4.00 and €4.27. The DAB bank share ended the third quarter at €4.14 on September 30, 2010.

The DAB bank share rose again slightly in the fourth quarter, remaining constant around a price of €4.40, above its price at the start of 2010. The share closed at €4.27 on the final trading day, for a slight gain of 1% on the year. By contrast, the leading German stock index DAX closed the year with a gain of about 16%, while the MDAX and SDAX fared much better, posting gains of 35% and 45%, respectively.

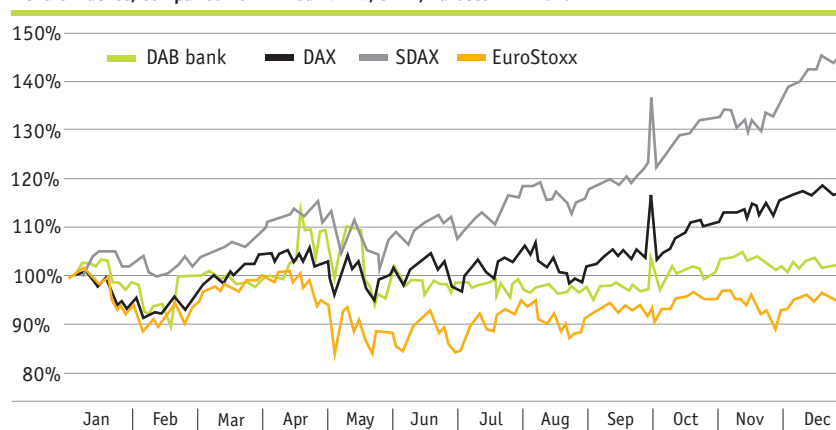
Despite the nearly unchanged sentiment in the financial markets, the DAB share was more liquid in 2010 than in 2009. On average, about 29,737 shares were traded every day on all the German stock exchanges in 2010 (PY: about 24,060 shares per day). The best month for orders was May, when a total of 1,721,728 shares were traded on the stock exchanges.

The shareholders of DAB bank will benefit directly from the profit before taxes of €28.57 million earned in 2010. Thanks to its extremely solid equity base, DAB bank intends to distribute the entire net profit again in 2010. At the annual shareholders' meeting to be held later in the year, the

Management Board and Supervisory Board will propose a dividend of 20 cents per share, after 11 cents for 2008 and 30 cents for 2009. The dividend will be paid without deduction of the investment income tax and the solidarity surtax.

By reason of the acquisition of the French online broker Selftrade S.A. in 2001, DAB bank had been listed on the Paris Stock Exchange. Although Selftrade was sold only one year later, DAB bank continued to be listed on the Paris Stock Exchange. In view of the considerable financial and organizational costs associated with this listing, the Supervisory Board and Management Board of DAB bank resolved to apply for delisting from the Paris Euronext Exchange in the second quarter of 2010. After Paris Euronext accepted this application, shareholders were given the chance to sell their shares. Following the conclusion of this procedure on May 31, 2010, the shares of DAB bank are no longer listed on the Paris Euronext Exchange. The DAB bank share is still listed on all German stock exchanges, as before.

Chart indexes, comparison of DAB bank DAX, SDAX, EuroStoxx in 2010



#### Key figures on the DAB bank share

Opening price, Xetra (01/04/2010)	4.24 €
Highest price, Xetra (05/20/2010)	4.79 €
Lowest price, Xetra (02/08/2010)	3.77 €
Closing price, Xetra (12/30/2010)	4.27 €
Market capitalization (12/30/2010)	321.05 Mio. €
<b>Earnings per share</b>	<b>0.22€</b>
Dividend yield	4.7 %
Book value per share	1.98 €
Total shareholder return	5.4 %
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
Stock exchanges	Xetra, Frankfurt, Munich, Stuttgart, Berlin, Duesseldorf, Hamburg, Hanover, Bremen
Designated Sponsor	HSBC Trinkaus & Burkhardt AG Lang & Schwarz Wertpapierhandels AG

## Investor Relations

The strategy of DAB bank is geared to profitable growth and the sustainable enhancement of shareholder value. In 2010, we continued our tradition of open, active communication in support of a trustful dialog with our shareholders, investors and other interested parties.

Even before the publication of our Annual Report on March 16, we presented our business results for the 2009 financial year and the goals of DAB bank for 2010 to the financial community and to our stakeholders at the financial statements press conference in February. We also communicated our quarterly results to stock analysts, shareholders and journalists in two lengthy conference calls each in May, July and October.

In addition, we informed our shareholders about the successes of financial year 2009 and our goals for the future at the annual shareholders' meeting of May 20. As in prior years, the meeting was held at Nockherberg in Munich. For the sixth year in a row, our shareholders voted to approve the proposed dividend payment representing the entire net profit for 2009. Thus, the shareholders approved the proposal of the Management Board and Supervisory Board to pay a dividend of 30 cents per share.

Again in 2010, 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. The Management Board also presented DAB bank at the LBBW German Equity Conference in London, the German Investment Conference of UniCredit in Munich and the German Equity Capital Forum in Frankfurt.

In order to ensure the necessary liquidity for the ongoing trading of its shares, DAB bank is served by two Designated Sponsors. In addition to Lang & Schwarz Wertpapierhandels AG, HSBC Trinkaus & Burkhardt AG also served as a market maker for the shares of DAB bank.

DAB bank AG was actively covered by six analysts in 2010.

The latest information on DAB bank, its business performance and its share is continuously made available to all interested stakeholders in the Investor Relations section of our website. Our Annual Report and quarterly financial reports are available for download in German and English. By using our online ordering service, shareholders, investors and other interested parties can receive the printed versions of our reports free of charge. Also, we further expanded our shareholder services in the 2010 financial year. By means of a MP3 download, for example, all interested parties can listen to the telephone conferences on the bank's quarterly results shortly after they are held.

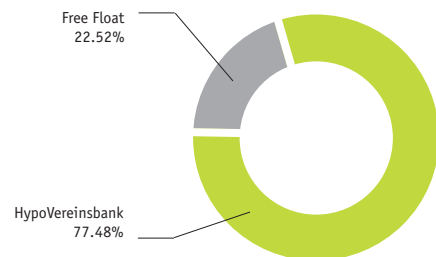
Corporate news, ad-hoc announcements and press releases are posted on our website as well. In addition, past publications are always easily retrievable from our online archive. The presentation documents we use to communicate our operating results and for our annual shareholders' meeting are also available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

We intend to continue our policy of open, active financial communication in 2011. Although investor interest in financial stocks has waned somewhat in the last few years due to the banking crisis, we believe that the market will recover, leading to increased demand for financial stocks. To accommodate the heightened demand, we will intensify our financial market communications in 2011. Thus, we published our preliminary figures for 2010 at the financial statements press conference and at the analyst conference in

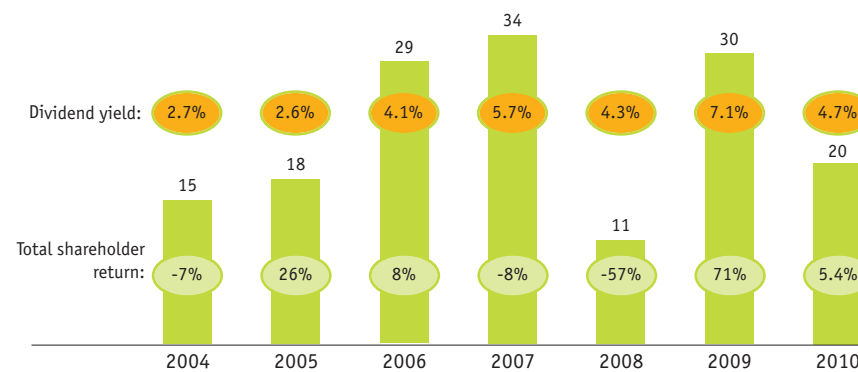
Frankfurt on February 22. Again this year, we will answer investors' questions at the German Investment Conference of UniCredit Munich and at the Equity Capital Forum of Deutsche Börse. In addition, we are planning to hold an increased number of road shows in Germany and abroad; and we are ready and willing to hold one-on-one meetings at any time.

22.52% of DAB bank's shares are widely held. The majority interest of UniCredit Bank AG in the amount of 77.48% is attributed to the corporate group of UniCredit S.p.A., Rome, Italy.

#### Shareholder structure at 12/31/2010



#### Dividend per share (€ cent)



### Interview with Thomas Oehler, General Manager of FC Bayern München e. V., Basketball

Your basketball department is planning to have the club elevated to the top league. What economic challenges are you encountering in your quest to establish a perennial contender on the highest level of the sport?

The years ahead will be even more challenging than the past year, when we embarked on our new quest. Given our aspirations, our goals can only be to strengthen the team further and win a spot in the top league. For that purpose, we need to build a sustainable organization that is fit to meet the new demands, not only with respect to our players and employees, but also with respect to our sponsors and business partners.

In the world of professional sports, scouting and analyzing the right players for the purpose of putting together a successful team is a crucial success factor. But the same can also be said of the business side, where selecting the right sponsors is just as important. We are fortunate to have DAB Bank as a partner that lives up to the high standards of quality and professionalism that we have set for FC Bayern and will help us constantly improve our organization.

How important is communication for the FC Bayern basketball community?

By means of effective communication, we attract attention to our issues and promote people's identification with our club.

An important communication objective is to increase sustainably the public's familiarity with and the value of the FC Bayern Basketball brand.

We also want to make FC Bayern more likeable as a club. For that reason, among others, we looked for good character traits, as well as athletic ability,

when choosing the members of our team. We want players that spectators and our more than 160,000 members can identify with. An enthusiastic fan base is our strongest card.

How do you manage your investor relations?

The main goal of our communications with our target groups is to be as close to them as possible. Above all, we always consider club members and spectators when making any decisions. Before embarking on our mission to have the team elevated to the top league, we asked more than 23,000 members what they thought about establishing a top-level basketball team in Munich. More than 75% of them supported the idea. Surveys of non-members in the Munich metropolitan area yielded similar results. Now we can see the support of our spectators in the fact that every match is sold out, and that is because they feel they are part of the project.

Also in our relations with multipliers like the media, not to mention our sponsors, we believe that candid and sustained communications are vitally important. It goes without saying that we can offer an effective platform and the collaboration can be constructive for both sides only if the mutual coordination is right. In that respect, DAB bank is the perfect partner for us because we can reach our contacts there anytime, day or night; they are very flexible and best of all, they are all infected by the basketball virus.





## Corporate social responsibility at DAB bank

Exercising social responsibility is an integral aspect of the corporate culture of DAB bank. Based on economic considerations, our wide-ranging commitment to social responsibility can be divided into four action areas: customers and partners, community, environment and employees. As one of our central tenets, we the employees of DAB bank are committed to creating value for our customers. We contribute to the regions in which we operate and create a company for which we are proud to work. We want to deliver the highest performance, while also being simple and uncomplicated in our dealings with others. On that basis, we sustainably create value for our shareholders as well. In 2011, we intend to focus our efforts particularly on the promotion and vocational training of young people in the fields of sports and banking.

### Exercising responsibility for our employees

Our employees are crucial to the success of DAB bank. Only well qualified and highly motivated employees can make us innovative and competitive. Therefore, we continue to pursue the initiatives launched in recent years with unabated resolve. Despite active cost management and the related reduction of administrative expenses, we did not cut our continuing education budget in 2010. That budget forms the basis for our career track system, which offers transparent and fair development opportunities to employees in both the expert track and the managerial track.

### Investing in employees means investing in the future

At DAB bank, we regard the investments made in the training and continuing education of our employees as an investment in the future of our company. In the annual performance appraisal meetings, employees and their supervis-

ing managers work together to identify the employee's specific continuing education needs. Of special interest in 2010 were courses in project management, IT banking systems, technical topics, foreign languages, communication and personality development. Based on the results of regular surveys, we know that participating employees are very impressed with the quality of DAB bank's seminars. On average, every employee completed roughly two training courses in 2010. That corresponds to more than 18,000 training hours or 2,254 days, which we have invested in the development of our employees. To ensure that as many employees as possible make use of these opportunities, we will expand the offering of training courses still further in 2011.

### Helping young people start successful careers

DAB bank AG has offered young people the chance to learn the banking trade since September 2007. As part of this vocational training program, which lasts two or two and a half years, depending on the type of secondary school they graduated from, vocational trainees are assigned to work in nearly every part of the bank. In addition to theoretical instruction, they also complete a branch bank training program at UniCredit Bank AG, which lasts a total of eleven weeks. Currently, DAB bank is providing vocational training to 17 young people on their way to becoming qualified bank clerks.

In addition to the vocational training program for qualified bank clerks, DAB bank will step up its efforts to recruit university graduates in 2011. To that end, we will institute a trainee program, in collaboration with UniCredit Bank Munich.

## Executive development in theory and practice

Our executive development programs are designed to help the participants upgrade their personal capabilities and professional qualifications and prepare them to meet new demands in the future.

In our so-called professional development programs, we employ a combination of theory and practice. In addition to seminar modules, participants are given real-life work assignments. We encourage networking among the participants, who are taken from a variety of different departments. The participants present the results of their work assignments to the Management Board, the departments for which they have been working and their direct supervisors.

DAB bank also takes steps to groom future bank managers. In our Potential Assessment Center, selected employees are given the chance to assess their own managerial aptitude and inclination, thereby gaining valuable insights concerning future career development measures. The systematic implementation of personalized development plans prepares the selected potentials for future tasks in the company.

## Potential for more responsibility

Every year, supervising managers present all employees who exhibit the potential to assume a higher level of responsibility and recommend them for promotion. The decision to promote a given employee is made by an expert committee on the basis of a uniform diagnostic procedure, based on bank-wide competence profiles and the demands of each position.

## Exercising responsibility for all employees

After selling our FondsServiceBank (FSB) division to Fonds Depot Bank (FDB) in Hof, DAB bank supported the affected employees in all relevant processes and offered them numerous forms of assistance and advice. While some of the former employees were able to continue working for the buyer company, we were able to find new jobs for most of the employees who were not taken over by FDB. By that means, DAB bank demonstrated its willingness to assume responsibility and stand behind its employees even in tough situations.

## Sustainable compensation structure: fair and transparent

The attributes “simple, fair and transparent” apply also to the compensation structure of DAB bank. The compensation of DAB bank employees is composed of a fixed component and a variable component, the proportion of which rises with the employee’s organizational level. The variable compensation of DAB bank employees is sub-divided into a performance-oriented component, measured with respect to the achievement of individual goals, and a success-oriented component, determined on the basis of DAB bank’s business results, among other things. No one’s compensation is overly dependent on the variable compensation component, so as to avoid creating negative incentives on that basis. The compensation of employees exercising oversight functions, such as those working in Internal Audit, Compliance and Risk Management, does not depend on the business results of DAB bank; their variable compensation is based only on their individual performance. In financial year 2010, DAB bank introduced additional sustainable and long-term success criteria for the variable compensation component based on business results, including the enhancement of customer satisfaction.

Consequently, the compensation of employees who provide advice to customers was changed, the former commission model being replaced with a compensation model under which the variable compensation component is based on more sustainable criteria.

### Keeping employees up-to-date

Keeping our employees informed of the latest developments is a top priority for us at DAB bank. Employees need to be provided with transparent information if they are to identify with the company and be motivated to deliver top-level performance. At DAB bank, all employees are given the information relevant to them by means of a weekly communication cascade. But we also take other measures to keep our employees abreast of the latest developments, including daily articles in the intranet, a periodic Management Board newsletter containing background reports on current topics of interest to the bank, quarterly employee events and information sessions on new products.

### Promoting the health of our employees

DAB bank does its part to promote the health and well-being of its employees. Besides offering fair compensation models, outstanding continuing education programs, comprehensive pension and other benefits, part-time work models to help parents return to the workforce after being out on parental leave and other steps to help them strike an appropriate work-life balance, DAB bank places the highest priority on promoting the health and well-being of its employees. To that end, we held our third DAB Health Day last year, where employees were given the chance to obtain a wide range of information on important health topics. Also, preventive services such as vaccina-

tions and regular visitation hours with the company physician are firmly established at DAB bank. Finally, DAB bank makes it possible for its employees to attend yoga classes and receive massage therapy during work hours, and subsidizes the costs of those services, as a way of promoting serenity, stress management and relaxation.

Because DAB bank feels a sense of responsibility for the health of its employees, it plans to further expand its offering of health promotion services. At the present time, we are working on a project entitled "Sustainable Health Management" to extend our health services concept.

### Everyone's opinion counts!

No company can fulfill the needs of its employees if it does not know what they think, feel and wish. That is why we conducted our annual employee opinion survey for the fourth year last year. Employees representing 88% of our workforce participated in this survey in 2010. This instrument has since become firmly established in our company. The results of the "People Survey" (as we call it) were discussed in every team and further improvement potential was identified. Team results were aggregated and the progress of implementation of the measures identified by employees was monitored and communicated to employees on a regular basis.

### Working together for a good cause

Launched in 2010, our Corporate Volunteering (CV) project is meant to reinforce our corporate culture, foster the social skills of our employees, bundle the company's social responsibility activities and render them visible. Corporate volunteering refers to the contribution of a company's human

resources in the service of charitable projects, beyond the company's primary core business. It encompasses the time and effort contributed by the employees of DAB bank in the service of charitable projects, on the one hand, and the promotion by the company of employees' volunteering efforts. As part of a pilot project, DAB bank's Human Resources Department, together with the Management Board, supported the Summer Festival of the SOS Center for Children and Mothers in Neuauubing/Munich. We plan to establish similar CV programs for all departments of DAB bank in the future.

## Exercising responsibility for the community

### Regional support of young people and sports

DAB bank has served as the primary sponsor of the FC Bayern München basketball team since its 2010/11 season. In that connection, DAB bank has set itself the task of supporting young athletes from all socio-demographic groups, under the slogan "Basketball for All." As the first step in that direction, DAB bank hosted the DAB bank Junior Camp, a day camp aimed at fostering the basketball skills of young players, in collaboration with FC Bayern Basketball. At this camp, about 100 beginners and advanced players were coached by licensed youth coaches of FC Bayern and by the professional players of the FC Bayern basketball team. Besides enjoying some exercise and fun, the participating children also developed a strong sense of teamwork. This event also served to promote the basketball school sports associations known in Germany as *Schularbeitsgemeinschaften* (SAGs) and the club teams of FC Bayern. One evening, parents and other guests were invited to a professional team league game, where they could watch top-level basketball up close. That event was meant to encourage them to support the children's commitment to their sports hobby.

Under the slogan "Basketball for All," DAB bank will continue to focus on the promotion, training and continuing education of young people in the fields of sports and banking in 2011.

## Exercising responsibility for stakeholders

Customers increasingly expect their bank to offer products geared to ethical, social and ecological criteria. To fulfill this expectation, DAB bank offers numerous ethical and sustainable investment funds and certificates with reduced sales charges or even with no sales charges at all.

DAB bank uses its website to provide information concerning investments geared to sustainability and the future. At [www.dab-bank.de/nachhaltigkeit](http://www.dab-bank.de/nachhaltigkeit) and [www.dab-bank.de/spezial-zukunft](http://www.dab-bank.de/spezial-zukunft), we have presented various different investment ideas for sustainable retirement planning and capital accumulation. These topics were also showcased in our customer newsletter "DAB direct" in the form of interviews with experts, product information and reports.

Furthermore, the information presented on the subject of "social banking" at our customer events have proved to be very popular. One of our Investment Evenings, for example, featured a presentation on the "Climate of the 21st Century," dealing with climate change policy and alternative energies. Particular emphasis was given to the subject of sustainable business.

## Exercising responsibility for the environment

Like other companies, DAB bank consumes valuable resources such as electricity, heat and water. We are constantly striving to raise the awareness of our employees for the importance of sensible energy conservation.

### Environmental protection through technology

The intelligent use of technology helps lower the consumption of energy and resources and often costs as well, without compromising functionality in the least. Therefore, DAB bank has made numerous investments to reduce its electricity consumption, in particular. Besides retrofitting our lighting system from halogen to LED lamps and installing electronic ballasts and transformers, we also purchased a load shedding relay system and a compensation system for the purpose of minimizing our electricity consumption.

### Procurement: socially responsible and environmentally compatible

Quality and price are key factors to consider when purchasing products and services. But DAB bank's sustainable procurement policy goes even further. Adherence to environmental and social standards in production is just as relevant as the environmental side effects caused by the use of the products. For example, we purchase consumable materials and cleaning supplies from social welfare institutions such as workshops staffed by blind and handicapped employees.

## Employee cafeteria: sustainable and good

DAB bank takes care to operate employee facilities like the employee cafeteria in a sustainable and environmentally compatible way. Our in-house employee cafeteria, where about 500 employees come to eat every day, has entered into contracts to ensure that it purchases supplies only from regionally based and certified businesses. By virtue of the HACCP certification, moreover, it undergoes a voluntary quality inspection. The acquisition of modern instrument systems has reduced energy consumption appreciably. Waste sorting is another important way we contribute to environmental protection.

### Environmental efficiency at work

Environmental and climate protection is something that concerns everyone, including governments, businesses and individuals. Employees can play their part by making small changes in their day-to-day routines. For example, employees can turn off their PCs and switch off the lights when they plan to be away from their desks for a longer period of time; they can also be careful in their use of office supplies and sort their waste, as an active expression of their concern for the environment. DAB bank also protects the environment by purchasing envelopes and packaging materials made from recycled paper and by recycling toner cartridges. The use of permanently installed water dispensers in the office building cuts down on shipping and avoids the use of packaging. When the bank's employees moved to the new headquarters in the Laimer Würfel building, care was taken to ensure that the interior finishing had a low level of pollutants and we also purchased recyclable furniture with a low content of pollutants.

### Interview with Bernhard Haucke, Honorary Coordinator of the sports associations (SAGs) in elementary and secondary schools for the FCB Basketball Department

You volunteer your time and expertise to help young basketball players develop their skills. What motivates you to do that?

In my opinion, helping the next generation develop their abilities is one of the most important and also personally rewarding things you can do. My place is in sports, especially basketball. First of all, I can apply my experience as a player for more than a quarter century; and second, my experience as a licensed trainer and referee gives me other, valuable perspectives. I put all that experience to good use in supporting young players. There is nothing more rewarding than to see the excitement in the eyes of the young players, and especially those in the 8-to-12 age group; to experience their enthusiasm and watch them develop and improve their skills is simply fantastic.

What social projects does the Basketball Department support?

Like every sport, basketball has tremendous integrative power. These days, bringing people from different backgrounds and socio-economic groups together is the best kind of social work; it is just as rewarding to know that you are taking children and teenagers away from their PlayStations and computers and giving them some real physical exercise instead. In that respect, the eleven teams of 8-to-19-year-olds participating in this program are providing a truly valuable service. Our close cooperation with (elementary) schools is especially important. Every week, FC Bayern basketball coaches train more than 300 kids in 20 sports associations (known in Germany as Schularbeitsgemeinschaften, or SAGs), at no cost to them. It is important to note that this program is not designed to identify and train up elite players, but is aimed at everyone.

What were your impressions of the DAB bank Junior Camp 2010?

It really is wonderful to see a hundred young basketball players, all wearing their DAB bank Camp T-shirts, running all over the court with basketballs before the program begins in earnest. You can practically feel the energy with your hands. This impression is certainly one that I will remember for a long time. And it was very impressive to see the wild pack of kids suddenly pay attention when head coach Dirk Bauermann spoke to them about basketball in a humorous but also informative way, and introduced them to the professional team. And it was incredible to see how their ardent zeal lasted through eight full hours. And their energy did not let up even at the evening national league match, where they enthusiastically cheered on the pros. One mother wrote to me that her son woke up at 3:00 o'clock in the morning on the following school day, because he was so filled with excitement and could not wait to tell his classmates about his experiences at the camp.

## Milestones in 2010

**February** | DAB bank reports a **profit before taxes** of €33.58 million in 2010, three times higher than the corresponding figure for 2009.

Starting shot for the **"DAB one" program for the future**: DAB bank steps up expenditures to expand its offering of products and services.

**April** | **No-fee cash withdrawals** are now available at Shell gas stations as well.

3,000 investment funds are made available in the **DAB Sekunden-Handel** trading platform, via the new trading partner Baader Bank.

**June** | DAB bank introduces **combination orders**: "One cancels other," "next order" and "enhanced bracket order" make it easier for traders to implement their strategies.

**January** | DAB bank welcomes Citigroup as a new **"star partner"** to its real-time trading platform DAB Sekunden-Handel.

Introduction of **mobileTAN**: Maximum security and user friendliness in the authorization process.

**March** | **Expanded offering of ETF-linked savings plans**: Customers can now choose from more than 100 different ETF-linked savings plans.

Complete overhaul of the **"Markets & Prices"** section of the bank's website: optimized navigation and enhanced information quality.

**€50 DAB Gift Card** is introduced in the DAB bank Premium Shop.

**May** | DAB bank pays a dividend of **30 cents** per share to its shareholders.

Expanded offering of **alternative investments**: Greater transparency and liquidity thanks to products conforming to the regulated UCITS III format.

DAB bank drops its listing on the **Paris Stock Exchange**; the DAB bank share is still listed on the German stock exchanges.

**FOREX trading**: Customers can now trade in the world's biggest and most liquid market.



## August

One telephone number for any and all inquiries: DAB bank is one of the first German direct banks to introduce a **central telephone number** for its customers. Effective immediately, customers only need to call a single fixed-line number to reach DAB bank.

## October

DAB bank starts a "Gold Rush": participants in **the virtual treasure hunt** can win gold bars worth more than €10,000.

## December

Launch of mobile banking: DAB bank now offers an **iPhone app** and mobile web access for banking, trading and information.

The country needs new financial advisors: **DAB Start!**, the program designed to help independent asset managers start their own business.

## July

Making one out of two: **The new DAB Power Trader** goes live; personalized settings make trading even more convenient and quicker.

DAB bank introduces the **Product Information Sheet** for even greater transparency.

DAB bank is named primary sponsor of the **FC Bayern München basketball team** and supports the club's school concept.

## September

DAB bank customers can withdraw **cash free of charge from 27,000 automated teller machines** of the UniCredit Group in 18 countries.

**Physical gold** in the DAB bank custody account: Customers can trade gold bars via DAB bank. The gold is held in safe custody in the vault of a major Swiss bank in Zurich; the current value of the customer's gold holdings is indicated in the DAB bank custody account statement.

DAB bank is the first direct bank in Germany, in cooperation with db x-trackers, to permanently offer **no-fee ETF-linked and ETC-linked savings plans**.

Expanded use of **social media**: DAB bank now maintains a presence on Twitter as well.

DAB bank hosts the **13th Investment Congress** with former Federal Minister of the Interior Otto Schily and Swiss adventurer Bertrand Piccard as the main speakers. Attracting more than 1,000 visitors, the Investment Congress is the most important industry event for independent financial services providers and institutional investors.

## November

**Big free-buy campaign** for the ETFs of iShares: As part of a "free-buy" campaign, DAB bank customers can purchase 160 ETFs offered by iShares in Germany without paying a sales charge until the end of November.

**DAB Trader Card**: New credit card creates added value for traders: Advantages include a no-fee subscription to the DAB Profi Trader and use of DAB bank's VIP telephone services.

Over-the-counter limit orders and combination orders in the **DAB Sekunden-Handel** trading platform.

**New home-building financing service**: Portal providing in-depth information, calculation tools and attractive terms goes live.

## B2C: Our business unit for individual investors

Our individual investors fall into one of two target groups: those who conduct their banking business and securities trades on their own, and those who prefer more attention and/or advice. Moreover, some individual investors are short-term traders who conduct numerous trades every day, while others are long-term savers, who invest small amounts of money in a savings plan every month.

Even though we do not maintain physical branch offices, staying close to our customers is our highest priority. For that reason, we went to great lengths again in 2010 to tailor our communications with individual investors more precisely on the basis of target groups. One example of such efforts is our “one number” concept, which we introduced in the summer. After identifying themselves by their personal access number, callers are routed directly to a specific contact. In our customer service, we have dedicated teams for each customer group, who are thoroughly familiar with the wishes of the corresponding customers.

Our Customer Relationship Management-System (CRM) also helps us serve the individual needs of our customers in a more targeted manner. Since March of 2010, we have been using an internally developed system named “Churn” to reinforce the loyalty of our customers to their DAB bank. The editors of the business magazine *Wirtschaftswoche* and a panel of experts were so impressed with this concept that they awarded it First Prize in the “Best of Consulting” contest.

Besides telephone and electronic communication channels, we take other measures to stay as close to our customers as possible, including traveling to various cities and regions to meet our customers personally. In the autumn, for example, we hosted Investment Evenings in Cologne and Hamburg on the topic of sustainability. At these events, several hundred enthusiastic customers listened to presentations on climate policy, alternative energies and global competition, besides taking advantage of the opportunity to speak directly with the customer relationship managers of DAB bank. We were also present at various investor trade fairs, including “Invest.” In addition, we

held numerous in-person seminars and webinars, including our “Trading for Beginners” series. These events were very well received by our customers.

We also continued our successful “First & Best” advertising campaign in 2010, under the slogan “Don’t go to the first direct bank you can find, but to the first and the best.” The first: DAB bank was founded in 1994 as the first direct broker in Germany. The best: We received numerous awards again in 2010. According to the investor magazine *€uro am Sonntag*, for example, we are the “Best Direct Bank for Active Traders.” In the *Brokerwahl* contest, we were named “ETF Broker of the Year,” as well as “Certificate Broker of the Year,” the latter for the third year in a row. And according to *EXtra* magazine, we are also the “Best Vendor of ETF-linked Savings Plans.”

We also acquired many new customers by way of our “Member-Get-Member” (MGM) program, which we expanded further and promoted more than ever before in 2010. And the best-selling product in our Premium Shop is the new €50 DAB Gift Card.

In our marketing communications, we devoted considerable attention to the numerous new products that have emerged from our “DAB one” program for the future. With our traders in mind, we introduced FOREX currency trading, which gives them easy access to the world’s biggest and most liquid financial market, thereby affording them even more ways to profit from market trends. We also expanded our order functions considerably. Using combination orders, traders can implement their chosen strategy for a given security without having to constantly monitor its price. And we also introduced the Trader Card, a credit card tailored specifically to the needs of traders.

One of the big highlights for our investors is the new, especially easy and transparent way to trade in physical gold, which is kept in a custody account like securities. And in September, DAB bank was the first German direct bank, in cooperation with our product partner *db x-trackers*, to permanently offer no-fee ETF-linked savings plans.

We also optimized our online presence significantly. Among other things, we completely overhauled the “Markets & Prices” section of our website. And we introduced an iPhone app, which has been highly praised by users, and optimized web access for smart phones; consequently, customers of DAB bank can now trade securities and make payment orders from their mobile phones.

In a clear sign of customers’ satisfaction with the quality of our products, the number of trades executed in our FOREX currency trading system and the number of users increased steadily throughout the year and reached new record levels at the end of 2010. Furthermore, the number of ETF-linked savings plans offered on a no-fee basis by our product partner db x-trackers and administered by DAB bank since the end of September increased substantially by the end of the year. And DAB bank’s iPhone app was downloaded more than 5,000 times in the first month.

Starting with the 2010/2011 season, DAB bank has turned its efforts to sports sponsoring again. We are the primary sponsor of the basketball team of FC Bayern München, which has made good progress so far in its quest to have the team elevated to the top national basketball league. FC Bayern München is the ideal partner for us, especially considering the fact that the club has made it its mission to promote the development of basketball in Germany. By supporting them in that mission, we also bring attention to our own mission, to offer fair, simple and transparent banking in Germany. DAB bank’s wide-ranging presence at the match venues and the strong media power of the basketball team, who wear DAB bank’s logo on their jerseys, will permanently boost public familiarity with the DAB bank brand.

Thanks in no small part to our practice of tailoring our customer communications to suit the specific needs of each target group, as well as a successful advertising campaign, numerous new products and services and the partnership with FC Bayern München, the satisfaction of DAB bank’s individual investor customers held firm on an impressively high level again in 2010. According to the customer satisfaction survey conducted in November 2010, for example, 97% of customers surveyed are generally satisfied or very satisfied with their DAB bank. Such results strengthen our resolve to continue on our chosen course in 2011.

Interview with Dirk Bauermann, Coach of FC Bayern München  
(Second German Basketball League ProA) , Acting German National Team Coach

Your goal is to have the team elevated to the top league. How does a coach drive his players to continuously elevate their performance?

The elevation is not just my goal; the players too are working very hard every day to achieve that goal. For many of them, that was one of the main reasons they switched to us in the first place, so they can make a difference and overcome the next challenge for themselves as athletes. It is my job to make sure the men stay “hungry” and don’t become complacent because of what they have already accomplished. That entails intensive training, of course, but also personal discussions. You need to give players the feeling they can withstand any pressure. Top-level performance starts in the head, the body only goes along.

In your opinion, how important is the work of sponsors in the sports world?

To be perfectly frank, sponsors are vital to our survival as a sports club. The sports aspect is foremost in the minds of players. But for that to happen, you need the basic ingredients, starting with a suitable training facility and extending to the players’ salaries. And you can’t do that without a strong commercial sponsor.

How important is brand familiarity in sports?

In sports, just about everything revolves around the brand. Brand familiarity is the basis for identification, both by employees and, in the case of sports, by the fans. That sense of identification governs their affiliation with certain clubs or organizations. And the marketing possibilities of a well-known brand are immeasurably greater than those of a rather unknown brand.

## B2B: Our business unit for business partners

In the B2B segment, DAB bank is the No. 1 bank for independent asset managers, financial intermediaries and institutional investors. Financial professionals use our specially tailored services to serve their own clients. The core services offered by our B2B unit include safe custody and the clearing and settlement of securities trades, as well as other services related to IT, reporting and marketing and sales support.

In 2010, we improved our technical applications in many different ways for our financial intermediaries. In the coming year as well, we will continue to refine our technical systems to meet the expectations of the market and the relevant legal requirements. For example, we plan to offer efficient solutions for the electronic archiving of accounting documents.

Our customers' appreciation of these services is reflected in our growth figures. Our success is rooted in our creative and attractively priced technical solutions.

### Customer satisfaction

We conducted our representative B2B customer satisfaction survey for the seventh consecutive year in 2010. And the results were even better than the very good results of the survey conducted in 2009. The overall satisfaction rate rose to a new record level, thanks to our outstanding service quality and excellent order execution. According to our customers, DAB bank's special strengths include personal customer support, securities trading and telephone support.

### Helping our business customers win new clients

The "B2B Portfolio Check" is an especially important service that DAB bank provides to its business partners to help them win new clients. Our media partners offer their readers the chance to obtain investment advice, without obligation, from an asset manager who is independent of any bank. By selecting suitable media such as Focus Money, Der Steuerzahler and Sonntag aktuell, as well as other national and regional media, we generated a substantially higher number of leads for our asset managers in 2010, compared to 2009.

In cooperation with the TV news station n-tv, DAB bank also conducted the "n-tv Investment Check" campaign. This program gave many asset managers the chance to raise their profiles by appearing in nationwide television interviews. Also thanks to this campaign, numerous prospective clients took advantage of the opportunity to obtain investment advice from an independent asset manager.

In connection with the event series known as "Stiftungs-Frühstück" conducted in cooperation with the magazine Die Stiftung, DAB bank arranged a number of regional meetings between foundations and asset managers in 2010. At these meetings, our B2B partners were given an opportunity to present themselves to an attractive target group and speak directly with potential clients.

For the tenth year in a row, DAB bank held the stock market contest known as "Portfolio Contest," in cooperation with asset managers. The 33 contestants competed in one of two leagues, one for opportunity-oriented investments and the other for conservative investments. Using this outstanding platform, the asset managers were able to present their investment strategies to a wide public audience.

## Reinforcing the loyalty of our business partners

The annual Investment Congress held in Munich for B2B partners has long since become a highly regarded fixture of the financial services community. As in prior years, more than 1,000 financial professionals accepted our invitation to attend the 13th Investment Congress of DAB bank in Munich on September 29. Otto Schily, the former Federal Minister of the Interior, delivered a speech entitled "Where to, Germany?" Swiss adventurer, scholar and psychiatrist Bertrand Piccard linked science to adventure in his fascinating speech entitled "Adventure Is a State of Mind." The financial professionals in attendance also participated in workshops on specific technical subjects. As in prior years, more than 50 exhibitors informed visitors about the latest trends in the financial services industry as part of the Investment Congress.

## New perspectives

Our vision is to enable "private banking for everyone" in cooperation with our business partners. Distinguished as they are by transparency and by an affordable cost structure, the professional services of our B2B partners are geared to long-term client relationships built on trust and confidence.

We perceive ourselves to be more than just a clearing and settlement bank; rather, we are partners and promoters of asset managers. Our innovative solutions form the basis for the high quality of our services. Among other steps, we plan to install an order interface so that our asset managers can enter trade orders directly into their own in-house systems, which are then routed automatically to DAB bank.

Through our business start-up initiative DAB Start!, we will continue in the coming year to offer active support to financial advisors working for banks who wish to establish themselves as independent asset managers. DAB Start! is a comprehensive program that provides optimal support to bank professionals seeking to become independent financial portfolio managers. Using the online tool, potential business owners can first determine whether they are qualified for such a venture, including whether they fulfill the regulatory requirements of the Federal Financial Services Supervisory Office (BaFin). If those requirements are met, the candidate can learn all the important details of starting such a business, making use of a comprehensive knowledge database. In the next step, he or she can produce a business plan online. As an additional service, Dresden University of Applied Sciences (HTWD), one of the most acclaimed new business forges in Germany, which developed the program jointly with DAB bank, will review the finished business plan before it is submitted to the BaFin. That way, candidates can be assured of an efficient and relatively problem-free licensing process.

**Interview with Uli Hoeneß, President of FC Bayern München e.V and Supervisory Board Chairman of FC Bayern München AG**

DAB bank is the market leader in the B2B segment; FC Bayern is a top European club. Do you perceive the pressure to constantly deliver top-level performance more as an opportunity or a burden?

I have never felt my work with FC Bayern to be a burden. On some days, of course, the pressure was even higher than it normally is for FC Bayern, but those were passing moments. We are privileged to work for a sports club that has been perennially successful for more than 40 years. By means of this dominance, which we imposed on ourselves, we have an opportunity to create something that is truly lasting. And our rivals certainly envy us for the chance to be top competitors year in and year out.

What are the most important criteria, in your opinion, when searching for new business partners?

The most important thing for business partners is to have the right “chemistry.” When contemplating cooperation arrangements, therefore, we want to be sure they will be long-term in nature and that the proposed objectives are realistic. Obviously, it must always be a “win-win” situation for both sides, in order to be a good partnership. And of course, we expect to obtain financial advantages from our cooperation arrangements. In DAB bank, we are pleased to have found a strong sponsor for our basketball department.

Where do you see your basketball department in three years?

Our goals are clear. Besides becoming a competitive team in the German national basketball league, we will also seek to partner with strong sponsors. We want to permanently play on the top level; and to achieve that goal, we need to create the right conditions in the present. Of course, not everything can be planned and we can expect setbacks from time to time. But we are convinced that our quality, both on and off the basketball court, will ultimately prevail and we will achieve our ambitious goals.

## DAB bank's subsidiaries

### **direktanlage.at, the counterpart to DAB bank in Austria**

Top-quality securities trades at the best possible terms: that is the recipe for the success of our subsidiary direktnlage.at. The Austrian market leader in the discount brokerage business is continually refining its services and offerings, with an emphasis on the best possible terms and the best service for investors.

In 2010, direktnlage.at continued to pursue a strategy of continuous growth in its operating business; as a result of that strategy, it generated a profit before taxes of €9.06 million (PY: €11.28 million) and customer assets held in custody reached the level of €3.63 billion in 2010. With the help of numerous new customer acquisition campaigns, the number of securities accounts was increased further to 59,358 (PY: 56,715). Thus, direktnlage.at again achieved its goals of defending and continuously extending its outstanding position in both the B2C and B2B segments in 2010.

#### **Cleverly combined: direktnlage.at stands for innovative products and the best terms**

A good deal of the credit for direktnlage.at's outstanding positioning belongs to its innovative product offering. For example, its customers have the option of placing a "trailing stop-loss order," under which the order is adjusted automatically upward when prices are rising. Customers can also place "one-cancels-other" orders, under which investors combine a sale order with a stop-loss order. By means of such features, direktnlage.at has further optimized its offering of online trading services.

Since late May, "cleverly combined" has been something of a buzzword at direktnlage.at. A new combination product unites the security of a savings passbook with the higher income possibilities of an asset management fund. Half the invested monies bear interest at the rate of 3.2% in a savings passbook for six months, while the other half is invested in the direktnlage.at asset management fund, which is managed in cooperation with DJE Kapital AG. Depending on their investment and risk strategy, investors can choose one of three alternatives: "classic," "balanced" or "dynamic."

Besides savings plans linked to investment funds and certificates, direktnlage.at has also offered a savings plan linked to equities since the autumn of 2010. By making contributions of at least €100 and no more than €3,000 per month or quarter, customers can choose from a list of Austrian and German blue-chip stocks. The customer decides how often and how much of each security is purchased under the savings plan.

#### **FOREX currency trading introduced at direktnlage.at**

In September, direktnlage.at added FOREX currency trading to its range of trading services. Customers of direktnlage.at now have the option of betting on rising or falling exchange rates of certain currency pairs. The new platform, known as the direktnlage.at Margin Trader, makes it easy to access the currency markets, which had been rather hard for individual investors to do before now. Up to 50 currency pairs can be traded just as quickly and easily as other financial instruments.

Due to the strong leverage effect, large volumes can be traded with only small amounts committed. Investors set their own risk-opportunity profile by selecting any margin from 1% to 30%. In the case of the EUR-USD pair, for instance, they would need only €100 to order €10,000, assuming a margin of 1%.

#### **Investment Evenings and seminar series of direktnlage.at**

The presentation series of direktnlage.at have become a well-loved fixture for customers, prospective customers and even employees. One of the highlights of 2010 was the Investment Evening featuring globalization expert Prof. Dr. Franz-Josef Radermacher, which was held at the company's location in Salzburg in May of last year. Other Investment Evenings were held in the branch locations in Bregenz, Klagenfurt and Linz. All together, about 2,000 guests accepted the invitation of direktnlage.at to obtain first-hand information from expert speakers.

The seminars of direktnlage.at were likewise very popular among customers and prospective customers. These training programs are composed of specific modules on a variety of financial instruments, including certificates, for

example. In 2010, courses on FOREX and online trading were added to the seminar program.

Events and seminars are an excellent way to reinforce customer loyalty and an ideal opportunity to personally receive feedback from customers and prospective customers.

### The B2B success story

direktanlage.at is a reliable partner for asset managers and financial intermediaries. Despite the decreased number of licensed asset managers in Austria, direktanlage.at's B2B unit signed up a total of ten new asset managers as business partners, who were obviously impressed by the service and quality of direktanlage.at AG.

In order to remain at the top in matters of service and quality, direktanlage.at introduced the new financial advisory software "BeratungsManagementSystem" (BMS) in the middle of last year and presented it to cooperation partners in several cities as part of a road show. This new software for financial advisors facilitates the comprehensive, in-depth and above all transparent management of clients and custody accounts.

In the areas of B2B asset management, direktanlage.at developed two further managed-portfolio variants in the autumn of 2010, in collaboration with PEH Wertpapier AG. The new strategies, called "ACTIVE" and "INFLATION," extend the total offering to five investment strategies.

### SRQ FinanzPartner: security, return and quality

For slightly more than four years now, DAB bank has held a majority interest, currently 82.22%, in SRQ FinanzPartner (SRQ), one of the fastest-growing asset management firms in Germany. With almost €1.1 billion in customer assets, SRQ is one of Germany's leading independent financial services providers. Impressed by the firm's innovative concept of "mobile private banking," more than 10,000 customers have chosen to work with SRQ since it was founded in 2004. The firm, which currently has about 100 financial advisors, is an independent services provider that is not constrained in any way by the sales interests of other companies or groups in the financial market.

### Interview with Bernd Rauch, Second Vice President of FC Bayern München e.V

#### What challenges does the basketball team face, as the "subsidiary" of FCB?

Considering the prominent reinforcements that have been placed under contract in the current season, the basketball department is under considerable pressure to be successful. The FC Bayern München brand imposes an obligation to be successful in sports.

#### What influence does FCB basketball have on the overall brand of FCB?

Basketball is just as much a part of FC Bayern as soccer. The same can be said of our other departments: handball, table tennis, artistic gymnastics, referees, senior soccer, chess and bowling. By supporting mass sports, we can reach a broader base for the FC Bayern München brand.

#### What conditions must be met in order to successfully continue the basketball program at FC Bayern München?

The basketball team needs to succeed in being elevated to the German national basketball league in the current season. That will promote even greater acceptance by our fans and bolster their identification with this sport. TV broadcasting rights and new marketing possibilities will help as well.





## Economic report

### Operating results

The DAB bank Group successfully countered the difficult market conditions and overcame a host of diverse challenges in 2010. The DAB bank Group generated a profit before taxes according to IFRS of €28,567 thousand, in line its own forecast of considerably more than €25,000 thousand. Helped by the heightened trading activity of our customers and the growing volume of customer assets held in custody, the net commission income of €86,222 thousand made an especially important contribution to the bank's operating performance in 2010.

Another positive development was the higher volume of customer assets held in custody. At €26.79 billion, customer assets (adjusted for the FondsServiceBank division) returned to their level before the outbreak of the global financial markets crisis in 2007. The increase can be attributed to the positive development of net fund inflows and favorable market conditions.

### Market developments

#### General economic developments in 2010

The global economy exhibited an appreciable recovery in 2010. The sharp downturn of the prior year was followed by a phase of surprisingly strong growth, which is expected to continue into 2011. Economists are predicting that global economic output will expand by around 4.8% in 2011. World trade was also on a healthy level in 2010. Export-oriented nations, which had been especially hard hit by the crisis in the prior year, showed strong recovery tendencies. Thus, the worst fears of 2009, namely that the downturn would degenerate into a long-lasting crisis comparable to the Great Depression that began in 1930, did not materialize.

The positive economic performance was aided by the still lax monetary policies of the most important industrialized nations. In consideration of beleaguered countries, Europe was forced to proceed in a cautious manner with regard to interest rates, although the interest rates of economically healthier countries like Germany are already regarded as being too low. And the United States left its key rates on a low level. Although the U.S. economy also exhibited recovery tendencies, the housing crisis continued to exert a negative impact on consumer sentiment. To date, the economic recovery has not had a positive impact on the jobs market. At the end of 2010, the U.S. unemployment rate was around 9.4%, much higher than before the crisis. Like other industrialized nations, the United States currently has to contend with a high government budget deficit. To stimulate the economy further, the U.S. government plans to implement a tax program that will reduce the tax burden on U.S. citizens by around US\$1 trillion in the coming years. However, the U.S. government has little room left for further fiscal incentives, due to the high budget deficit. Instead, the country will have to focus on consolidating its public finances in the next few years.

Another issue of international importance in 2010 was the existence of worldwide trade imbalances. The temptation to artificially lower the price of a country's exports by manipulating the exchange rate of its currency was especially strong in 2010. Thus, various nations attempted to influence their exchange rates in a favorable way. The imbalances between the United States and China were an especially prominent issue of debate. The United States has long insisted that the Chinese government allow its currency, the renminbi, to be traded freely, in order to mitigate the imbalances and foster healthy economic growth in both countries.

The German economy experienced an unexpectedly strong recovery in 2010. After having contracted by 4.7% in 2009, it expanded at the rate of 3.6% in 2010. That was a faster rate of growth than at any time since the reunification of Germany. The strong performance was fueled by good export numbers, as well as robust domestic demand emanating from businesses. Consumer spending, on the other hand, was still subdued in 2010. Government expenditures increased sharply as a result of economic stimulus programs. In a reflection of the economic recovery tendencies, the German labor market exhibited a positive development. The average number of unemployed job-seekers in 2010 was around 3,244,000, 5% less than in the prior year. Consequently, the unemployment rate at the end of 2010 was 7.2%. This positive trend is remarkable insofar as a majority of economic forecasters had anticipated worsening job market conditions at the beginning of the year.

## Developments in the financial markets

The stabilization of financial markets that began in 2009 continued in 2010. While some indexes reached new record highs, others exhibited only side-ways movement.

The German stock market in particular performed very well. After a short-lived but nonetheless steep decline at the beginning of the year, which was occasioned primarily by concerns over debt levels in the United States and Europe, the DAX followed a steady upward trend, albeit with great volatility. The DAX closed the year at 6,914 points, only slightly below the 7,000 mark, for a gain of 16% on the year. As in the prior year, Volkswagen's stock played a special role. With a gain on the year of roughly 90%, the company's preferred shares, which have been listed in the DAX for about one year, were the clear DAX winners in 2010, followed closely by BMW. Both companies benefited from rising demand in Asia. Among all the stocks included in the DAX, utility companies exhibited the weakest performance in 2010. The biggest loser in that group was RWE, followed by its direct competitor E.ON.

Global commodity markets were extremely robust in 2010, driving prices up across the board. Non-energy commodities such as sugar, wheat and cotton, for example, experienced especially strong gains. The price increases can be attributed in large part to the economic recovery and the related high level of industrial demand, as well as the lax monetary policies of various central banks and widespread fears of inflationary developments in Europe. Having risen sharply in 2009, the price of oil moved gradually higher in 2010, though with great volatility. Throughout the year, the oil price oscillated within a range of US\$67 to US\$93 per barrel and ended the year at its

high for the year of US\$91 per barrel. In the European market, the price of oil rose even more because the euro/dollar exchange rate was adversely affected during the course of the year by the sovereign debt crises of Greece and Ireland, which resulted in lower oil imports. The metals market also witnessed substantial price increases in 2010. The price of gold continued on the upward course that had begun in the prior year. At the end of 2010, it was trading at US\$1,421 per troy ounce, representing an increase of about 30% on the year. The increase in the price of silver was even more dramatic. During the course of 2010, the price of this precious metal rose by around 83%, closing the year at US\$31 per troy ounce. Palladium was the clear winner of the rally in the metals market. This price of this metal soared from US\$406 per troy ounce at the beginning of the year to US\$802 per troy ounce at the end of the year, for an increase of 97% on the year. The increase was driven by the recovery of the automobile industry, which needs palladium to manufacture catalytic converters.

The dollar weakness that was evident in 2009 continued in 2010. This weakness can be ascribed most of all to U.S. debt problems. But the euro also came under pressure. As an expression of the weakness affecting the euro and the U.S. dollar, many third-country currencies increased in value compared to the above-mentioned dominant currencies. The Swiss franc was especially robust, due to being favored increasingly as a diversification instrument in times of crisis, because it is seen as a safe currency.

## Developments in the financial industry

German banks still had to contend with the lingering after-effects of the financial crisis in 2010, but nonetheless exhibited clear recovery tendencies. Stress tests were conducted for 91 banks during the year, the purpose of which was to measure their capacity to absorb losses and bolster confidence in the German banking system. The stabilization of German banks was aided in particular by the strong growth of the German economy and the positive development of the jobs market. Besides lowering their credit risks, German banks also managed to increase their loss absorption capacity. The big banks in particular were successful in their efforts to reduce their gearing ratios and increase their core capital. On average, the core capital of German banks improved from a ratio of 2.4% at the beginning of 2008 to 10.4% in the middle of 2010. The profitability of German banks improved as well. The most influential factor contributing to this improvement was the stabilized operating business and the lower level of necessary impairment losses.

In the future, banks throughout the world will need to fulfill considerably stricter capital and liquidity requirements. The corresponding decision was made in Basel by the central bank governors and directors of regulatory authorities of the 27 most important industrialized nations in the autumn of last year. The new rules, christened "Basel III" after their predecessors, are supposed to enter into force in 2013, although transition periods were allowed for certain important rules. The stricter regulatory requirements are a consequence of the financial crisis; they are intended to make the financial system more crisis-resistant. The Basel Committee decided that banks will have to increase their so-called core capital substantially. The core capital ratio refers to the ratio of a bank's capital to its risk-bearing transactions, meaning its loans and investments. In times of financial crisis, the core capital is supposed to absorb the losses resulting from loan defaults and asset price declines. Under Basel III, banks will have to maintain a core capital

ratio of 6%, instead of formerly 4%. The requirements for other important stability indicators were tightened as well. The Association of German Banks (BdB) estimates that the new rules will require just the ten biggest German banks to increase their capital by possibly €105 billion.

Deutsche Bank was the clear winner in the German banking market in 2010, with a profit of about €4 billion. The reinvigorated Investment Banking division, which incurred huge losses in 2008, contributed the lion's share of the profit in 2010. The performance of this division was especially favored by the large number of new corporate and government bond issues. Thanks to a €10 billion capital increase, Deutsche Bank was in a position to acquire a majority interest in Postbank.

The consolidation of regional state banks (Landesbanken) again proved to be difficult in 2010. Plans to merge or sell individual regional state banks have been fruitless so far. For example, the planned merger of BayernLB with WestLB was broken off in the autumn of last year. As of the end of 2010, the search for a suitable and serious prospective buyer for WestLB was unsuccessful. On a positive note, however, the profitability of most of the regional state banks improved in 2010. The majority of those banks generated positive profits again in the first three quarters of the year.

## Business environment for direct banks

The market for direct banks was characterized by low interest rates and fierce competition for market shares in 2010. The reduction of key interest rates that began in 2009 continued in 2010. Direct banks sought to win new customers by offering attractive interest rates, which were sometimes much higher than the prevailing market interest rates. In a reflection of the substantially lower volatility in the German and U.S. stock markets in 2010, compared to 2009, customer trading activity was somewhat restrained, but still better than in 2009. The level of activity in the summer months, which tends to be weaker generally, was further weakened in 2010 as a result of the World Soccer Cup held in Africa. Trading activity picked up again towards the end of the year. As in the prior year, online banks benefited from widespread doubts concerning the advisory services of established banks. Negative press reports reinforced the impression among customers that the advice provided by established banks tends to serve their interests more than the customer's interest. That put the spotlight on online banks as an attractive alternative. Direct banks were particularly successful as a result of their broad, independent spectrum of products.

## Strategy

### The best bank for investors, traders and independent asset managers

DAB bank has set itself the goal of being the best direct bank for investors, traders and independent asset managers, and therefore the perfect alternative to traditional branch banks. As the first direct bank for investment-related services in Germany, we have been the preferred partner for all those who value fair and transparent securities trading, since 1994. We make banking easy. We offer our customers direct access to the financial markets. Whether for trading, banking or investing, our customers can always reach us directly and take advantage of our products and services. That is our vision, which we are implementing through our corporate program DAB one.

DAB bank is the parent company of the Austrian online broker direktanlage.at (100%) and the independent financial advisory firm SRQ FinanzPartner AG (82.22%). With its Austrian subsidiary direktanlage.at and the Italian Fineco, DAB bank is a member of the strong European Asset Gathering Business Line within the UniCredit Group. We offer the same core products as our “sister banks”: online brokerage services, an independent offering of investment solutions, banking services such as securities accounts, bank cards, savings and credit products and advisory services.

### Success factors

By way of our program for the future, which we call “DAB one,” which we launched at the beginning of 2010 and will continue to implement in financial year 2011, we are engaged in a process of continuously improving our products and services for trading, investment and banking, as well as our online presence.

By expanding our trading services, including the options of trading in additional markets and leveraged trading, for example, we will enhance our positioning in every market situation and increase the number of trades executed for customers.

Also on the investment side, we will enhance the benefits offered to our business partners and end customers by expanding our product spectrum and introducing new services. By that means, we intend in particular to increase the volume of customer assets held in custody.

By expanding our offering of banking services and introducing new products, we are pursuing the goal of enhancing the attractiveness of our bank, reinforcing the loyalty of our existing customers and winning new customers in our target groups of traders and investors.

### Direct and efficient solutions for successful investing

Having sharpened our vision and brand identity in 2010, we intend to communicate those aspects more aggressively in 2011. In combination with the changes mentioned above, we intend by that means to enhance the attractiveness of our bank for our customers and improve our ability to win new customers in our core target groups.

Our core competence is to provide our customers with direct and efficient solutions for successful investing. We provide direct, low-cost access to the capital market. We have the expertise in all matters related to custody accounts and the clearing and settlement of securities trades. We offer effective brokerage services to our B2B partners. In all our activities, we always focus on our customers and their needs. We differ from traditional

branch banks in another respect, which we call “direct bank fitness.” That means, our customers can always reach us online, by mobile phone or by fixed-line telephone, and use those channels to conduct their banking business quickly and reliably.

Our customers enjoy twice the benefits of a traditional bank. On the one hand, they enjoy the advantages of a direct bank: favorable terms, a high level of functionality and reachability, a vendor-neutral product selection, referral to independent advisors and efficient access to the capital markets. On the other hand, our customers can also choose and engage an independent asset manager from the partner network of DAB bank. Thus, they can obtain personalized, tailored advice in a face-to-face meeting, at a cost that is significantly less than that of traditional banks. Because the asset managers are regionally based entrepreneurs who value long-term client relationships, the advice they give is not dictated by short-term sales considerations.

Integrity and reliability are the basis for everything we do. The same can be said of our products and services and for our dealings with each other.

## Brand values

Our public image is characterized by five brand values: performance, innovation, authenticity, partnership and simplicity.

Everything we do, day in and day out, is guided by our passion for online banking. We constantly re-assess our processes, performance, offerings and services in a proactive manner. Our goal-oriented approach enables us to satisfy the needs of our customers efficiently and directly. Our goal is to give our customers and partners in the online banking business as much independence and decision-making freedom as possible. Online banking whenever, wherever and in whatever amount the customer desires: That way, our customers can make their own decisions concerning their lives and their investments.

At DAB bank, the power to innovate is a source of courage, dynamic energy and self-confidence. As the first online broker in Germany, we proved our pioneering spirit at an early age. And that is also what inspires us: we are constantly searching for new relevant topics and suggestions for our customers. Confident, masterful and resolute, we lead the way, take the initiative and advance important topics. We make changes on a regular basis and are open to suggestions and criticisms. Always open to new possibilities, we constantly question conventional ways of doing business. And we demonstrate our pioneering spirit every day all over again.

As a reflection of our pioneering role, we are the original direct bank in Germany. And that supports our claim to authenticity. We are open and transparent in our dealings with customers and the market. We do not play games and we always act on the basis of our values and convictions. For us, authenticity is the basis of a trustful, long-term partnership.

All banking is rooted in trust and interpersonal relationships. We understand ourselves to be honest and inspiring partners. Our actions are guided by the values of personal closeness, respect, fairness, empathy and understanding for the other person. In our dealings with customers and with each other, we are always forthright and seek to create a pleasant and uncomplicated atmosphere.

We aspire to make banking as easy as possible. Simple, transparent and fair banking is our goal. Therefore, we constantly re-assess our offerings and services, our communications with customers and business partners and our own internal processes. We seek to avoid complicated technical jargon and intricate formulations. We strive to make our products and services easy to understand. We go to great lengths to make sure our customers and business partners can conduct their banking activities as quickly and easily as possible.

### **Consistent implementation of our strategy will create added value**

By implementing our strategy, expanding our core competence and actively practicing our brand values, we reinforce the loyalty of existing customers to their DAB bank and make ourselves attractive to potential new customers. Our goal is to continuously increase the number of our customers, while constantly striving for an outstanding level of customer satisfaction. The more satisfied a customer is with DAB bank, the more business he will conduct with our bank. Thus, the consistent implementation of our strategy will make a significant contribution to the business success of DAB bank and therefore also create added value for our shareholders.

## **Business developments and key indicators\***

The key indicators described below (customer assets, securities accounts and trades executed) are central components of the bank's internal management system.

### **Customer assets**

At €26.79 billion, the volume of customer assets held in custody at the end of 2010 was higher than the corresponding prior-year figure by 15.0% or €3.49 billion. On a Groupwide basis, the volume of customer assets held in securities accounts increased by €3.34 billion to €23.87 billion, while the volume of customer assets held in investment funds increased by €1.67 billion to €12.76 billion. The volume of customer assets held in cash deposits increased from €2.77 billion to €2.92 billion.

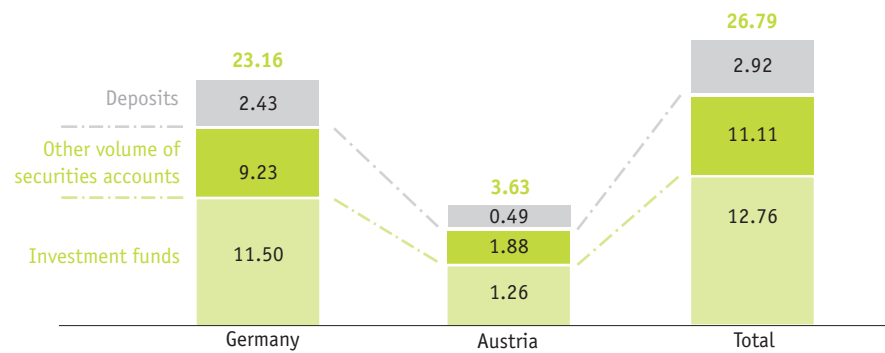
On a Groupwide basis, we held assets worth €12.04 billion for our B2C customers (18.7% more than 2009). Of that amount, customer assets worth €9.73 billion were held in Germany (+17.2%) and customer assets worth €2.31 billion were held in Austria (+25.5%). We also registered a considerable increase in customer assets held for customers of our B2B unit, which rose by 12.1% to €14.75 billion. Of that total, customer assets worth €13.43 billion were held in Germany (+11.5%) and customer assets worth €1.32 billion were held in Austria (+18.9%).

In Germany, we administered total customer assets worth €23.16 billion at the end of 2010 (+13.8%); in Austria, that figure amounted to €3.63 billion (+23.1%).

\*The prior-year figures were adjusted to account for the sale of the customer base of FondsServiceBank, with effect as of December 31, 2009; therefore, the figures presented herein are not comparable with those presented in the Annual Report for 2009.



### Volume of securities accounts and deposits in € bn



### Volume of securities accounts and deposits

		2010	2009	Change in %
Volume of securities accounts and deposits	€ bn	26.79	23.30	15.0
Germany	€ bn	23.16	20.35	13.8
Austria	€ bn	3.63	2.95	23.1
Volume of securities accounts	€ bn	23.87	20.53	16.3
Germany	€ bn	20.73	18.05	14.8
Austria	€ bn	3.14	2.48	26.6
thereof in investment funds	€ bn	12.76	11.09	15.1
Germany	€ bn	11.50	10.08	14.1
Austria	€ bn	1.26	1.01	24.8
Deposits	€ bn	2.92	2.77	5.4
Germany	€ bn	2.43	2.30	5.7
Austria	€ bn	0.49	0.47	4.3

### Securities accounts carried for customers

At December 31, 2010, the DAB bank Group carried 620,652 securities accounts for its customers, 3,101 fewer than the corresponding prior-year figure (year-end 2009: 623,753). Whereas the number of securities accounts carried for customers of our B2C unit increased slightly by 854 to 512,380 (year-end 2009: 511,526), the securities accounts carried for customers of our B2B unit decreased to 108,272 (year-end 2009: 112,227).

In Germany, we carried a total of 561,294 securities accounts at December 31, 2010 (year-end 2009: 567,038). In Austria, our subsidiary direktanlage posted a net increase of 2,643 securities accounts, bringing the total number to 59,358 (year-end 2009: 56,715).

### Securities accounts

		2010	2009	Change in %
Securities accounts	No.	620,652	623,753	-0.5
Germany	No.	561,294	567,038	-1.0
Austria	No.	59,358	56,715	4.7

### Trades executed

In total, 4,506,466 trade orders were executed via DAB bank in 2010, indicative of a 9.6% increase over the corresponding prior-year figure (2009: 4,110,814). On a Groupwide basis, the number of trade orders executed for our B2C customers increased by 9.0% to 3,836,364 (2009: 3,518,447). Of that number, 2,888,177 trade orders were executed in Germany (2009: 2,566,712) and 948,187 in Austria (2009: 951,735).

## Securities trades

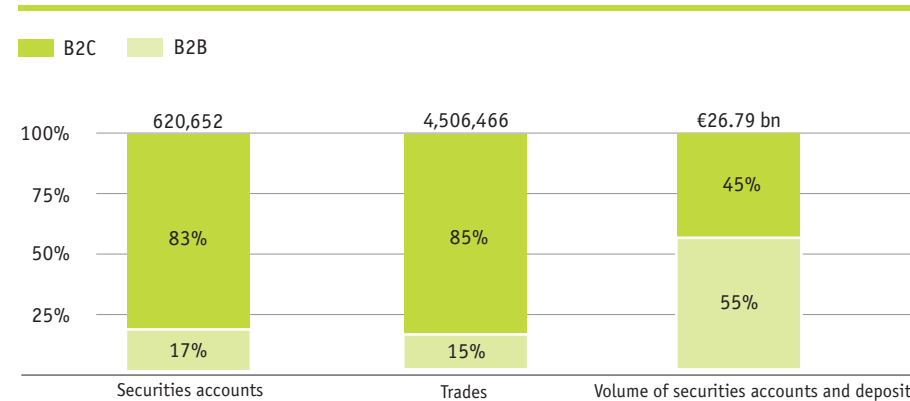
		2010	2009	Change in %
Securities trades	No.	4,506,466	4,110,814	9.6
Germany	No.	3,364,885	2,972,826	13.2
Austria	No.	1,141,581	1,137,988	0.3

At 670,102, the number of trades executed for customers of our B2B unit was 13.1% higher than the prior-year figure (2009: 592,367). The number of trade orders executed in Germany rose by 17.4% to 476,708 (2009: 406,114), while the number of trade orders executed in Austria rose by 3.8% to 193,394 (2009: 186,253).

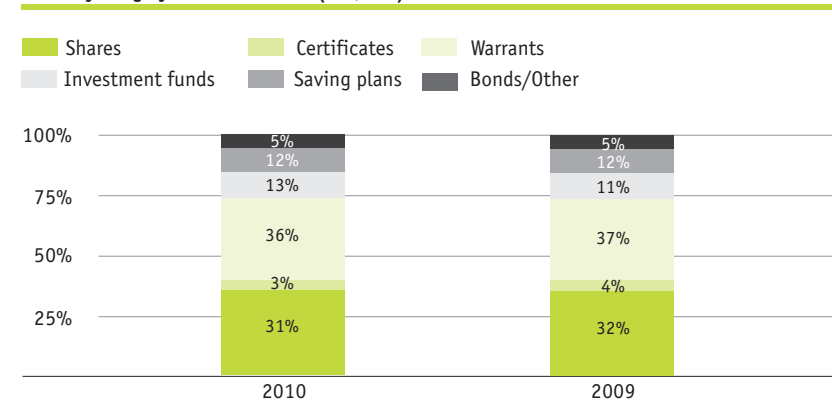
We executed a total of 3,364,885 trades for our customers in Germany, roughly 13.2% higher than the corresponding prior-year figure (2009: 2,972,826). In Austria, we executed 1,141,581 trades for customers, slightly more than the prior-year figure (2009: 1,137,988).

On a Groupwide basis, the number of trades executed per securities account per year rose from 6.65 in 2009 to 7.29 in 2010. In Germany, our customers placed 6.01 trade orders per securities account per year (2009: 5.28); in Austria, that number came to 19.67 trade orders per securities account per year (2009: 20.74).

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



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



**B2C (business-to-consumer)**

		2010	2009	Change in %
Securities accounts	No.	512,380	511,526	0.2
Germany	No.	470,051	471,277	-0.3
Austria	No.	42,329	40,249	5.2
Trades executed	No.	3,836,364	3,518,447	9.0
Germany	No.	2,888,177	2,566,712	12.5
Austria	No.	948,187	951,735	-0.4
Volume of securities accounts and deposits	€ bn	12.04	10.14	18.7
Germany	€ bn	9.73	8.30	17.2
Austria	€ bn	2.31	1.84	25.5
Volume of securities accounts	€ bn	10.23	8.44	21.2
Germany	€ bn	8.32	6.96	19.5
Austria	€ bn	1.91	1.48	29.1
thereof in investment funds	€ bn	3.23	2.69	20.1
Germany	€ bn	2.76	2.33	18.5
Austria	€ bn	0.47	0.36	30.6
Deposits	€ bn	1.81	1.70	6.5
Germany	€ bn	1.41	1.34	5.2
Austria	€ bn	0.40	0.36	11.1

**SRQ FinanzPartner AG**

		2010	2009	Change in %
Customer assets under custody	€ bn	1.36	1.30	5.2
thereof in securities accounts and deposits	€ bn	0.60	0.58	4.3
thereof other volume	€ bn	0.76	0.72	5.9
Number of customers served	No.	10,576	11,743	-9.9
thereof securities account customers	No.	5,968	7,465	-20.1
Number of employees	No.	15	12	25.0
Financial planners	No.	99	114	-13.2
Pretax profit	k€	-135	90	-50.0

**B2B (business-to-business)**

		2010	2009	Change in %
Financial intermediaries	No.	1,173	1,114	5.3
Germany	No.	923	887	4.1
Austria	No.	250	227	10.1
Securities accounts	No.	108,272	112,227	-3.5
Germany	No.	91,243	95,761	-4.7
Austria	No.	17,029	16,466	3.4
Trades executed	No.	670,102	592,367	13.1
Germany	No.	476,708	406,114	17.4
Austria	No.	193,394	186,253	3.8
Volume of securities accounts and deposits	€ bn	14.75	13.16	12.1
Germany	€ bn	13.43	12.05	11.5
Austria	€ bn	1.32	1.11	18.9
Volume of securities accounts	€ bn	13.64	12.09	12.8
Germany	€ bn	12.41	11.09	11.9
Austria	€ bn	1.23	1.00	23.0
thereof in investment funds	€ bn	9.53	8.40	13.5
Germany	€ bn	8.74	7.75	12.8
Austria	€ bn	0.79	0.65	21.5
Deposits	€ bn	1.11	1.07	3.7
Germany	€ bn	1.02	0.96	6.3
Austria	€ bn	0.09	0.11	-18.2

## Operating results

Considering the fact that the interest rate environment was considerably less favorable in 2010 than in 2009, the DAB bank Group generated a solid profit before taxes according to IFRS of €28,567 thousand. Furthermore, the prior-year profit before taxes according to IFRS, in the amount of €33,575 thousand, had been positively influenced by a non-recurring effect in the amount of €4,005 thousand related to the sale of the FondsServiceBank division. The healthy operating profit before taxes amounted to €34,276 thousand in 2010 and was therefore nearly on the level of the adjusted operating profit before taxes of €35,156 thousand in 2009. From an operating standpoint, therefore, we generated a profit before taxes that was close to the corresponding prior-year figure; that performance underscores our ability to earn a solid profit even within a difficult operating environment.

The consolidated net profit after taxes amounted to €16,436 thousand (PY: €23,310 thousand); that corresponds to an earnings per share of €0.22 (PY: €0.31).

### Net financial income

At €69,563 thousand, the net financial income generated in 2010 was below the outstanding level of the prior year (€76,386 thousand), as expected. But thanks in large part to the well-balanced investment strategy applied in managing our treasury portfolio, the net financial income generated in 2010 was the second best in the history of DAB bank. In a reflection of the weak interest rate environment, the net interest income of €55,645 thousand, in particular, was less than the corresponding prior-year figure of €64,732 thousand. But that effect was partially offset by the higher contribution, compared to the prior year, of the income recognition and measurement results of our securities holdings classified as held-for-trading and at-fair-value, which are included in the trading profit; those results amounted to

€13,723 thousand in 2010 (PY: €9,009 thousand). The profit recognition result from the sale of securities classified as available-for-sale, which is included in the profit/loss from investments, amounted to €195 thousand in 2010 (PY: €2,645 thousand).

### Net commission income

The DAB bank Group generated net commission income of €86,222 thousand in 2010, 4.0% higher than the corresponding prior-year figure of €82,912 thousand. One of the main factors contributing to the higher level of net commission income was the heightened trading activity of our customers, especially towards the end of the year, which led to gains in the bank's securities and custody account operations. The net commission income generated on the brokerage of third-party products, on the other hand, was little changed from the corresponding prior-year figure, despite the discontinuation of commission income contributed by FondsServiceBank (FSB). On a gross basis, the commission income generated in 2010 was slightly lower than the corresponding prior-year figure, while the commission expenses were reduced by a disproportionately greater amount, particularly as a result of cost savings. The profit contributions of DAB bank's newly introduced products (ETF-linked savings plans, FOREX currency trading, etc.) were not yet significant at the reporting date.

### Administrative expenses

At €118,996 thousand, the administrative expenses of the DAB bank Group in 2010 were 1.0% less than the prior-year figure (PY: €119,840 thousand), continuing a trend of year-on-year reductions.

At €37,940 thousand, the personnel expenses for 2010 were substantially lower than the prior-year figure (PY: €40,169 thousand), particularly as a result of the lower number of employees due to the sale of

FondsServiceBank, which was completed in the prior year. Furthermore, we continued to make investments in the development of our employees in 2010, in recognition of their crucially important role in assuring the quality of the services provided by DAB bank.

At €67,996 thousand, the other administrative expenses were 2.9% less than the prior-year figure (PY: €69,958 thousand). This reduction is a reflection of the steps taken to make our cost structures more flexible, combined with the continued practice of strict cost discipline.

The depreciation, amortization and impairments of property, plant and equipment and intangible assets amounted to €13,060 thousand in 2010, which was higher than the prior-year figure (PY: €9,713 thousand). The main reason for this increase were the impairment losses recognized in software programs, following the year-end review of their value-in-use and the corresponding adjustments. This additional effect can be attributed to the fact that DAB bank continued in 2010 to make investments in its technologies, for the benefit of its customers, as part of its program for the future, DAB one.

### Other expenses

In 2010, expenses of €1,908 thousand (PY: €3,192 thousand) were incurred for appropriations to provisions, most of which were recognized to account for customer accommodation payments and claims for damages, as well as risk provisions for tax audits. Provisions were reversed in the amount of €205 thousand (PY: €101 thousand) in those cases in which the original reason for the provision is no longer in effect.

In addition, expenses of €779 thousand were incurred for post-contractual obligations related to the sale of the customer base of the FondsServiceBank (FSB) division, which we show in the net other operating income/expenses.

### Credit risk provisions

DAB bank appropriated an amount of €900 thousand (PY: €828 thousand) to its credit risk provisions, but also reversed an amount of €274 thousand (PY: €233 thousand) from those provisions, so that, on balance, an appropriation of €626 thousand (PY: €595 thousand) is presented in the financial statements. Recoveries on charged-off receivables were recognized in the amount of €30 thousand (PY: €23 thousand).

### Impairment losses in goodwill

Based on the result of an impairment test of the goodwill attributable to SRQ FinanzPartner AG, which was conducted as of the reporting date, DAB bank recognized an impairment loss of €3,410 thousand (PY: €1,923 thousand) to account for reduced profit expectations in the medium to long term. (See also note no. 33 in the notes to the financial statements).

### Profit before taxes

The profit before taxes for 2010 amounted to €28,567 thousand (PY: €33,575 thousand). Thus, we surpassed our profit target of €25,000 thousand by a wide margin. DAB bank AG contributed €19,647 thousand (PY: €22,205 thousand), direktanlage.at AG contributed €9,055 thousand (PY: €11,280 thousand) and SRQ FinanzPartner AG contributed €-135 thousand (PY: €90 thousand) to the profit before taxes.

## Net profit after taxes

The net profit after income taxes amounted to €16,436 thousand (PY: €23,310 thousand). The net profit after taxes and non-controlling interests in SRQ FinanzPartner AG amounted to €16,448 thousand (PY: €23,299 thousand).

## Dividend

For financial year 2010, the Management Board and Supervisory Board of DAB bank AG will propose to the annual shareholders' meeting to be held on May 19, 2011 that the company pay a dividend equal to the entire consolidated unappropriated net profit according to IFRS, in the amount of €15,037 thousand (PY: €22,556 thousand). That amount corresponds to a tax-exempt dividend of €0.20 per share (PY: €0.30 per share) and a dividend yield of 4.7%, calculated as of December 31, 2010.

## Cost-income ratio

At DAB bank, the cost-income ratio is defined as the ratio of administrative expenses (including restructuring expenses, if any, and impairment losses in goodwill) to the sum of net interest income, net commission income, profit or loss from investments, trading profit or loss, net other operating income/expenses, appropriations to provisions and credit risk provisions.

At 81.1%, the cost-income ratio for 2010 was slightly higher than the prior-year value of 80.1%.

On a groupwide basis, the total income applied in calculating the cost-income ratio amounted to €150,973 thousand in 2010 (PY: €168,577 thousand) and the corresponding expenses amounted to €122,406 thousand (PY: €135,002 thousand).

## Financial position and financing status

### Total assets and other line items of the statement of financial position

At December 31, 2010, the total assets of DAB bank Group amounted to €3,237,288 thousand (PY: €3,120,588 thousand). The increase over the prior-year figure resulted mainly from the higher volume of customer call deposits.

The receivables due from customers in the amount of €281,661 thousand were substantially higher than the corresponding prior-year figure (€225,683 thousand), due in particular to the heightened credit-financed trading activity of our customers. Whereas the receivables due from banks decreased from €475,932 thousand at year-end 2009 to €419,951 thousand at year-end 2010, investments rose from €2,245,076 thousand at December 31, 2009 to €2,341,199 thousand at the reporting date. In connection with that development, liabilities due to customers also rose to €2,907,066 thousand at the reporting date (PY: €2,786,216 thousand). Subordinated capital was lower than the prior-year figure due to the repayment of a maturing loan in the amount of €8,000 thousand.

At the reporting date, consolidated equity amounted to €168,173 thousand, as compared to €181,160 thousand at the prior-year reporting date. After deduction of the planned dividend, consolidated equity will amount to €153,136 thousand.

## Legal environment

The national and international efforts to make the banking industry and capital markets more stable and less crisis-prone have proceeded further. The reform of bank capital standards (Basel III), the European reform of the deposit insurance system and the German bank tax will impose new burdens on the banking industry. Various other statutory initiatives, including in particular the planned Investor Protection Act, which will impose extensive new requirements relative to the financial advice provided by bank employees, among other things, will also have an impact on the banking and securities industry.

The Consumer Loan Directive Implementing Act, which entered into force in the middle of the year, imposes extensive new information requirements relative to consumer loan agreements, both before entering into such contracts and in the contracts themselves. Also in 2010, the attachment protection account was introduced in connection with the reform of account attachment protection.

## Bank regulatory ratios

In connection with the regulatory requirements prescribed by the German Bank Solvency Regulation (SolvV), DAB bank AG has opted to apply the standard approach for measuring credit risks, the standard approach according to SolvV for measuring market risks and the advanced measurement approach (AMA) for measuring operational risks, as of 2010.

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

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

DAB bank also plans the Overall Ratio pursuant to SolvV, which represents the ratio of available capital to necessary capital charges. In accordance with the SolvV, this ratio must be at least 8%. Compliance with regulatory ratios is monitored on a daily basis. DAB bank was in compliance with these ratios at all times in 2010.

The liable equity of DAB bank AG, which is determined on the basis of German commercial law, amounted to €96,685 thousand at the end of 2010 (2009: €93,343 thousand). Due to an increase in the volume of receivables due from companies, the capital charges for default risk rose from €40,883 thousand in 2009 to €48,292 thousand in 2010. The capital charges for operational risk, which are measured by way of the Advanced Measurement Approach (AMA), amounted to €10,701 thousand in 2010 (2009: €10,149 thousand). The capital charges for market risk positions declined from €363 thousand in 2009 to €235 thousand in 2010, as a result of the reduced volume of shareholdings in the trading book.

Based on the foregoing, the Overall Ratio as per SolvV came to 13.06% at year-end 2010, indicative of a slight, 1.44% decrease from the corresponding ratio at year-end 2009 (14.5%). Thus, the Overall Ratio for DAB bank was significantly higher than the minimum required ratio of 8%. At December 31, 2010, the core capital ratio (tier-1 ratio) was 12.52, as compared to 13.41 at the end of 2009. The changes in the Overall Ratio as per SolvV and the core capital ratio resulted primarily from a pronounced increase in capital charges for default risk.

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 payment obligations falling due within the same period. A bank's liquidity is deemed to be adequate when this ratio is at least 1.0. For DAB bank AG, this ratio came to 6.95 at December 31, 2010 (PY: 6.30). Thus, this regulatory requirement was likewise met. Please refer to the Risk Report for details on the change in the liquidity ratio from the previous year.

DAB bank AG is a member of the German deposit insurance fund of the German bankers' 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 €32.49 million per customer.

## Employees

As usual, our employees performed outstanding work in 2010. From 2009 to 2010, the workforce of the DAB bank Group declined from 663 to 621 persons or from 595 to 554 positions. At December 31, 2010, DAB bank had 442 full-time employees in Germany (2009: 489) and 112 employees at direktanlage.at in Austria (2009: 106).

As a basic rule, the compensation of all our employees consists of a fixed salary component and a variable salary component, the latter being composed of a results-oriented component and a performance-oriented component. The amount of variable compensation varies, depending on the employee's organizational level; expert careers and managerial careers are

given equal treatment in that respect. Binding performance-oriented targets are agreed with the employee once a year in a special meeting with the employee. Fulfillment of those targets is measured only on the basis of the employee's individual performance. The results-oriented targets are set every year on the basis of various corporate objectives, including sustainability and long-term success parameters. The compensation components of the members of the Management Board of DAB bank are also designed according to this structure.

For detailed information on the salaries paid to members of the Management Board, please refer to the Compensation Report on page 16 and No. 71 in the notes to the financial statements. A similar system of salary components determined on the basis of results and performance is practiced at direktanlage.at in Austria and at SRQ.

### Employees

		2010	2009	Change in %
Employees (headcount)	No.	621	663	-6.3
Germany	No.	493	544	-9.4
Austria	No.	128	119	7.6
Employees (full-time)*	No.	554	595	-6.9
Germany	No.	442	489	-9.6
Austria	No.	112	106	5.7

\*Employee capacity = Country-specific full-time equivalent.



## Events after the balance reporting date

No events of particular importance that would have had a material impact on the business performance of DAB bank AG occurred after the end of the financial year.

## Report on relationships with related parties

At December 31, 2010, UniCredit S.p.A., Rome, Italy, indirectly held, through its majority interest in UniCredit Bank AG, Munich, directly held 77.48% of the equity in DAB bank AG. By virtue of this majority holding, DAB bank is a directly dependent subsidiary of UniCredit Bank AG. 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 Corporations Act ("AktG"), the Management Board of DAB bank prepared a report on the relations with affiliated companies for the 2010 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 Corporations Act (AktG) were taken or omitted."

## Disclosures according to Section 315 (4) HGB

1. The share capital of DAB bank AG amounts to €75,187,007. It is divided into 75,187,007 no-par bearer shares, each of which grants the same rights. Each share has one vote.
2. No restrictions exist that affect voting rights or the transfer of shares. Furthermore, no agreements between companies are known to the Management Board that would result in limitations regarding the transfer of voting rights and shares in the company.
3. At December 31, 2010, UniCredit S.p.A., Rome, Italy, indirectly held and UniCredit Bank AG, Munich, directly held 77.48% of the shares of DAB bank AG. No further direct or indirect investments in capital that exceed 10 percent of voting rights exist, to the knowledge of the Management Board.
4. There are no holders of shares with special rights granting control authority.
5. To the extent that employees of DAB bank AG have invested in the capital of the company, they directly exercise rights of control over voting rights.
6. The members of the Management Board are appointed and recalled by the Supervisory Board in accordance with the regulations of stock corporation law. All amendments to the Articles of Incorporation require a resolution at the annual shareholders' meeting 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 transferred to the Supervisory Board pursuant to Section 12 (1) of the Articles of Incorporation in conformity with Section 179 (1) (2).

7. The Company is authorized to acquire its own shares pursuant to Section 71 (1) (7) and (8), in accordance with the more specific provisions of the resolutions of the annual shareholders' meeting at May 20, 2010. DAB bank AG purchased company shares in 2010 for the purpose of correcting errors and to process customer orders. Overall, transactions in the period listed above involved 58 shares; this corresponds to a share of €58 or 0.00001 percent of the share capital. Of this amount, 58 shares were used for correcting errors; this likewise corresponds to a share of 0.00001 percent of the share capital. The issuance of new shares is possible particularly within the framework of the authorizations in connection with Section 4 (2) through (4) of the Articles of Incorporation (Authorized Capital I and II and Conditional Capital I and II).
8. No material agreements between DAB bank AG and third parties exists that become effective upon a change of control as a consequence of a takeover offer.
9. No reimbursement agreements exist that have been made by DAB bank AG with the members of the Management Board or employees in the event of a takeover offer.



SPALDING  
TF-1000

DAB bank  
Die Direktbank

MÜNCHEN

## Risk Report

### Risk monitoring and management system of DAB bank

The conscious assumption of risk is an important element of the banking business. A critical success factor for banks is their ability to identify the opportunities and risks arising in the course of their business and to protect their long-term profitability by implementing suitable monitoring and control processes on the basis of a differentiated risk measurement system. Thus, the success of the DAB bank Group depends to a large extent on its ability to effectively identify, manage and monitor the risks that arise in connection with its business model.

DAB bank has implemented 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. The employees of our banking group possess the necessary risk awareness and are actively involved in the risk management and controlling system.

The risk controlling system and risk management of DAB bank are based on the following twelve principles:

#### ► Principle I: Responsibility of the senior management for the strategy of the bank

The risk strategy for every financial year is formulated on the basis of the annually updated business strategy and adopted by the full Management Board. The adopted risk strategy applies to the entire DAB bank Group (DAB bank AG, SRQ FinanzPartner AG and direktanlage.at AG). The adopted risk policy supports the stated goal of DAB bank to generate sustainable growth and increase the company's value, while also minimizing risks. The risk strategy also forms the basis for the economic capital calculation and the limit structure of individual risks derived on that basis. On an operational level, the risk strategy and related directives of the Management Board are implemented in the various departments of the bank, and in the Credit and Investment Committees.

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

### ► Principle II: Clear definition of the 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. The Risk Controlling Department of DAB bank is the central unit responsible for ensuring the transparency of risks. In particular, Risk Controlling is responsible for identifying, analyzing, measuring, limiting and monitoring the risks of the bank, for keeping the Management Board and Supervisory Board informed of developments in this area, and for monitoring and updating the risk parameters and models. In addition, Risk Controlling is responsible on a groupwide basis for defining, quantifying, aggregating, and monitoring the components of risk capital and their utilization for risk purposes, and for implementing uniform groupwide standards in consideration of the applicable legal and regulatory requirements. Risk Controlling is also responsible on a groupwide basis for keeping records of the risk categories of market risk, default risk, operational risk, business risk and investment risk, as well as non-quantifiable risks.

The reporting channels are defined in a clear, transparent manner. 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, DAB bank adheres to the principle of independence of the risk controlling function (including responsibility for methods and quality controlling of risk-relevant data) from the risk management function, in accordance with the Minimum Requirements for the Risk Management of Banks in Germany (MaRisk), in order to assure objectivity and at the same time avoid conflicts of interest.

### ► Principle IV: Heightened risk awareness and culture

DAB bank has established an appropriate organizational structure and regularly stakes steps, including the provision of training courses and presentations, 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 adequacy of the risk management and controlling system is evaluated by the Internal Audit Department on a regular basis.

### ► Principle V: Reliable risk management

The consideration of risks is an integral part of every business decision. All activities that are capable of giving rise to relevant risks for DAB bank are managed by means 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, framework conditions and directives are meant to ensure that all risk-prone activities remain within the limits established by the senior management and the regulatory authorities. The framework conditions and directives are reviewed every year and communicated to employees in a suitable form.

### ► Principle VI: Comprehensive risk and limit monitoring

A uniform, groupwide system of limits has been established for all quantifiable risk categories. 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-covering potential 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 corresponding limits adjusted.

Non-quantifiable risks are analyzed and constantly 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 processes. These processes support the goal of managing the company's business on the basis of the adopted risk-return indicators, while also controlling the risk propensity ("risk appetite") of DAB bank. They are completely integrated with other managerial processes such as strategic planning, budgeting and income measurement.

### ► Principle VIII: Risk communication and reporting

Identified risks are communicated promptly to the corresponding areas of responsibility. In addition, the senior 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. Moreover, the Supervisory Board is provided with the information it needs to fulfill its supervisory function in accordance with the requirements of law, also on a regular basis.

► 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 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 senior management ensures that the entire risk process is actively managed and constantly supported by qualified experts. The qualifications of the corresponding employees are continuously improved to ensure that they can adequately manage the extent of risks taken on by the bank. Here we also return to external experts.

► Principle XI: Verifying the functional effectiveness of risk monitoring

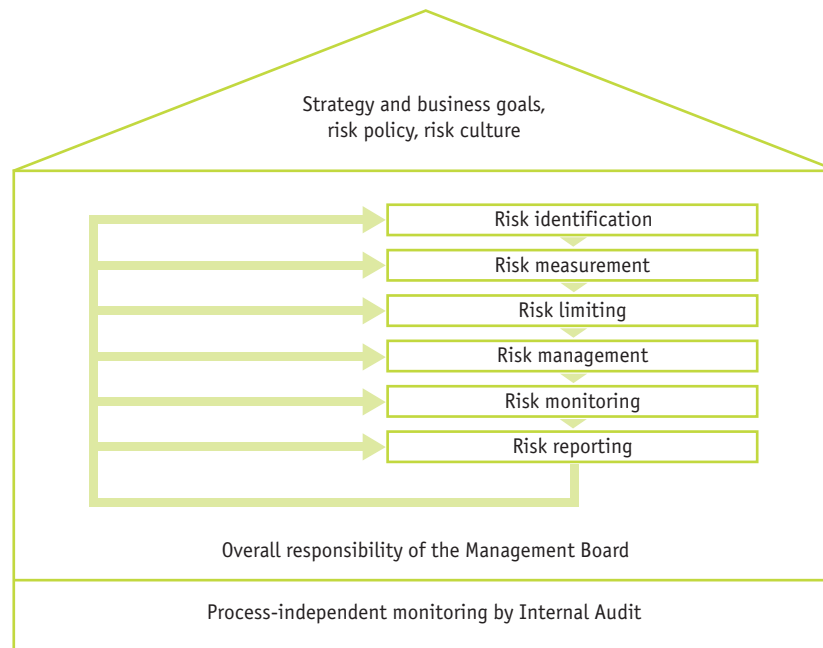
Appropriate control mechanisms have been implemented for all accounting-relevant key processes. These mechanisms are regularly checked and monitored by the employees who are directly or indirectly involved in the controls. The control mechanisms consist of directives and procedures for the identification, 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, evaluates 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 areas 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.

## Risk management and controlling process

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



## Risk culture and policy

The senior management adopts the risk strategy based on the bank's risk propensity and desired risk-return ratio. The goal of related risk capital management is to optimize the full allocation of available capital on the basis of risk-return considerations and assure the risk coverage capacity of DAB bank at all times. In this context, the risk-covering potential is understood to mean the equity and debt components available to the bank for the purpose of covering losses. Thus, it 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 materialized risks.

The Bank identifies two kinds of risk-covering potential. In the first case, known as the going-concern scenario, the risk-covering potential must be enough to cover any losses that occur, with sufficient equity left over for continued operation. In the second case, known as the liquidation scenario, the risk-covering potential must only be sufficient to satisfy the claims of creditors.

The methods employed by DAB bank to identify, measure and analyze risks are consistent with the corporate standards of the UCG Group, insofar as those are compatible with national laws and regulations, so as to ensure the adequacy and consistency of methods both within DAB bank and within the Group.

- ▶ Risk limits are set with reference to the loss potential.
- ▶ Anticipated losses and the risk of unforeseen losses are determined with the aid of statistical methods.



- ▶ The quality of all the statistical methods used is regularly verified by means of back-testing procedures.
- ▶ Risk Management and Risk Controlling work closely together, each contributing its specialized knowledge to the further development of bank-wide standards for the quantification of risks.
- ▶ The risk culture forms the basis for the successful implementation of the business strategy and therefore also the risk policy. The risk culture encompasses risk-appropriate resource allocation, the employee compensation system, the performance appraisal system, recruitment and hiring, employee development and internal communications.

## 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, previously unidentified risks can arise from changes in the operating environment or from the development and introduction of innovative product/market combinations. When newly identified risks cannot be classified within the existing risk profile, the risk profile must be revised. In that 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. All employees of DAB bank are responsible for identifying risks.

## Risk measurement

The comprehensive and correct identification and assessment of risks form the basis for managing risks. Quantitative and qualitative methods are employed to ensure the adequate determination of the risk profile of DAB bank. Non-quantifiable risks are analyzed and monitored with the aid of various qualitative criteria. The methods employed to assess risk are subject to groupwide risk standards, in order to ensure consistency and suitability within DAB bank. In addition to pure risk assessments, risk concentrations are analyzed and stress tests are conducted for the most important risk types and the results are actively taken into consideration for risk management purposes. The Risk Controlling Department is responsible for measuring risks.

## 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 are taken to ensure that all trading and credit transactions are charged immediately 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 them. In the case of non-quantifiable risk categories, the risk propensity is documented by means 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 means of uniform limit structures. The risk limits are approved by the Management Board at least once a year and may be exceeded only in exceptional cases with the permission of the corresponding authority holder. The senior management is responsible for setting risk limits. The risk limits were adapted to reflect the adjusted methods for calculating the bank's risk coverage capacity and risk appetite by resolution of the Management Board of May 18, 2010.

## Risk management

We understand risk management to mean the operational implementation of the risk strategy by the risk-carrying units of the company, on the basis of the available risk-covering potential. The business divisions implement the adopted risk strategy under their own responsibility, by assuming risks in a targeted and controlled manner. To that end, DAB bank has instituted a comprehensive system of limits. Based on quantitative and qualitative methods for the adequate, complete and consistent determination of the risk profile, suitable strategies are developed and decisions made to limit risks as part of the risk management process. Risk management can be either active or passive. Active risk management employs suitable risk limitation instruments (e.g., risk diversification, risk transfer, risk provisions) to influence the risk-return ratio both on the level of specific transactions and on the portfolio level. The goal of passive risk management is to influence the root causes of risk, both on the level of individual transactions and on the portfolio level, by means of risk avoidance and minimization strategies (e.g., by limiting certain volumes and risks and by setting more favorable terms for new business). Risk management is the responsibility of all affected units of DAB bank, including the market/sales departments and the senior 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. Risk monitoring is the responsibility of Risk Controlling. 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 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 promptly provided with risk-relevant information, including regular reports and ad-hoc reports when the occasion or circumstances warrant. Besides internal reporting within DAB bank, the risk reporting function also encompasses reporting to external regulatory authorities such as the BaFin and the German Bundesbank. Also, necessary risk information is provided in connection with external audits performed by independent auditors. Risk reporting is the responsibility of Risk Controlling.

## Internal Audit

DAB bank takes the necessary steps within its organizational structure to ensure the presence of adequate 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, on behalf of 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 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 and direktanlage.at AG work together under the functional coordination or leadership of the Internal Audit Department of DAB bank AG. SRQ FinanzPartner AG has also delegated these duties to the Internal Audit Department of DAB bank AG. The service agreement for internal audit activities between DAB bank AG and SRQ FinanzPartner AG expired as of December 31, 2010. As the controlling entity, however, the Internal Audit Department of DAB bank still ensures compliance with the groupwide risk management regulations applicable to internal audit activities.

### Financial reporting-related risk management and internal control system

The RMS is broadly defined. It refers primarily to the strategic management, identification and assessment of risks and the approach taken relative to the assumption or avoidance of risks. The various types of risk are described in more detail in the present Risk Report. By contrast, the ICS refers to the operational monitoring and management of risks.

The financial reporting-related ICS and RMS comprise the principles, procedures and measures taken to ensure the effectiveness and economic efficiency of the financial reporting function and to ensure compliance with all relevant laws and regulations. It is designed to ensure that assets and liabilities are correctly recognized, presented and measured in the annual financial statements.

The objective of the ICS and RMS as they relate to the financial reporting process is to provide reasonable assurance, through the implementation of controls, that the separate financial statements of the parent company and the consolidated financial statements of the Group are prepared in accordance with the relevant laws and regulations, despite the identified risks.

### Responsibilities in the financial reporting-related ICS and RMS

#### Responsibilities of the Management Board and Supervisory Board

The Management Board manages the company under its own responsibility and works together with the other governing bodies of the company in an atmosphere of trust and confidence, in the best interest of the company. Among other things, the Management Board bears overall responsibility for the preparation of the separate financial statements of the parent company and the consolidated financial statements of the Group.

The Management Board determines the scope and orientation of the ICS und RMS, which are designed specifically to meet the needs of the bank, under its own responsibility. In that regard, it also initiates measures to further develop the systems and adapt them to suit changing framework conditions. The value systems that have been practiced for years in all countries of the UniCredit Group, and therefore also in the DAB bank Group, such as the Integrity Charter and the Code of Conduct, but also compliance-related rules, etc., also form the basis for the responsible conduct of the employees charged with performing the financial reporting function. Despite all the risk-mitigating measures instituted in connection with the ICS and RMS, appropriate and well-functioning systems and processes cannot provide an absolute assurance relative to the identification and management of risks.

The departments that report to the CFO are responsible for the financial reporting process and particularly also for the process of preparing the separate financial statements of the parent company and the consolidated finan-

cial statements of the Group. The computer systems required for the financial reporting process are made available under the responsibility of the COO. Under the organizational structure in effect at the end of the year, Dr. Markus Walch exercises the responsibilities of both the CFO and the COO.

To aid in the fulfillment of its duties, the Supervisory Board has established an Audit Committee also in respect of the financial reporting process. The Audit Committee continuously evaluates the financial position, financing status and financial performance of the bank on a regular basis, especially with respect to the quarterly financial statements, the semiannual financial report and the annual financial statements. In connection with the process of preparing the separate financial statements of the parent company and the consolidated financial statements of the Group, the Supervisory Board is responsible for adopting the separate financial statements of the parent company and approving the consolidated financial statements of the Group. The financial statements and profit utilization proposal of the Management Board are submitted to the Supervisory Board, along with the report of the independent auditor, so that the Supervisory Board can fulfill the above-mentioned duties. The Audit Committee examines these documents with particular intensity as part of the so-called preliminary review. The Chairman of the Audit Committee reports on the results of the review conducted by the Audit Committee to the full Supervisory Board. In the preparatory meeting of the Audit Committee and in the subsequent financial statements meeting of the Supervisory Board, the independent auditor reports on the results of the audit and provides detailed answers to the questions of Supervisory Board members. Also in these meetings, the Management Board provides in-depth explanations of the financial statements it prepared. The Supervisory Board reviews all submitted documents and discusses them in detail. As the final result of its own review, the Supervisory Board adopts the separate financial statements of the parent company and approves the consolidated financial statements of the Group.

### **Duties and responsibility of the independent auditor**

The Supervisory Board engaged the independent auditor KPMG AG Wirtschaftsprüfungsgesellschaft to audit the separate financial statements of the parent company, including the underlying accounting records, as well as the management report and the system put in place for the early detection of risks. In addition, the independent auditor was engaged to audit the consolidated financial statements drawn up in accordance with International Financial Reporting Standards and the management report of the Group. In accordance with Section 313 of the German Stock Corporations Act (AktG), the independent auditor also audited the report of the Management Board on the dealings with affiliated companies. The corresponding audit report was prepared in accordance with the principles of the IDW Audit Standard 450 and in compliance with the German Audit Report Regulation (PrüfBV). In accordance with Section 25a of the German Banking Act (KWG), the independent auditor is also required to verify the adequacy of the bank's business organization, which also includes an appropriate and effective risk management system. The audit also covers the management reports of the parent company and the Group. In that respect, the independent auditor is required to determine whether the separate management report of the parent company generally conveys a true and fair view of the company's situation and whether the management report of the Group generally conveys a true and fair view of the Group's situation. As part of the audit, the internal control system was also audited and evaluated, to the extent that it serves to ensure adequate financial reporting.

### **Position and duties of the Internal Audit Department**

The Internal Audit Department is also charged with a number of important duties related to the implementation of an efficient ICS and RMS; these duties are described separately in the Internal Audit section of the Risk Report.

## Organization and components of the financial reporting-related internal control system and risk management system

### Structural organization and duties of the Finance & Controlling Division

With respect to the financial reporting-related processes, the organizational responsibility of the Chief Financial Officer (CFO) is concentrated mainly in the Finance & Controlling Division, in which the competent Management Board member can rely on employees possessing the requisite knowledge and experience.

Within the Finance & Controlling Division, the Bookkeeping and Accounting Departments are responsible for the financial accounting function. In particular, these departments are responsible for uniform Groupwide account assignment guidelines and accounting guidelines, for all accounting-related tax issues and for regulatory matters. In addition, these departments bear the functional responsibility for the accounting systems employed by DAB bank AG; in that respect, particular attention is given to observing the separation of functions and duties between the Bookkeeping and Accounting Departments, especially by means of appropriate regulations governing access to all relevant IT systems. Furthermore, the Accounting Department is responsible for fundamental IFRS questions. It also prepares the consolidated financial statements and the monthly reports to the Management Board, as well as the financial reporting contained in the annual and quarterly reports of the DAB bank Group. Thus, the financial reporting function of DAB bank AG is performed in the Bookkeeping and Accounting Departments.

### Documentation of processes

The consolidated financial statements of DAB bank AG are included in the consolidated financial statements of UniCredit S.p.A., Rome, Italy (UCG) by

way of the sub-group financial statements of UniCredit Bank AG, Munich (UCB). Being obligated to observe the provisions of Italian regulatory law, UCG is also required to fulfill the provisions of Law 262 (2005). Law 262 was enacted for the purpose of bolstering confidence in the correctness and reliability of published financial reports.

In conjunction with the requirements of Law 262 and the statutory requirements of the German Accounting Modernization Act (BilMoG), the accounting processes and the corresponding controls were documented in connection with the implementation of the ICS and RMS at DAB bank AG.

### Measures taken to continuously update the ICS and RMS

Whenever changes are made to the laws and regulations governing the financial reporting function, they must be reviewed to determine whether and what consequences they entail for the financial reporting process. The Bookkeeping and Accounting Departments within Finance & Controlling are responsible for content-related matters; the Accounting Department is particularly responsible for fundamental questions of financial reporting. Whenever changes are made or new provisions introduced that have significant effects on the procedural execution of the financial reporting function, a project is set up, to the extent required by the scope of changes in question, to handle all required measures, such as computer system adjustments, procedures, posting instructions and the like, on a cross-departmental basis.

### Process and execution of the process for preparing the financial statements of DAB bank AG

In order to manage the process of preparing the separate and consolidated financial statements and the interim financial statements as efficiently as possible, detailed work schedules in which the sequence of individual process steps is defined are prepared on a regular basis. These work schedules

serve to ensure that the work of preparing the financial statements is performed on time; they also identify dependencies between the individual process steps and between the organizational units involved.

Transactions are recorded in the Bookkeeping and Money Service Departments by means of a largely standardized and automated procedure, in observance of the dual control principle. The information needed to handle the various individual tasks is documented in the form of process directives.

The financial reporting function relative to the bank's trading book and investment book is performed in the Finance & Controlling Division. The corresponding items are presented in accordance with the regulations of German commercial law and International Financial Reporting Standards (IFRS). The securities measurement result according to German commercial law is calculated from the GEOS-NOSTRO system and exported to the core banking system Flexcube by way of an interface. Using another interface, account movements are transferred from FlexCube to the financial accounting system SAP on a daily basis. Furthermore, the system operator HSBC Transaction Service GmbH provides suitable reports substantiating the various positions and results and the changes occurring therein. The results and positions and the changes occurring therein according to IFRS are substantiated by the reports provided by HSBC Transaction Service GmbH on a daily basis.

In accordance with the Minimum Requirements for Risk Management (MaRisk), the Risk Controlling Department calculates the profit or loss from investments in a separate process. That procedure ensures the reconciliation of the performance calculated by the market department with the securities measurement result according to IFRS, which is calculated also separately by Finance & Controlling.

The review, recognition and adjustment of specific value adjustments are performed in coordination between the Credit Department and the Risk Controlling Department, which records and maintains the specific value adjustments.

The annual calculation of provisions is performed by every functional unit of the bank on the basis of a procedural directive issued by the Accounting Department. The reported provisions must be substantiated by means of suitable documents. The Accounting Department performs a plausibility check, verifies the conformance with accounting regulations and the compliance with the guideline of authorities. Thereafter, the provisions are recorded by the Accounting Department.

With respect to the measurement and recognition of pension obligations, the process of preparing the financial statements is supported by the external service provider Hewitt Associates GmbH (formerly BodeHewitt AG & Co.KG).

With respect to the development and introduction of new products in a manner conformant with the relevant laws and regulations, the bank has installed a "new product process," in which the individual process steps involved in introducing a new product are set out in detail. As part of this process, every department must express its views regarding the functional and temporal feasibility. The Finance & Controlling Division performs a coordinating role and the Risk Controlling and Internal Audit Departments provide functional support for quality assurance purposes.

The data and information relevant to the financial statements are collected by the Finance & Controlling Department, which checks and reconciles the data records supplied by the sub-ledger accounting systems and input systems. All the data required for the presentation of banking operations is collected by the Accounting Department. The financial statements are prepa-

red on the basis of the raw data, after consideration of the corrective and closing entries posted by the authorized persons. Observance of the dual control principle is assured at all times. An analysis of variances between budgeted and actual results is conducted also during the year in connection with the monthly calculation of results.

The financial statements according to German commercial law are finally prepared in the standard software program SAP and in the automatically integrated sub-ledger accounting systems and input systems. Thereafter, the financial statements according to IFRS are derived from the financial statements according to the German Commercial Code (HGB). As important input systems, the FlexCube system on the money side and the GEOS/GEOS-NOSTRO systems on the securities clearing and settlement side are automatically connected. The accounting-relevant general ledger and sub-ledger systems are reconciled on a regular basis.

The SAP system is maintained by UniCredit Global Information Services S.C.p.A. The FlexCube system is maintained by the bank's own IT Department. The bank backs up its data records on a daily basis and the data is archived in the bank's head office and in the back-up data center, independently of each other. Department-based user profiles are employed to ensure the necessary access protection at the work stations and the necessary separation of functions.

### **Consolidated financial statements according to IFRS**

As a sub-group of the UniCredit Group, the DAB bank Group prepares consolidated financial statements according to International Financial Accounting Standards (IFRS), as a capital markets-oriented company.

The consolidated financial statements are prepared on the basis of the separate financial statements of DAB bank AG and the subsidiaries included in

the consolidated financial statements, which are prepared on the basis of local financial reporting regulations. The separate financial statements are converted by the reporting companies to suit uniform Groupwide standards in accordance with the UniCredit Group Accounting Principles; as part of that process, they are transposed to the Group Chart of Accounts and/or supplemented by separate data. The financial information reported by the Group companies in connection with the consolidated financial statements is covered by the audit of the consolidated financial statements.

The data required for the consolidated financial statements is entered and reported primarily by way of the uniform Groupwide consolidation system (TAGETIK CPM) of the company TAGETIK Software S.R.L. After the individual Group companies have transferred or entered their data into this system, additional entries are blocked in dependence on the corresponding phase of the consolidated process. The data can then be modified only in exceptional cases, in coordination with the affected subsidiary, either directly by or in coordination with our parent company, UniCredit Bank AG, Munich.

The business dealings among the individual Group companies of the UniCredit Group (so-called intercompany dealings) are reconciled before the data is delivered. Upon completion of the intercompany reconciliation and after the data is finally delivered, the separate consolidation process of the DAB bank Group (elimination of intercompany profits and liabilities) is conducted on a manual basis. Any necessary elimination of intermediate profits and the equity consolidation process are also performed manually.

In connection with the preparation of the consolidated financial statements, system validations are conducted on a wide range of levels for the purpose of minimizing risks; furthermore, plausibility checks of the manual processes are conducted on a regular basis.

## Adjustments and further developments of the risk monitoring and management system

The risk measurement and monitoring methods of DAB bank AG are subjected to a continuous process of further development and improvement, both to satisfy the bank's own high quality standards and to fulfill the statutory and especially the regulatory requirements.

In particular, we made the following adjustments in financial year 2010:

- ▶ The method of calculating the risk-covering potential was redesigned. Generally speaking, the risk-covering potential is defined as 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 materialized risks. As part of the adjustments made, coverage ranks ranging from primary to quaternary were assigned to each component of profit and capital. Those ranks indicate the order in which the given positions will be applied to cover any losses.
- ▶ In addition, different risk-covering potential values were determined for the two scenarios of going concern and liquidation. Under the liquidation scenario, the risk-covering potential is calculated with a confidence level of 99.90% (PY: 99.97%) for a holding period of 250 days; under the going concern scenario, it is calculated with a confidence level of 95.00% and for a holding period of 250 days, unchanged from last year. As a result of those adjustments, risks are now adequately represented for purposes of the risk coverage capacity calculation.

The calculation of the risk-covering potential for both scenarios is presented in the table below, along with the corresponding capital components and coverage ranks.

Component*	Coverage rank	2010	2009***
Subscribed capital	Quaternary risk-covering potential +	75.19	75.19
Hybrid capital as per BIZ	Quaternary risk-covering potential +	10.01	18.01
Software and licenses	Tertiary risk-covering potential -	-31.36	-31.88
Goodwill	Tertiary risk-covering potential -	0.00	0.00
Additional paid-in capital	Secondary risk covering potential +	59.77	59.77
Retained earnings	Primary risk covering potential +	22.46	21.79
Reserve of securities (AFS reserve)	Primary risk covering potential +	-6.04	0.00
Risk provisions	Primary risk covering potential +	6.07	4.37
Profit before taxes current year, for liquidation scenario	Primary risk covering potential +	28.57	33.58
Profit before taxes current year, for going concern scenario	Primary risk covering potential +	28.57	33.58
Profit after taxes, prior year	Primary risk covering potential +	0.00	0.00
Risk-covering potential for liquidation scenario	Complete risk-covering potential	164.66	180.82
Risk-covering potential for going concern scenario	**	80.94	89.62

\* IFRS

\*\* Excluding quaternary and tertiary risk-covering potential; only 50% of secondary risk-covering potential.

\*\*\* Adapted to 2010 methodology for the sake of comparability.

- ▶ Risk-reducing correlation effects (including both intra-correlations and inter-correlations) were calculated for all individual risks and integrated into the economic capital calculation for the first time.
- ▶ For purposes of the groupwide risk analysis, individual risks have been calculated directly at the Austrian subsidiary since financial year 2010 (direktanlage.at AG), in order to assure a more risk-sensitive calculation.
- ▶ We implemented a stress scenario reflecting the heightened extent of default risk. Furthermore, the measurement methods were refined to allow for the detection of possible concentrations.



- ▶ Having introduced a new allocation mechanism to calculate the capital charges for operational risk (applicable throughout the group), we can now actively influence the relevant risk drivers for the calculation of the operational risk indicator.
- ▶ With respect to liquidity risk, we prepared a liquidity overview with funding matrices and cash flow forecasts for the next three months, in order to detect any possible liquidity shortfalls in the near future, in financial year 2010. We also measured and managed the liquidity risk concentration in order to ensure adequate diversification of liquidity sources. Furthermore, we developed scenarios for stress tests and monitoring models for managing funding risk; those scenarios and models are still in the implementation phase.
- ▶ We also developed stress tests for investment risk and business risk and integrated them into the risk management system.
- ▶ In financial year 2011, we will continue to implement the new requirements of the amended MaRisk and further improve the methodology and quality of our internal methods for calculating the risk-covering potential and risk capital. We will also further improve the risk measurement of certain risk categories, especially liquidity risk

### **Risk monitoring and management system of DAB bank in financial year 2010**

Due to the methodological changes and refinements described above, the results relative to individual risks and the overall risk situation are not wholly comparable with those of financial year 2009.

### **Overall risk situation and risk-covering potential**

DAB bank AG has identified the going-concern case as the main determining scenario for purposes of risk management and calculating the bank's risk coverage capacity. As of December 31, 2010, the risk-covering potential for this scenario amounted to €80.94 million (PY: €89.62 million). The change from the prior year resulted primarily from the recognition of negative reserves for securities and the lower profit before taxes.

As of December 31, 2010, the risk-covering potential for the liquidation scenario amounted to €164.66 million (PY: €180.82 million). The main factor contributing to the change from the prior-year figure, aside from the items mentioned above, was the fact that a subordinated loan in the amount of €8 million matured in 2010.

In consideration of diversification effects, the maximum assignable limit amount was €100.05 million. Compared with the aggregated risk capital of €81.52 million (PY: €212.36 million), the rate of utilization of the risk limits of DAB bank was 81.5%. The changes in the necessary risk capital are based on the adopted business strategy in 2010; they resulted from the calculation methods, which are described below in the sections pertaining to each risk category.

The risk capital required for each business unit or group entity is determined as part of 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 or group entities, and is approved by the Management Board. The risk capital indicators are incorporated into the management and reporting instruments of the bank. 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 results are reported to the Management Board of DAB bank on a quarterly basis.

We strive to optimize the group's risk-return profile by means of active capital management. We evaluate the three group companies on the basis of their profit contributions and their risk contributions as well. To that end, Risk Controlling measures the relative proportion of groupwide risk contributed by each one of the group companies.

The risk capital requirements and utilization rates of risk capital limits for DAB bank AG, for DAB bank AG and direktanlage.at AG, and the aggregated values for the DAB bank Group at year-end 2010, are presented in the table below.

in € mn as of 12/31	Risk capital	Risk capital requirement	Utilization	Risk capital	Risk capital requirement	Utilization
	2010	2010	2010	2009	2009	2009
<b>Market risk</b>						
Germany	27.00	20.25	74.98%	85.00	61.46	72.30%
Austria	6.00	2.43	40.44%	20.00	17.16	85.82%
<b>Default risk</b>						
Germany	38.50	30.81	80.04%	90.00	71.62	79.58%
Austria	10.50	9.32	88.80%	10.00	5.17	51.67%
<b>Business risk</b>						
Germany	18.00	17.55	97.48%	40.00	33.37	83.41%
Austria	2.00	1.49	74.54%	10.00	6.06	60.62%
<b>Operational risk</b>						
Germany	2.50	2.03	81.16%	15.00	10.15	67.67%
Austria	1.00	1.04	104.5%	4.00	3.60	90.00%
<b>Equity investment risk</b>						
Germany	1.00	0.25	25.07%	4.00	3.76	93.97%
<b>DAB bank Group</b>	<b>102.5</b>	<b>78.44*</b>	<b>76.52%</b>	<b>278.00</b>	<b>212.36</b>	<b>76.39%</b>

\* In consideration of intra-correlations.

## Default risk

### Risk management and risk controlling process

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. In the case of DAB bank, such lending business consists mainly of loans against securities. This risk is accounted for by means of credit risk provisions.

The analysis and development of credit risk provisions are reported to the full Management Board on a monthly basis. Compared to the loan portfolio of DAB bank AG (retail business only), the credit risk provision is relatively insignificant. The impairment rate for the overall bank is less than one percent, which is very positive compared to other banks.

The functional and disciplinary separation of market functions and back-office functions is organizationally assured on all levels of the credit-extending units of DAB bank. For that reason, and also by reason of our product-specific expertise, the high quality of credit decisions, and therefore of the decisions made relative to the assumption of risk, is assured at all times. At DAB bank, loan exposures of €2 million or more must be approved by the Credit Committee. The Credit Committee is currently composed of six members, including the full Management Board. Based on internal guidelines and in compliance with the MaRisk, the Credit Committee is organized in such a way that the back-office instance cannot be overruled. Furthermore, all loan exposures must be compatible with the credit risk strategy of DAB bank in order to be approved.

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 would fail to fulfill its delivery or payment obligations after the bank has rendered its 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. Counterparty and issuer risk is only inherent in our investment activities. Therefore, counterparty and default risk is managed by the Investment Committee.

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).

Issuer, counterparty and country risks are monitored by Risk Controlling. Volume limits and risk-equivalent limits are set on an annual basis and must be approved by the full Management Board.

Generally speaking, country risks are relatively insignificant for DAB bank. Minor country risks exist with regard to both our lending activities and our investment activities. Therefore, such risks are managed by the persons responsible for the corresponding portfolios. Through its treasury portfolio and customer loans, direktanlage.at is invested predominantly in Germany and Austria and most of the remaining counterparties and customers are

domiciled in Europe. To that extent, the country risks are very manageable, because investments in countries besides Germany and Austria are made only in small amounts.

We employ both quantitative and qualitative criteria for the purpose of identifying default risks. 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 default risks.

In its limit system, DAB bank generally 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 concept of DAB bank. The default risk exposure for which these limits are defined is quantified on a monthly basis using the portfolio model of UCG. Reports on the utilization of those limits are generated on a quarterly basis.
- ▶ Volume or risk-equivalent limits, which are defined for issuers, counterparties and countries. The exposures associated with issuer and counterparty risks, as well as country risks, are calculated every banking day. Reports on the limits and limit utilization rates are submitted to the full Management Board on a monthly basis.

When individual counterparty and issuer limits have possibly been exceeded, the matter is escalated immediately to the next-higher organizational level (up to the full Management Board) and the steps taken to promptly reduce the affected positions are monitored by Risk Controlling. The purpose of the limit system of DAB bank is to prevent unwanted or uncontrolled increases in the bank's risk positions. Once completed, every trade is immediately recorded and promptly charged against the respective limit. By that means, every

trader is able to check the current limits and the risk controller is able to directly monitor the limits for every counterparty or issuer.

For purposes of daily risk measurement and management, counterparty, issuer and country risks are quantified with the help of market values, notional values or flat-rate methods, depending on the risk category and product type.

For the quarterly survey of default risks, DAB bank employs a default risk model developed by the UCG Group, by means of which default-induced credit and counterparty risks can be measured and assessed on a worldwide basis. The default risk model operates 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. The default risk model is updated at regular intervals to reflect any changes made to the applicable laws and regulations.

The reliable determination of default probabilities is crucially important, both for making a credit decision and also for purposes of the bank's internal default risk model. For issuers and counterparties, DAB bank applies the rating system used by UCG. 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 counterparty.

The rating or scoring procedures are constantly monitored. They are validated every year and recalibrated or completely overhauled when necessary. Thus, all rating procedures are reviewed on a regular basis. The comparability of external issuer ratings with internal ratings is assured by means of a transformation table, for which purpose the ratings of the leading rating agencies are applied.

### Development of default risk in 2010

Adjustments were made to refine the calculation of the credit value-at-risk (VaR) within the internal risk calculation process. At year-end 2010, the credit value-at-risk of DAB bank Group amounted to €36.67 million.

The default risks inherent in the customer exposures and own-account trading positions of DAB bank at December 31, 2010 are presented on an aggregated basis in the table below:

#### Default risk (confidence level 99.90%; holding period one year)

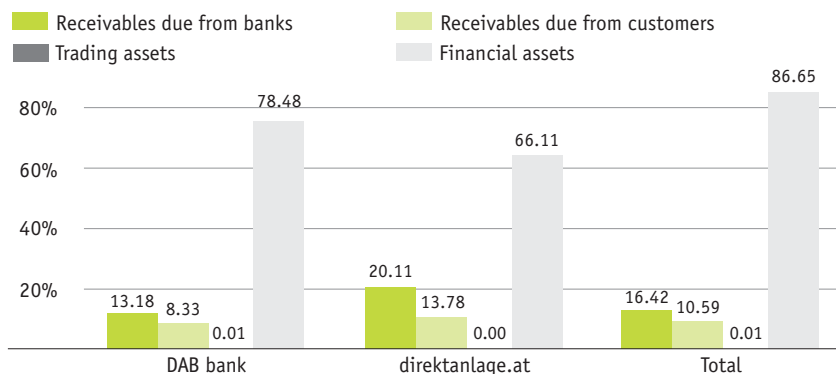
in € mn as of 12/31	2010	2009
<b>Germany</b>		
VaR	30.81	71.62
Limit	38.50	90.00
Utilization	80.04%	79.58%
<b>Austria</b>		
VaR	9.32	5.17
Limit	10.50	10.00
Utilization	88.8%	51.67%
<b>Group</b>		
VaR	36.67	76.79
Limit	49.00	100.00
Utilization	74.84%	76.79%

None of the collateral backing the customer loan portfolio of DAB bank is past due or impaired in value. As a general rule, only fungible securities are accepted as collateral for loans. At December 31, 2010, the customer loan portfolio amounted to €210 million, as compared to loan collateral of €683 million. Thus, the loan portfolio would be secured by the furnished collateral up to a market drop of 70%. The collateral received by DAB bank, broken down by asset classes, is presented in the table below:

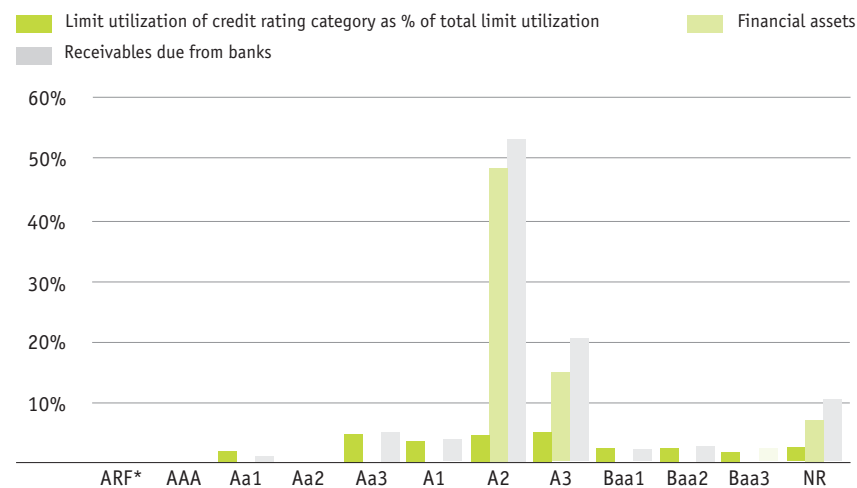
#### Loan collateral for the customer loan portfolio, broken down by asset classes:

Shares	Bonds	Investment funds	Certificates	Other
339,502,800	44,641,478	277,667,971	17,865,261	2,801,345

#### Breakdown of 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	NR
limit utilization	-	0.02	10.24	0.00	44.26	35.55	489.22	187.13	11.67	22.16	18.33	100.00
Financial assets	-	7,533	5,023,000	0	21,704,530	14,858,900	18,890,414	21,758,803	5,721,800	10,792,365	8,987,640	13,785,990
Receivables due from banks	-	0	0	277	0	2,575,454	221,002,345	70,000,103	158	75,833	0	35,250,111

Country risks are relatively insignificant for DAB bank AG. Nonetheless, they are subjected to daily monitoring, like issuer and counterparty risks. For the purpose of managing the utilization of volume limits or risk-equivalent limits for countries on the basis of rating categories, DAB bank AG employs the following country ceilings.

Rating ceilings	Description
<b>Quality ceilings</b>	Counterparties/issuers with solid finances and a Moody's rating of Aaa to Aa3. No quantified risk limits are set for these counterparties/issuers.
<b>Medium ceilings</b>	Counterparties/issuers with acceptable finances, with which risks can be assumed as appropriate for the expected returns. This category encompasses counterparties/issuers with a Moody's rating of A1 to Baa3.
<b>Risk ceilings</b>	Counterparties/issuers with still acceptable finances, with which risks can be assumed as appropriate for the expected returns, to a limited extent. This category encompasses counterparties/issuers with a Moody's rating of Ba1 to B3.
<b>Default ceilings</b>	Counterparties/issuers with a Moody's rating of Caa or worse, with which no risks can actively be assumed due to their poor credit rating. An exception is made for positions taken in securities for technical clearing and settlement reasons.
<b>Not-rated ceilings</b>	Counterparties/issuers for which no rating is available, but which have comparatively acceptable creditworthiness.

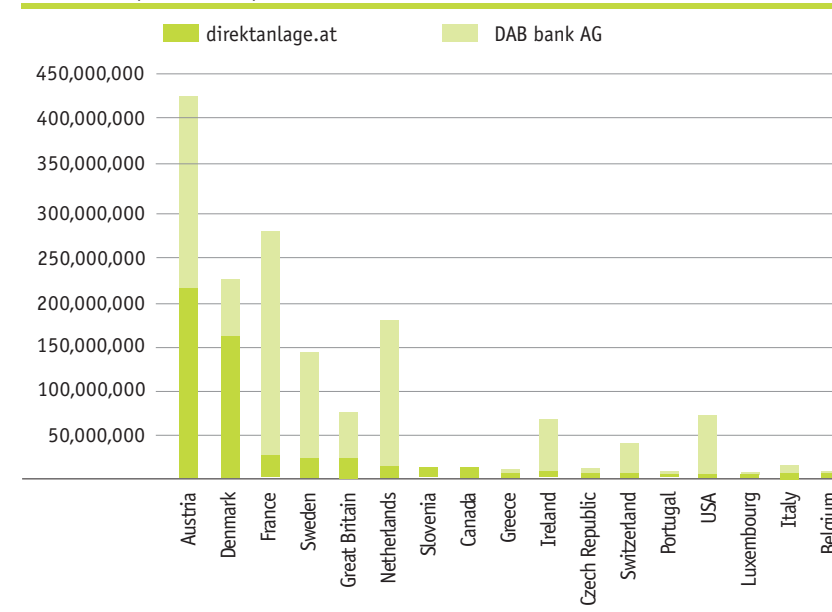
The limits are reviewed every year and approved by the full Management Board. The limit utilization rates at December 31, 2010 were as follows:

Rating ceiling	Ceiling limit, in € mn	Utilization, in € mn 12/31/2010
Quality	No limit	1,157
Medium	2,500	24
Risk	10	1
Default	0	0
Not rated	150	0
<b>Grand total:</b>	<b>2,660</b>	<b>1,182</b>

Market developments in 2010 were generally characterized by confidence losses in the creditworthiness of some EU member states (Portugal, Italy, Ireland, Greece and Spain). Having tightened its internal monitoring procedures, DAB bank detected and managed the associated country risks at an early stage. The DAB bank Group recognized an appropriate impairment for losses incurred. Consequently, DAB bank performed restructuring measures and sold off securities bearing country risk from its own portfolio. The investment portfolio of DAB bank can be regarded as being very well diversified.

The country risks in effect at December 31, 2010 are summarized on the group level in the graph below:

Country Risks (market values)



In accordance with its conservative investment strategy, DAB bank AG does not enter into derivative transactions for own account. It only acts as a “non-clearing agent” for customer derivatives, which are hedged on a 1:1 basis. At December 31, 2010, the customer derivatives amounted to €30,116 thousand. Detailed information on the notional values and market values of the entire derivatives business of DAB bank is presented in the tables that follow.

**Derivative instruments as of 10/12/31**

in € thousand	Notional Amounts				Market Values	
	Residual Term			Total	Positive	Negative
	Up to 1 Year	1 to 5 Years	> 5 Years			
<b>Interest-based derivatives</b>	16,669	-	-	16,669	4,480	4,480
OTC products	-	-	-	-	-	-
Exchange-traded instruments						
Interest futures	16,669	-	-	16,669	4,480	4,480
Options on interest futures	-	-	-	-	-	-
<b>Currency-based derivatives</b>	222,835	21,966	-	244,801	1,908	1,781
OTC products						
Currency futures	222,835	21,966	-	244,801	1,908	1,781
Currency options						
-Purchases	-	-	-	-	-	-
-Sales	-	-	-	-	-	-
Other currency contracts	-	-	-	-	-	-
Exchange-traded instruments						
Currency futures	-	-	-	-	-	-
Currency options	-	-	-	-	-	-
<b>Stock/ index-based instruments</b>	34,204	1,336	-	35,540	23,728	23,728
OTC products						
Stock/index swaps	-	-	-	-	-	-
Stock/index options						
-Purchases	-	-	-	-	-	-
-Sales	-	-	-	-	-	-
Other stock/ index contracts	-	-	-	-	-	-
Exchange-traded instruments						
Stock/index futures	28,886	1,193	-	30,079	20,998	20,998
Stock/index options	5,318	143	-	5,461	2,730	2,730
<b>Total</b>	<b>273,708</b>	<b>23,302</b>	<b>-</b>	<b>297,010</b>	<b>30,116</b>	<b>29,990</b>

## Market price risk

### Risk management and risk controlling process

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 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 exchange risk.

Both the Investment Committee, which is composed of the full Management Board and the Head of Finance & Controlling, as well as the trading representative in the market unit, is responsible for managing market risk in accordance with the adopted strategy of DAB bank. By reason of its limited trading activity, the subsidiary da.at is classified as a non-trading book institution.

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

When the limits have possibly been exceeded on the sub-portfolio level, an escalation process is triggered immediately and the steps taken to reduce the affected positions are monitored. The Risk Controlling 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 also on an intra-day basis, if necessary.

DAB bank uses the value-at-risk method with historical simulation, without consideration of credit spreads, to calculate market risk. The Risk Controlling Department of DAB bank AG monitors the risk related to contractual partners on a daily basis. For purposes of daily risk measurement and management, the bank quantifies the value-at-risk on the basis of a 99% confidence level and a one-day holding period. The value-at-risk for each risk category is calculated by application of the “stand-alone” method. Because of diversification effects, the sum of all risk categories is greater than the total market risk.

Market Price Risk Value-at-Risk as of December 31, 2010, in € thousands (confidence level 99%; holding period one day)

	Limit	Value-at-Risk	Utilization
Total risk	1,700	1,109	65%
Interest rate risk	1,500	971	65%
Price risk	750	387	52%
Foreign exchange risk	500	50	10%

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 calculating the risk coverage capacity, the market risk value-at-risk is scaled to a confidence level of 99.9% and a holding period of one year, by analogy to the other risk categories.



In addition to continuous risk monitoring, the Risk Controlling Department of DAB bank AG also conducts monthly stress tests, which indicate the loss potential of our market risk positions in response to extreme market changes. Such potential losses are likewise monitored by means of a limit system. The adequacy of the risk measurement methodology of DAB bank AG 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 confirm the high forecast quality of our risk model.

The Management Board is continually informed about the development of market price risks, limit utilization and the profit and loss situation. It is informed about the results of the risk analyses, including back-testing and stress-testing, on a monthly basis. The Management Board is also informed about the market risk situation as it relates to the risk-covering potential of DAB bank, on a quarterly basis.

### Development of market risk in 2010

Thanks to the continued application of a conservative investment strategy and the actively managed, diversified investment portfolio, the development of the market risk of DAB bank AG was relatively stable in 2010. In consideration of the customer trading portfolio, the market risk of *direktanlage.at* was substantially lower in 2010.

The market risks inherent in the positions of the DAB bank Group at December 31, 2010 are presented on an aggregated basis in the table below.

#### Market Risk (confidence level 99.90%; holding period one year)

in € mn as of 12/31	2010	2009
Germany		
VaR	20.25	61.46
Limit	27.00	85.00
Utilization	74.98%	72.30%
Austria		
VaR	2.43	17.16
Limit	6.00	20.00
Utilization	40.44%	85.82%
Group		
VaR	21.30	78.62
Limit	27.50	105.00
Utilization	77.44%	74.88%

On the level of DAB bank AG, only one negative excess over the forecast value was determined by means of back-testing in 2010.

### Operational risk

#### Risk management and risk controlling process

Operational risk refers to the risk of losses resulting from failures, contraventions, interruptions, damage due to internal processes, employees or systems, or losses caused by external events. This definition includes legal risks, but not strategic risks or reputation risks.

Managing operational risk is the responsibility of the respective operating units of DAB bank. These activities are conducted with the aid of an op-risk management process defined by the UniCredit Group. The operational risk managers in the respective business units or group entities 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. The work of the op-risk managers is coordinated and centrally monitored by the Op-Risk Management in Risk Controlling. The Op-Risk Management is also responsible for implementing regulatory requirements and internal directives of the UniCredit Group. The implementation of such requirements is regularly reviewed and monitored by UniCredit.

The Risk Controlling Department manages operational risks and collects and assesses incidents of loss or damage with the aid of a database, which forms the basis for the targeted and detailed documentation of errors, the adoption of measures to prevent errors in the future and measures to reduce the losses associated with a given incident.

The identification of risks is a continuous process. The goal is to identify and quantify all risks, determine their causes and to continually improve the control and process quality of the bank by means of targeted measures, also in consideration of results, to the greatest extent possible.

The required risk capital for operational risks is calculated on a quarterly basis using a database provided by the UniCredit Group. For that purpose, the required risk capital for DAB bank AG is calculated by application of the AMA approach and for da.at by application of the Standard Approach (STA). In that regard, the Risk Controlling Department of DAB bank is responsible for ensuring that all relevant factors are promptly imported from the internal op-risk database to the UniCredit system.

A limit has been established for direktanlage.at for the purpose of monitoring its operational risks and determining the related risk capital requirement. The limit is monitored on a quarterly basis. DAB bank AG can always access and monitor the loss data of direktanlage.at. It has been assured that direktanlage.at keeps an Op-Risk Manual, prepared in a similar manner as the corresponding manual of DAB bank, so as to fulfill the groupwide standards. This manual includes a description of the required treatment of operational risks (identification, assessment, regular monitoring).

The Risk Controlling Department keeps the operating units and the Management Board informed of significant potential and actualized operational risks by means of regular reports (monthly and quarterly).

## Development of operational risk in 2010

The risk indicators for operational risk at December 31, 2010 are presented in the table below.

### Operational risk (confidence level 99.90%; holding period one year)

in € mn	2010	2009
<b>Germany</b>		
VaR	2.03	10.15
Limit	2.50	15.00
Utilization	81.16%	67.67%
<b>Austria</b>		
VaR	1.04	3.60
Limit	1.00	4.00
Utilization	104.5%	90.00%
<b>Group</b>		
VaR	2.07	13.75
Limit	2.50	19.00
Utilization	82.78%	72.36%

At December 31, 2010, as in the prior year, DAB bank was subject to significant operational risks in the following risk categories, on an aggregated basis:

- ▶ Erroneous assessment of facts;
- ▶ Lacking or malfunctioning building infrastructure;
- ▶ Defective processing;
- ▶ System failure or performance problems;
- ▶ Fraud;
- ▶ False advice, advisor liability, claims for damages by customers

DAB bank employs an indicator-based warning system, in close consultation with Human Resources, to detect high levels of employee turnover in general, and specifically also among key personnel, so as to ensure the continuity of business operations and be able to respond quickly in case of negative developments.

The Legal Department conducts regular risk assessments and establishes provisions to account for the risk of claims for damages asserted by customers on the basis of liability and advice. The results are reported to the central Op-Risk Management Department at regular intervals of time.

To counter the sharp increase in the incidence of fraud caused by external phishing attacks throughout the bank, DAB bank introduced a new, more secure authorization procedure (mTAN), which is being rolled out to all bank at the present time. The new authorization procedure has already led to a substantial decrease in cases of loss or damage.

## Business risk

### Risk management and risk controlling process

Business risk refers to the possibility that a company's profit for the year would differ from the expected value due to unforeseen changes in business volumes and/or profit margins. Business risks can arise 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 laws and regulations.

By reason of the bank's elevated dependency on income generated in the trading business, we understand business risk specifically to mean an inability to generate the budgeted, trading-dependent income and expenses, due to worsened market and competitive conditions.

The operational implementation of the measures adopted by the Management Board to manage business risk is the responsibility of the budgeting managers, as part of their general responsibility for income and costs. Business risks are measured and subjected to plausibility checks by the Risk Controlling Department. Business risk is measured by application of a value-at-risk approach. For that 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 risk measurement results are reported to the Management Board on a regular basis.

## Development of business risk in 2010

The business risks of DAB bank Group at December 31, 2010 are presented on an aggregated basis in the table below.

### Business risk (confidence level 99.90%; holding period one year)

in € mn as of 12/31	2010	2009
<b>Germany</b>		
VaR	17.55	33.37
Limit	18.00	40.00
Utilization	97.48%	83.41%
<b>Austria</b>		
VaR	1.49	6.06
Limit	2.00	10.00
Utilization	74.54%	60.62%
<b>Group</b>		
VaR	18.16	39.43
Limit	22.50	50.00
Utilization	80.72%	78.85%

No significant abnormalities were noted in the determination of the bank's business risk in financial year 2010.

## Investment risk

### Risk management and risk controlling process

Investment risk refers to potential losses on investment capital and liability risks (as under letters of comfort, for example) or from profit/loss transfer agreements (loss absorption) with associated companies.

Within the DAB bank Group, only SRQ FinanzPartner AG qualifies as a relevant investment. Since financial year 2010, risk measurement has been based on an internal market value model, which superseded the method applied in the earlier years, when the investment was determined simply by applying a risk deduction to the carrying amount of the investment. The investment risk is now measured every month by application of a VaR method, based on the market value of the investment, a volatility index, a holding period of 250 days and a confidence level of 99.90%.

In the case of investments not listed on an organized exchange, as in the case of SRQ, there are no direct indications of the volatility of the market value. For that reason, a suitable alternative index is applied for the purpose of estimating a possible change in the market value of the investment. The volatility index is determined with reference to a suitable sector index; in the case of SRQ, the SIGFLE (Dow Jones EURO STOXX Total Market General Financial Index) is currently being used for that purpose.

### Development of investment risk in 2010

On an aggregated basis, DAB bank AG was exposed to the following investment risk in SRQ FinanzPartner AG at December 31, 2010.

#### Investment risk (confidence level 99.90%; holding period one year)

in € mn as of 12/31	2010	2009
<b>Group</b>		
VaR	0.25	3.76
Limit	1.00	4.00
Utilization	25%	93.97%

In financial year 2010, an impairment loss was recognized in the carrying amount of the investment in SRQ FinanzPartner AG, which is now €3.043 million.

## Liquidity risk

### Risk management and risk controlling process

Liquidity refers to all cash and cash equivalents at the bank's disposal, minus its payment obligations. A company is considered to have sufficient liquidity when it can satisfy all its payment obligations 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.

DAB bank also ascribes market liquidity risk to liquidity 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.

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 internally defined processes. Thus, the Investment Committee bears the ultimate responsibility for developing 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 when necessary. The Investment Committee also discusses the development of net financial income, which is composed of the net profit or loss from investments, the trading profit or loss and the net income or expenses from investments, as well as the measures taken to control this key performance indicator. The Investment Committee is responsible for ensuring that DAB bank always has sufficient liquidity. The Trading Department implements the investment decisions. Risk Controlling is charged with the task of identifying and monitoring potential liquidity risks. When liquidity risks are discovered by Liquidity Management, they are discussed immediately in the Investment Committee, after first checking back with the head of the affected operating unit, so that liquidity assurance measures can be promptly initiated.

For the purpose of monitoring short-term liquidity risk, DAB bank applies calculation methods based on the provisions of the Liquidity Regulation (LiqV). These calculations are performed and monitored on a regular basis. In addition to these required regulatory ratios, DAB bank will develop internal models for managing its funding risk, which will be implemented in financial year 2011:

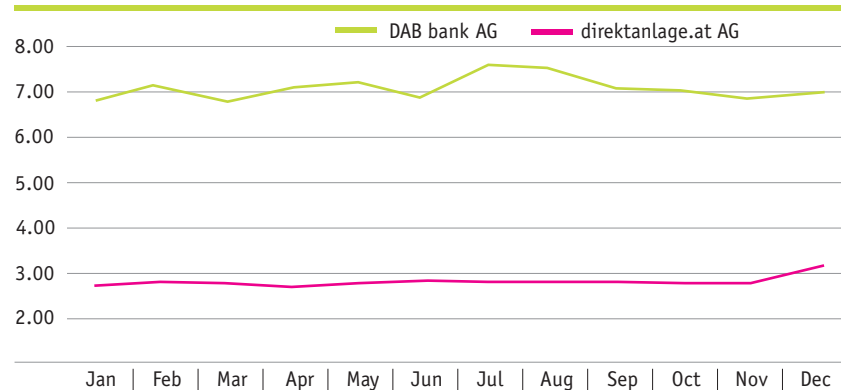
- ▶ Liquidity coverage ratio
- ▶ Net stable funding ratio

Additional risk monitoring steps are conducted in connection with the periodic analyses of liquidatability and diversification. 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 2010

Due to the debt crisis in Europe and the volatile state of the markets, DAB bank continues to follow a conservative investment strategy, so that no heightened liquidity risk for DAB bank could be discerned at any time during the past year. That conclusion is also supported by the development of the LiqV ratios of DAB bank AG and da.at. AG. The liquidity ratio is the ratio of the cash and cash equivalents available in Maturity Band 1 (due at call or up to one month) and the payment obligations callable during that same period. Since the beginning of the year, the LiqV ratio of DAB bank AG in Maturity Band 1 was continually higher than 6 and therefore considerably higher than the value of 1, which would have to be reported to the regulatory authority under the Liquidity Regulation. At year-end 2010, this ratio was 6.9 (PY: 6.3). Compared to the prior year, the ratios remained on a constant level in financial year 2010. The liquidity ratio for da.at. AG in Maturity Band 1 was likewise considerably higher than the relevant value at all times during the past year.

LiqV liquidity ratio 2010



The liquidity overview plays an important role in the internal monitoring of the liquidity situation of DAB bank. By reason of the investment strategy, daily monitoring is focused mainly on the determined and stochastic cash flows and the related current and anticipated liquidity of DAB bank in the short term (within three months). The determined cash flows are added directly to the liquidity overview on the basis of their contractually stipulated final maturities, while the stochastic cash flows denominated in euros

and U.S. dollars are computed with the aid of historical simulation (confidence level 90% plus flat-rate uncertainty adjustment 5%, holding period one day, data history 250 days). Other foreign currencies are not accounted for in the liquidity overview by reason of the low transaction volume, but they are nonetheless monitored daily by ALM. The accumulated net cash flows are then checked against the bank's liquidity coverage potential, to determine whether the liquidity buffer is adequate or whether steps are to be taken to assure the solvency of the bank.

In consideration of projected substantial liquidity surplus over the next three months, the risks attributable to a liquidity shortfall are low at the present time.

## Short-term liquidity overview

All amounts in € mn	t+1	t+2	t+3	t+4	t+5	1 month	2 month	3 month
	01/03/2011	01/04/2011	01/05/2011	01/06/2011	01/07/2011	02/02/2011	03/04/2011	04/03/2011
<b>CASH FLOW ANALYSIS</b>								
Contractual cash inflows (iso.)	10.0000	0.0000	0.0000	0.0000	0.0000	90.7813	96.5626	99.7813
Contractual cash outflows (iso.)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Adjustments (iso.)	113.0000	0.0000	0.0000	0.0000	0.0000			
Cumulative contractual cash flows for DAB bank (1)	123.0000	123.0000	123.0000	123.0000	123.0000	222.0626	318.6252	418.4065
Cumulative estimated cash flows (2)	-55.0738	-55.0738	-55.0738	-55.0738	-55.0738	-47.9044	-51.3629	-54.0765
Cumulative cash flows (1) + (2)	67.9262	67.9262	67.9262	67.9262	67.9262	174.1582	267.2622	364.3300
<b>LIQUIDITY COVERAGE POTENTIAL</b>								
First-class cash and cash equivalents	453.3733	453.3733	453.3733	453.3733	453.3733	419.7354	369.2570	305.0073
Other ECB-capable securities	869.5261	869.5261	869.5261	869.5261	869.5261	802.2213	760.2626	745.3362
Liquidity coverage potential (3)	1,322.8993	1,322.8993	1,322.8993	1,322.8993	1,322.8993	1,221.9567	1,129.5195	1,050.3435
<b>GAP ANALYSIS</b>								
Cumulative potential liquidity surplus/ deficit (1)+(2)+(3)	1,390.8256	1,390.8256	1,390.8256	1,390.8256	1,390.8256	1,396.1149	1,396.7818	1,414.6734



## Other risks

Other risks refer to non-quantifiable risks such as strategic risk and reputation risk.

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

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, and therefore have a negative impact on the bank's business performance.

Managing the strategic risks and reputation risks of DAB bank is part of the management responsibility of the Management Board of DAB bank. At DAB bank, such risks are measured primarily by means of qualitative methods. For that purpose, the national and international environment is closely monitored and the company's strategic positioning is assessed on a continual basis. The Management Board regularly assesses the adopted strategy of DAB bank 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.

At DAB bank, reputation management is likewise the responsibility of the Management Board. For that 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.

## Stresstesting

Individual risks were subjected to stress testing for the first time in financial year 2010. Stress testing is performed on the basis of a bottom-up approach and is currently only being performed on the institution level (implementation will be extended successively to the group in financial year 2011). For that purpose, global scenarios will be defined and implemented in the risk sub-categories. The results of the stress tests conducted for each risk sub-category will then be aggregated on the institution level.

The following global scenarios will be defined at DAB bank:

- ▶ Short-term financial crisis
- ▶ Financial and economic crisis
- ▶ General strike
- ▶ Dot-com

In these global scenarios, suitable risk drivers will be identified and calculated individually for each risk category. The scenarios will contemplate both short-term and long-term negative developments of the individual parameters, broken down into a crisis phase, stable phase and development-back phase.

DAB bank AG has defined the following parameters as risk drivers:

- ▶ Default risk: changes in creditworthiness/ LGD
- ▶ Investment risk: Development and volatility of the SIGFLE Index
- ▶ Business risk: Development of the DAX/ Dow Jones/ GDP, DAB trading volume in the prior period, process performance indicator
- ▶ Market price risk: Changes in the yield curve; fluctuations in exchange rates, drop in share prices.

The analysis conducted by DAB bank is focused on the additional scenario loss (conditional loss) and the stress value-at-risk (conditional value-at-risk). The stress loss on the institution level is then the sum of the individual results of the respective worst-case scenarios for all risk sub-categories. The aggregation of the stress value-at-risk, including a stress premium, is calculated by way of inter-correction and intra-correlation matrices.

The stress test results are monitored on a quarterly basis in connection with the risk coverage capacity calculation. Those results are checked against the risk-covering potential in order to ensure that the risk-covering potential is sufficient both to cover the individual risks and the overall risk.

The following further developments are planned for 2011:

- ▶ Default risk: Implementation of additional scenarios
- ▶ Operational risk: To be calculated and integrated into the risk coverage capacity report for the first time
- ▶ Liquidity risk: To be calculated and integrated into the risk coverage capacity report for the first time
- ▶ Hypothetical scenarios

#### Risk coverage capacity for all risk categories in the stress scenario, at December 31, 2010

in € mn	Stress VaR with stress correlation	Conditional Loss	Stress VaR with stress correlation and conditional loss	RDM (distribution % to limit allocation)	RDM Limit utilization
Default risk	27.20	2.41	29.61	63.36	46.73%
Market price risk	21.93	1.27	23.20	34.44	67.37%
Business risk	17.44	1.40	18.84	29.62	63.61%
Operational risk	5.14	0.00	5.14	9.12	56.38%
Investment risk	0.82	0.04	0.86	6.65	12.93%
Total (quantifiable risks)	72.53	5.12	77.65	143.18	54.23%
Non quantifiable risks*	10.88	0.77	11.65	21.48	54.23%
(Grand) total	83.41	5.89	89.30	164.66	54.23%

\*As a theoretical value equal to 15% of the quantifiable VaR.



## Forecast report

The recovery of the global economy will continue to proceed in 2011. While some countries will recover only slowly, weighed down by the after-effects of the real estate and debt crisis, other countries can be expected to benefit increasingly from the generally appreciable upswing. Barring adverse developments such as a potential euro debt crisis, for example, global GDP could return to its pre-crisis level by the end of 2011.

The most important factor supporting Germany's economic recovery is the level of demand for the country's products in the global markets. Having shifted their focus to the emerging-market countries of southern and eastern Asia, exporters are now reaping enormous benefits, thanks to the extremely dynamic growth of those countries. Furthermore, the stimulating effect of foreign trade is increasingly spilling over to the domestic economy of Germany. Business investment can be expected to rise substantially and consumer spending will be favored by the advantageous development of the jobs market and by rising incomes. Home construction is being supported by historically low interest rates. Another factor supporting the domestic economy is the high level of confidence expressed in surveys of businesses and consumers. The resilience of the German economy, which has rebounded strongly from the worst economic crisis in post-war history, at least in terms of the immediate impact, can be seen as proof that the reforms and flexibility-enhancing measures implemented in the last ten years were not in vain.

## Stock market and trading activity

Experts believe the German stock market can perform better than the international average in 2011. That is the result of a special survey conducted by the Center for European Economic Research (ZEW), entitled "Development of the Stock Market in 2011." More than 75% of the 231 financial market experts surveyed expect the German stock market to perform better than the MSCI World Index in 2011, while only slightly less than 8% believe it will underperform that index. Therefore, investors seeking sustainable capital appreciation can be expected to invest more of their money in securities again, given a positive development of the stock markets. In combination with the innovative new products and services we are making available to our customers in connection with our program for the future, "DAB one," this trend can be expected to have a positive effect on our trading business. Therefore, we anticipate a further increase in the trading activity of our customers in 2011.

## Interest rates

The central banks of the Western world responded to the worst economic and financial crisis in more than 60 years by keeping interest rates permanently low. Given the expectation of continued economic recovery, no serious risk of deflation can be discerned at the present time, and therefore interest rates could begin to rise again in 2011. In that respect, however, central banks will proceed very cautiously, as they have so far. Considering the high level of debt weighing on governments and consumers in some peripheral countries of the euro zone and in the United States, an overly aggressive change of interest rate policy could hamper the economic recovery.

The lingering fears of many investors that a sovereign state of the European Union could default on its debt obligations can be expected to influence the general development of yields significantly, again in 2011. A renewed barrage of negative headlines concerning the debt situation of some peripheral countries of Europe would probably dampen the appetite for risk in the financial markets yet again.

Based on the assumptions of the German Bundesbank, we expect the three-month EURIBOR rate to exhibit a slight rising trend in 2011, compared to 2010, and we expect that trend to continue into 2012 as well. The German Bundesbank also assumes that the running yield on long-term German government bonds will be 2.9% in 2010, after 2.7% in 2009, and reach 3.3% in 2011.

## Outlook for 2011 and subsequent years

We expect the market environment to be very challenging in 2011, as it was last year. Although the healthy state of the German economy will have a beneficial effect on the stock markets, after-shocks of the great financial crisis can still be expected. While the real economy finds itself in the second year of recovery in 2011, considerable portions of the financial markets continue to suffer from the after-effects of the financial crisis, four years after it began. After the "sub-prime" crisis in 2007, the Lehman Brothers bankruptcy and bank crisis of 2008 and the global recession of 2009, the euro zone in particular was hard hit by the sovereign debt crisis in 2010.

With the goal of providing for a more secure and reliable financial system in the future, the heads of state and government of the G-20 countries adopted the Basel III reforms to tighten capital and liquidity regulations. The new regulations will take effect already in 2013, giving rise to the challenge of transposing them into national law as quickly as possible. Overall, the new regulations will doubtlessly make the financial system more stable. We are constantly monitoring the development of new regulations and court decisions and we are already making preparations for the considerably stricter requirements that Basel III will impose on the entire banking industry. DAB bank fulfilled the new core capital ratio for 2013 already in 2010 and is therefore sufficiently well capitalized.

The investment income tax on capital gains introduced in Austria at the beginning of 2011 can be expected to have a negative impact on the trading behavior of the customers of our Austrian subsidiary *direktanlage.at*. Effective October 1, 2011, Austrian banks will be required to withhold and transfer to the tax authority the 25% investment income tax on capital gains realized on the sale of securities purchased by individual investors on or

after January 1, 2011. Individual investors will be entitled to set off any losses incurred in the same year only in connection with the employee tax assessment. Tax loss carry-forwards are also not possible.

As a specialized bank for investors, traders and independent asset managers, DAB bank is particularly dependent on the development of economic and financial markets, which affects the investment and trading activities of our customers. Factors such as rising internet usage rates in the population, the growing use of online banking offers and the attractive price-for-value compared to branch banks are the main growth drivers for the business of DAB bank in Germany and Austria. As we see it, this positive trend will continue without interruption in 2011 and in the subsequent years.

We launched our program for the future, DAB one, in 2010. The goal of that program is to continuously improve the performance of DAB bank with respect to its products and services for trading, investment and banking, as well as the bank's online presence and the quality and efficiency of its processes. We will continue to expand the bank's spectrum of products and services in 2011. Our success in this matter is critically dependent on our employees, whom we expressly wish to thank for their hard work and dedication.

### Net commission income

The trading business is a key driver of commission income. In view of the positive developments in 2010 and the ongoing recovery of stock markets, we expect the number of trades executed for customers to rise further in 2011. If the international stock markets do not perform as well as we are predicting, that would pose a corresponding risk to our operating results. By introducing new products and services, we intend to increase the proportion

of revenues that are not dependent on the stock markets, which have a stabilizing effect on net commission income. Based on the assumptions we have made, we expect to generate slightly higher net commission income in 2011, compared to 2010.

### Net financial income

Based on our expectations concerning the development of interest rates, our net interest income will be considerably lower in 2011 compared to 2010, despite the growing volume of cash deposit accounts, as a result of narrower spreads in the customer deposit business. If interest rates do not develop as we expect them to, that would pose a corresponding risk or opportunity for our operating results. The performance of our trading profit/loss and the profit/loss from investments is critically dependent on the further development of the money markets and capital markets. Despite the uneasiness of the bond markets and the continued high volatility of credit spreads, we expect to generate a positive profit contribution from our treasury operations again in 2011 and in the subsequent years, albeit less than the corresponding figure for 2010. This forecast could be derailed by other factors, such as defaults and downgrades of individual issuers that would have a ripple effect throughout the market. Other factors that could reduce the value of our treasury portfolio include the concerns regarding the high level of government debt and possible political crises. Any increase in our risk provisions will be disproportionately lower than the expanded volume of business in 2011, as in prior years.

## Administrative expenses

The development of administrative expenses is closely tied to the forecast development of our business; at any rate, any increase in administrative expenses will be disproportionately less than the increase in operating income. As in 2010, we will continue to make systematic investments in product innovations and marketing activities; as a result, our marketing expenses in particular will be higher in 2011 and in the subsequent years. The development of administrative expenses may also be influenced by developments related to new regulatory framework conditions such as Basel III, an EU-wide harmonization of deposit insurance and the bank tax contemplated as part of the National Restructuring Act, which could pose additional burdens and increase the bank's administrative expenses. By means of active and flexible cost management, however, we should be able to absorb the negative effects of changed or worsened market conditions, within certain limits, without decreasing our profit.

According to our calculations, the rate of taxation in the DAB Group will remain constant at slightly more than 30%, barring future changes in the tax law.

## Equity investments

The business performance of our Austrian subsidiary direktanlage.at is dependent on essentially the same success and market factors that influence the performance of DAB bank AG. By continuously expanding its offering of brokerage and investment services, direktanlage.at intends to secure and further extend its market leadership position in Austria. Risks to the future development of direktanlage.at are posed by the investment income tax on capital gains, which took effect in Austria at the beginning of 2011 and could have a negative impact on the trading behavior of customers.

In 2011, SRQ FinanzPartner AG will focus on making targeted investments to reinforce its network of financial planners, bolster its competitiveness and enhance its profitability. Concrete liability and reputation risks may result from the recommendation by financial planners of investments in closed-end investment funds, which were not able to achieve the planned capital and income performance by reason of the financial markets and economic crisis, and from the heightened statutory and regulatory requirements, which may necessitate additional investments and have an adverse impact on the company's financial performance.

## Conclusion

As before, the business strategy of DAB bank will be guided by the principles of sustainable, prudent and sound management. The course-setting steps we have taken in our business units and the initiatives emanating from our "DAB one" program are meant to ensure that DAB bank will continually strengthen and extend its market position. By reason of the investments required for that purpose and the lower net financial income, we expect a slightly lower profit for 2011, compared to 2010, despite the projected increase in net commission income. We should be able to offer a detailed profit forecast for financial year 2011 around the middle of the year.

## Consolidated Statement of Comprehensive Income (IFRS)

in € thousand	Notes	Quarterly Report 10/01/2010- 12/31/2010	Quarterly Report 10/01/2009- 12/31/2009	Year to date 01/01/2010- 12/31/2010	Year to date 01/01/2009- 12/31/2009
Interest and similar income	20, 25	17,972	18,096	70,220	101,375
Interest expenses	20, 26	4,122	3,073	14,575	36,643
<b>Net interest income/expenses</b>		<b>13,850</b>	<b>15,023</b>	<b>55,645</b>	<b>64,732</b>
Commission income	21, 27	39,130	41,844	147,311	152,154
Commission expenses	21, 27	15,585	20,253	61,089	69,242
Net commission income/expenses	27	23,545	21,591	86,222	82,912
Trading profit/loss	22, 28	6,024	3,153	13,723	9,009
Profit/loss from investments	23, 29	753	710	195	2,645
Net other operating income/ expenses	30	-1,108	11,754	-2,513	12,942
<b>Non-interest-dependent income</b>		<b>29,214</b>	<b>37,208</b>	<b>97,627</b>	<b>107,508</b>
<b>OPERATING INCOME</b>		<b>43,064</b>	<b>52,231</b>	<b>153,272</b>	<b>172,240</b>
Personnel expenses	31	9,323	10,091	37,940	40,169
Other administrative expenses	31	18,336	15,152	67,996	69,958
Depreciation, amortization and impairments of property, plant and equipment and intangible assets	31, 34	6,217	2,284	13,060	9,713
<b>Administrative expenses</b>	<b>31</b>	<b>33,876</b>	<b>27,527</b>	<b>118,996</b>	<b>119,840</b>
<b>OPERATING PROFIT/LOSS</b>		<b>9,188</b>	<b>24,704</b>	<b>34,276</b>	<b>52,400</b>
Additions to provisions	32	500	2,346	1,703	3,091
Impairment of goodwill	33	3,410	1,923	3,410	1,923
Restructuring expenses	35	-	13,239	-	13,239
Credit risk provisions	36	412	146	596	572
<b>PROFIT/LOSS BEFORE TAXES</b>		<b>4,866</b>	<b>7,050</b>	<b>28,567</b>	<b>33,575</b>
Income taxes	37	4,892	2,059	12,131	10,265
<b>NET PROFIT/LOSS AFTER TAXES</b>		<b>-26</b>	<b>4,991</b>	<b>16,436</b>	<b>23,310</b>
Decrease or increase in the value of AFS financial instruments not affecting net income (OCI)	38	-3,164	-2,399	-6,634	1,849
<b>Other comprehensive income/ expenses (after taxes)</b>		<b>-3,164</b>	<b>-2,399</b>	<b>-6,634</b>	<b>1,849</b>
<b>COMPREHENSIVE INCOME</b>		<b>-3,190</b>	<b>2,592</b>	<b>9,802</b>	<b>25,159</b>
Attributable to shareholders of DAB bank AG		-51	4,977	16,448	23,299
Attributable to non-controlling interests		25	14	-12	11
<b>Net profit/loss</b>		<b>-26</b>	<b>4,991</b>	<b>16,436</b>	<b>23,310</b>
Attributable to shareholders of DAB bank AG		-3,215	11,244	9,814	25,148
Attributable to non-controlling interests		25	14	-12	11
<b>Comprehensive income</b>		<b>-3,190</b>	<b>2,592</b>	<b>9,802</b>	<b>25,159</b>
Earnings per share (basic)	40	0.00	0.07	0.22	0.31
Earnings per share (diluted)	40	0.00	0.07	0.22	0.31
Average shares outstanding (basic)		75,187,007	75,187,007	75,187,007	75,187,007
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	Notes	Annual Report	Annual Report
		2010	2009
Cash reserve	41	68,251	53,612
Trading assets	10, 42	30,264	20,631
AFV financial instruments	11, 43	198,370	1,259,618
AFS financial instruments	11, 43	1,784,778	627,595
HtM financial instruments	11, 43	358,051	357,863
Receivables from banks	8, 44	419,951	475,932
Receivables from customers	8, 45	281,661	225,683
Property, plant and equipment	12, 46	12,488	12,500
Intangible assets	14, 47	50,941	56,181
Income tax assets (current)	19, 48	543	3,578
Income tax assets (deferred)	19, 48	21,554	17,758
Other assets	49	10,436	9,637
<b>Total assets</b>		<b>3,237,288</b>	<b>3,120,588</b>

## Equity and liabilities

in € thousand	Notes	Annual Report	Annual Report
		2010	2009
Liabilities to banks	15, 50	38,808	36,830
Liabilities to customers	15, 51	2,907,066	2,786,216
Trading liabilities	16, 52	29,989	19,894
Provisions	17, 53	8,079	6,434
Income tax liabilities (current)	19, 54	7,008	4,073
Income tax liabilities (deferred)	19, 54	13,471	8,116
Other liabilities	18, 55	54,684	59,856
Subordinated capital	56	10,010	18,009
Liabilities		<b>3,069,115</b>	<b>2,939,428</b>
Subscribed capital	57	75,187	75,187
Additional paid-in capital	57	59,769	59,769
Retained earnings	57	23,828	22,491
Changes in measured value of financial instruments (OCI)	38, 57	-6,043	591
Unappropriated net profit		15,037	22,556
Non-controlling interests		395	566
Equity	57	168,173	181,160
<b>Total equity and liabilities</b>		<b>3,237,288</b>	<b>3,120,588</b>

## Consolidated Statement of Financial Position (IFRS)

## Consolidated Statement of Changes in Equity (IFRS)

in € thousand	Subscribed capital	Additional paid-in capital	Retained earnings	Changes in measured value of financial instruments (OCI)	Consolidated unappropriated net profit	Minority interest	Total shareholders' equity
<b>As of 01/01/2009</b>	<b>75,187</b>	<b>59,769</b>	<b>21,785</b>	<b>-1,258</b>	<b>8,271</b>	<b>1,435</b>	<b>165,189</b>
Changes in measured value of financial instruments not recognized in the income statement	-	-	-	1,849	-	-	1,849
Change due to net profit/loss for the year	-	-	706	-	22,593	11	23,310
Distribution by DAB bank AG	-	-	-	-	-8,271	-	-8,271
Changes in the scope of consolidation	-	-	-	-	-	-880	-880
Changes resulting from foreign currency effects and other changes	-	-	-	-	-37	-	-37
<b>As of 12/31/2009</b>	<b>75,187</b>	<b>59,769</b>	<b>22,491</b>	<b>591</b>	<b>22,556</b>	<b>566</b>	<b>181,160</b>
<b>As of 01/01/2010</b>	<b>75,187</b>	<b>59,769</b>	<b>22,491</b>	<b>591</b>	<b>22,556</b>	<b>566</b>	<b>181,160</b>
Changes in measured value of financial instruments not recognized in the income statement	-	-	-	-6,634	-	-	-6,634
Change due to net profit/loss for the year	-	-	1,368	-	15,080	-12	16,436
Distribution of DAB bank AG	-	-	-	-	-22,556	-	-22,556
Changes in the scope of consolidation	-	-	-	-	-	-17	-17
Changes resulting from foreign currency effects and other changes	-	-	-31	-	-43	-142	-216
<b>As of 12/31/2010</b>	<b>75,187</b>	<b>59,769</b>	<b>23,828</b>	<b>-6,043</b>	<b>15,037</b>	<b>395</b>	<b>168,173</b>

Additional information on the composition of the equity is found in the Notes (No. 57).

## Consolidated Statement of Cash Flows (IFRS)

in € thousand 01/01 - 12/31	2010	2009
<b>Cash flow from operating activities</b>		
Net profit/loss after taxes	16,436	23,310
Write-downs, valuation adjustments and write-ups of receivables	626	595
Depreciation and write-ups of non-current assets	17,352	11,636
Changes in other non-cash items	6,459	3,967
Profits/losses on sales of non-current assets	-14,299	-10,935
Other adjustments	-49,381	-59,116
<b>Subtotal</b>	<b>-22,807</b>	<b>-30,543</b>
Changes in operating assets and liabilities, adjusted for non-cash transactions		
Receivables from banks	55,981	806,832
Receivables from customers	-56,604	40,431
Trading assets	-9,633	5,506
Other assets from operating activities	-325	19,363
Liabilities to banks	1,978	-287,630
Liabilities to customers	120,850	-475,155
Trading liabilities	10,095	-4,341
Other liabilities from operating activities	-3,071	6,117
Income taxes paid	-6,264	-5,616
Interest and dividends received	70,220	101,375
Interest paid	-14,575	-36,643
<b>Cash provided by/used in operating activities</b>	<b>145,845</b>	<b>139,696</b>
<b>Cash flow from investing activities</b>		
Cash receipts from sales of non-current assets	1,081,216	22,014
Cash payments for acquisition of non-current assets	-1,175,140	-132,664
<b>Cash used in investing activities</b>	<b>-93,924</b>	<b>-110,650</b>
<b>Cash flow from financing activities</b>		
Cash receipts from increases in subordinated capital	-8,000	-2,014
Dividend payments	-22,599	-8,308
Change in cash from other financing activities	-6,634	1,849
Effects from changes in the scope of consolidation	-49	-3,100
<b>Cash provided by/used in financing activities</b>	<b>-37,282</b>	<b>-11,573</b>
Foreign exchange-induced changes in cash and cash equivalents	-	-
Increase/decrease in cash and cash equivalents	14,639	17,473
Cash and cash equivalents at January 1	53,612	36,139
Cash and cash equivalents at December 31	68,251	53,612

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

## Notes to the consolidated financial statements

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## Consolidated financial statements according to IFRS

The consolidated financial statements of DAB bank at December 31, 2010, 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 consolidated financial statements in conformity with IFRS pursuant to § 315a (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). Furthermore, we comply with the pronouncements of the German Accounting Law Modernization Act ("BilMoG") insofar as it was obligatory to apply them to fiscal years beginning after December 31, 2008 and 2009.

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.

A statement on the governance pursuant to Section 289A HGB, which also includes the Declaration of Conformity with the "German Corporate Governance Code" in the version of May 26, 2010, as required by Section 161 AktG, is published on the company's website at <http://aktie.dab-bank.de/servicenavigation/investor-relations/corporate-governance.html> and is available there for inspection.

All existing and currently applicable IFRS regulations at December 31, 2010 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 2011, were not yet applied in fiscal 2010:

- ▶ IAS 1: Presentation of Financial Statements – Presentation of Statement of Changes in Equity (revised 2010)

This change enables expanded scope of flexibility in the presentation of the consolidated statement of shareholders' equity.

- ▶ IAS 24: Disclosures concerning related companies and persons (revised 2009)

Material changes relate to the fundamental revision of the definition of related companies and persons, as well as the scope of disclosure obligations.

- ▶ IAS 34: Interim financial reporting – material events and business transactions (revised 2010)

The changes in IAS 34 are intended to improve the information content of the financial reporting during the fiscal year.

▶ IFRS 3: Business combinations (revised 2010)

The types of changes comprise the transitional provisions for conditional payments in the context of a business combination prior to the effective date of IFRS 3 (revised 2008), valuation of the non-controlling shares in a company, and share-based remuneration not replaced or voluntarily replaced in the context of a business combination.

▶ IFRS 7: Financial instruments: Disclosures – Change in disclosure obligations (revised 2010)

The revised IFRS 7 essentially has the goal of clarifying and improving the consistency of the standard.

The presentation requirements prescribed by the new standards will be observed starting in 2011. 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 year 2011 are not relevant to the DAB bank Group: IAS 21, 28, 31, IFRIC 13 (improved 2010), 14 (amended 2009) and 19.

## 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 (€ thousand).

### ▶ 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, valuation and presentation methods

Since fiscal 2010, some supplemental and new IFRS regulations have been required to be applied for the first time. IAS 27 “Consolidated and Separate Financial Statements” has had a de facto effect on the present financial statements. Aside from the pronouncements that are first required to be applied for 2010, the same recognition and valuation methods applied for the 2009 consolidated financial statements were applied for the present consolidated financial statements.

## Changes in presentation methods

As part of an effort to harmonize the presentation methods used within the UniCredit Group, the statement of comprehensive income and the statement of financial position will be structured mainly according to the formats chosen by the Capital Markets Communication Department of the UniCredit Group, starting in fiscal year 2010. The sign logic applied before will still be used. Aside from those changes, no further changes were made to the presentation methods.

### a) Statement of comprehensive income

The main differences between the new statement of comprehensive income according to the format used in the UniCredit Group and the format previously used by DAB bank are the following:

- ▶ The trading profit or loss contains the valuation gains and realization gains or losses on financial instruments classified as AFV, which had formerly been presented as part of the profit or loss from investments.
  - ▶ The profit or loss from investments contains the gains on financial instruments classified as HtM and AfS, which had also formerly been presented as part of the profit or loss from investments.
  - ▶ The administrative expenses contain, as a sub-item of other administrative expenses, those miscellaneous taxes that are not income taxes and had formerly been presented as part of net other income/expenses.
- ▶ The additions to and reversals of provisions previously allocated to administrative expenses or other operating result have been included in the separate item "Additions to provisions", except where they involve restructuring provisions.
  - ▶ In accordance with the format applied in the UniCredit Group, credit risk provisions, which are comparable to the provisions formerly presented under that title, are now presented separately from operating income and expenses.



## Previous statement of comprehensive income:

in € thousand	Annual Report
	01/01/2010-12/31/2010
Interest income	70,220
Interest expenses	14,575
<b>Net interest income/expenses</b>	<b>55,645</b>
Credit risk provisions	596
<b>Net interest income after credit risk provisions</b>	<b>55,049</b>
Commission income	147,311
Commission expenses	61,089
<b>Net commission income/expenses</b>	<b>86,222</b>
<b>Trading profit/loss</b>	<b>501</b>
<b>Profit/loss from investments</b>	<b>13,417</b>
Personnel expenses	37,940
Other administrative expenses	68,006
Depreciation, amortization and impairments of property, plant and equipment and intangible assets	13,060
<b>Administrative expenses</b>	<b>119,006</b>
<b>Restructuring expenses</b>	<b>-</b>
<b>Net other operating income/ expenses</b>	<b>-4,184</b>
<b>Impairments of goodwill</b>	<b>3,410</b>
<b>Net income/ expenses</b>	<b>-22</b>
<b>Profit/loss before taxes</b>	<b>28,567</b>
Income taxes	12,131
<b>Net profit</b>	<b>16,436</b>
Decrease or increase in the value of AFS financial instruments not affecting net income (OCI)	-6,634
<b>Other comprehensive income/expenses (after taxes)</b>	<b>-6,634</b>
<b>Comprehensive income</b>	<b>9,802</b>

## New statement of comprehensive income:

in € thousand	Annual Report
	01/01/2010-12/31/2010
Interest and similar income	70,220
Interest expenses	14,575
<b>Net interest income/expenses</b>	<b>55,645</b>
Commission income	147,311
Commission expenses	61,089
Net commission income/expenses	86,222
Trading profit/loss	13,723
Profit/loss from investments	195
Net other operating income/ expenses	-2,513
<b>Non-interest-dependent income</b>	<b>97,627</b>
<b>OPERATING INCOME</b>	<b>153,272</b>
Personnel expenses	37,940
Other administrative expenses	67,996
Depreciation, amortization and impairments of property, plant and equipment and intangible assets	13,060
<b>Administrative expenses</b>	<b>118,996</b>
<b>OPERATING PROFIT/LOSS</b>	<b>34,276</b>
Additions to provisions	1,703
Impairments of goodwill	3,410
Restructuring expenses	-
Credit risk provisions	596
<b>PROFIT/LOSS BEFORE TAXES</b>	<b>28,567</b>
Income taxes	12,131
<b>NET PROFIT</b>	<b>16,436</b>
Decrease or increase in the value of AFS financial instruments not affecting net income (OCI)	-6,634
<b>Other comprehensive income/expenses (after taxes)</b>	<b>-6,634</b>
<b>COMPREHENSIVE INCOME</b>	<b>9,802</b>

## b) Statement of financial position

The main differences between the statement of financial position according to the format of the UniCredit Group and the formerly applied format are attributable to the following aspects:

- ▶ Credit risk provisions are now presented within the item of receivables from customers.
- ▶ The financial instruments formerly presented in the item of financial assets are now presented separately by their respective IAS 39 category.
- ▶ In the future, the item formerly known as accumulated other comprehensive income/expenses will be referred to as changes in value of financial instruments (OCI).

## Previous statement of financial position

<b>Assets</b>	
<b>in € thousand</b>	Annual Report 12/31/2010
Cash reserve	68,251
Receivables from banks	419,951
Receivables from customers	284,251
Credit risk provisions	-2,590
Trading assets	30,264
Non-current financial assets	2,341,199
Property, plant and equipment	12,488
Intangible assets	50,941
Income tax assets (current)	543
Income tax assets (deferred)	21,554
Other assets	10,436
<b>Total assets</b>	<b>3,237,288</b>

<b>Equity and liabilities</b>	
<b>in € thousand</b>	Annual Report 12/31/2010
Liabilities to banks	38,808
Liabilities to customers	2,907,066
Trading liabilities	29,989
Provisions	8,079
Income tax liabilities (current)	7,008
Income tax liabilities (deferred)	13,471
Other liabilities	54,684
Subordinated capital	10,010
Liabilities	3,069,115
Subscribed capital	75,187
Additional paid-in capital	59,769
Retained earnings	23,828
Accumulated other comprehensive income/expenses	-6,043
Unappropriated net profit	15,037
Non-controlling interests	395
Equity	168,173
<b>Total equity and liabilities</b>	<b>3,237,288</b>

## New statement of financial position

<b>Assets</b>	
<b>in € thousand</b>	<b>Annual Report 12/31/2010</b>
Cash reserve	68,251
Trading assets	30,264
AFV financial instruments	198,370
AFS financial instruments	1,784,778
HtM financial instruments	358,051
Receivables from banks	419,951
Receivables from customers	281,661
Property, plant and equipment	12,488
Intangible assets	50,941
Income tax assets (current)	543
Income tax assets (deferred)	21,554
Other assets	10,436
<b>Total assets</b>	<b>3,237,288</b>
<b>Equity and liabilities</b>	
<b>in € thousand</b>	<b>Annual Report 12/31/2010</b>
Liabilities to banks	38,808
Liabilities to customers	2,907,066
Trading liabilities	29,989
Provisions	8,079
Income tax liabilities (current)	7,008
Income tax liabilities (deferred)	13,471
Other liabilities	54,684
Subordinated capital	10,010
Liabilities	3,069,115
Subscribed capital	75,187
Additional paid-in capital	59,769
Retained earnings	23,828
Changes in measured value of financial instruments (OCI)	-6,043
Unappropriated net profit	15,037
Non-controlling interests	395
<b>Equity</b>	<b>168,173</b>
<b>Total equity and liabilities</b>	<b>3,237,288</b>

We have adjusted the prior-year figures in the statement of comprehensive income and the balance sheet accordingly.

In the interim financial reports for fiscal 2010, we had disclosed the balances with central banks under receivables from banks. In conformity with IAS 1.68 (i), we are now again showing this item as a component of the cash reserve. In addition, the subordinated liabilities were disclosed during the fiscal year under the description "securitized liabilities". In the 2010 annual report, this is labeled "subordinated capital". We had likewise reclassified the depreciation of property improvements in the interim financial reporting and shown it as a component of other operating income/expenses. At year-end, we again assigned the depreciation of property improvements to administrative expenses. The disclosure methodology in these items thus remains unchanged compared to the prior year. All quarterly presentations were adjusted to the disclosure methods of the 2010 annual report.

In connection with the standardization of the group-wide unified disclosure of the balance sheet and the statement of comprehensive income, corresponding adjustments were made to the statements in the notes and in the segment reporting. The changes in disclosure have had no effect on the statement of changes in equity and the statement of cash flows.

### Sale of the FSB FondsServiceBank customer base

In fiscal 2009, we had sold the customer base of our FondsServiceBank (FSB) business unit to FondsDepotBank GmbH, Hof an der Saale. For comparability, the operational key indicators of the prior years have been adjusted by the effects originating in the FSB business. We have refrained from adjusting the statement of comprehensive income and the balance sheet for reasons of materiality and presentation consistency.

### ► 4 Consolidation group

The consolidation group of the DAB bank Group at December 31, 2010, 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 88.22%). Both subsidiaries are included in the consolidated financial statements of DAB bank AG in the course of full consolidation. All the companies in the consolidation group prepared their separate financial statements at the same balance sheet date of December 31, 2010.

#### Acquisition of additional shares in SRQ FinanzPartner AG:

Effective January 4 or February 12, 2010, DAB bank AG acquired additional shares in SRQ FinanzPartner AG at a purchase price of €49 thousand. The share of equity in SRQ is thus at 82.22 percent (prior year: 81.61 percent), which corresponds to an investment book value of €7,110 thousand. No incidental acquisition costs were incurred from this transaction. We do not show the difference between the acquisition cost and the amortized carrying amounts that result from the successive acquisition that are allocated mathematically to the new share of equity held by DAB bank AG as goodwill; instead, we offset this directly against equity in compliance with IFRS 3. At the balance sheet date, we applied an impairment test to the goodwill and consequently applied a decrease in value of €3,410 thousand. Due to a decrease in capitalization carried out in the reporting year and (liquidity-related) repayment to the equity providers, the acquisition costs in the amount of the current share of equity of 82.22 percent have declined by €657 thousand. The investment book value at the balance sheet date is thus €3,043 thousand. Additional details can be found in Notes 33, 47, and 62.

Contractual agreements continue to exist on the part of both a minority shareholder and DAB bank AG with regard to granted options which govern the transaction for the remaining externally owned shares that DAB bank AG has not yet acquired.

### ► 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 statement of comprehensive income.

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 and presented in the items Cash reserve, Receivables from banks, Receivables from customers, and Other assets. The nature of the financial assets is explained in Notes 41, 44, 45, and 49.

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 nature of the financial assets is explained in Note 42.

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 still 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. 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 valuation discrepancies were materially attributable to intertemporal adjustments between the net interest income and the net investment profit or loss in view of our investment strategy linked to these securities holdings; in particular, the effects, resulting from AFS holdings, of a recognition of fair value changes of holdings not yet sold without affecting profit or loss net income was the decisive factor for the reclassification carried out at the time of initial use of the fair-value option. The nature of the financial assets is explained in Note 43. No further AFV designations were applied in fiscal 2010.

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. The nature of the financial assets is explained in Note 43.

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. The nature of the financial assets is explained in Note 43.

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.

All holdings designated as AFV, AfS, or HtM 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.

The disclosure of the profits and losses on financial instruments in the statement of comprehensive income is described in detail in Note 64 under Net results by valuation categories.

Detailed explanations regarding the risk management of financial instruments are provided in the Risk Report as a component of the Management Report on pages 78 to 85 and 89 to 90. The credit quality of specific financial assets is presented on page 81.

### ► 8 Receivables

The receivables from banks and receivables from customers are carried at amortized cost, 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 provisions for receivables due from customers are formed 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.

The individual value adjustments calculated for receivables from customers are posted to a value adjustment account that directly reduces the carrying amount of the receivable on the assets side.

### ▶ 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 comprehensive income statement under Net trading profit or loss.

### ▶ 11 AFV, AfS, and HtM financial instruments

Financial instruments in the category of AFV and AfS are measured at fair value. Any decrease or increase in the value of AFV financial instruments is recognized in income. In contrast, any changes in the value of AfS financial instruments are not recognized in income, as a rule. Fair value changes in AfS financial instruments are not recognized in income until such time as the asset in question is sold or written down in accordance with IAS 39. Financial instruments 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 in cases of credit events.

### ▶ 12 Property and equipment

Items of property and equipment are measured pursuant to IAS 16.73a 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 comprehensive income statement under Net other operating income/expenses. We show planned and unplanned depreciation in the statement of comprehensive income as a component of administrative 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	10 - 15 years
Facilities	06 - 15 years
Office machines	05 - 11 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, whereby we apply an estimate that factors in the material opportunities and risks on the basis of the criteria set forth in IAS 17.10 and 17.11.

In case of finance leases, we present as a lessee the asset under Property and equipment and the obligation 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 financial obligations. These obligations relate exclusively to computer hardware leases. The lease payments are recorded within administrative expenses linearly over the lease term, whereby these payments also include components not belonging to the lease.

#### ► 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 customer base in the original amount of €1,620 thousand (carrying amount: €1,206 thousand, remaining life: 11.2 years) is in connection with the acquisition of SRQ FinanzPartner AG and is amortized on a straight-line basis over an assumed original useful life of 15 years, whereby the term of the useful life is oriented materially to the specific business model and the specific assumed reduction rate. Amortization is shown as a component of administrative expenses.

Of the total goodwill in the amount of €19,580 thousand, an amount of €18,137 thousand 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 €6,386 thousand. The remaining goodwill item of €11,751 thousand was recognized in connection with the full consolidation of direktanlage.at AG. In addition, goodwill exists in the amount of €1,443 thousand arising from the majority investment Holding in SRQ FinanzPartner AG. Decreases in value are disclosed in the statement of comprehensive income in the item Impairment of goodwill.

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, which basically corresponds to the repayment amount. We disclose a breakdown of the carrying amounts by remaining lives in the individually relevant liabilities.

#### ► 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 comprehensive income statement under net trading profit or loss.

#### ► 17 Provisions

Provisions are formed to account for current legal or constructive obligations arising from a past event with a probable outflow of resources and an amount that can be dependably estimated. 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 (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 are recognized accordingly “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) and that were designated as affecting net income at the fair target value in order to avoid recognition or valuation discrepancies and that are included in the portfolio management process conducted on the basis of our integrated risk management strategy (AFV financial instruments) (IAS 39.9(b)).

### ▶ 23 Profit/loss from investments

The profit/loss from investments includes all realization effects attributable to financial instruments in the categories AfS and HtM.

### ▶ 24 Management's exercise of discretionary judgement

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 judgement and estimates by the management of DAB bank AG, beyond the matters disclosed in the notes to the financial statements and the management report.

Judgements 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 judgement 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 (carrying amount €41,088 thousand) or the parameters used as a basis to determine unscheduled depreciation (carrying amount €1,555 thousand). Explanatory text is found in Notes 12, 14, 46, and 47.
- ▶ The valuation parameters in the impairment tests of the customer base (carrying amount €1,206 thousand), the goodwill (carrying amount €19,580 thousand), and all assets for which there is an objective indication of the need to test their valuation.
- ▶ Cash flow projections related to impairment tests that exceed a planning period of three years.
- ▶ The estimation of the timing and amount of future payments for the valuation of receivables from customers (carrying amount €2,912 thousand).
- ▶ 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 carry-forwards (carrying amount: €8,285 thousand).

## Notes to the statement of comprehensive income

### ▶ 25 Interest income and similar income

in € thousand 01/01 – 12/31				2010	2009
	Stocks	Bonds	Loans and receivables		
Receivables from banks	-	-	2,962	2,962	27,930
Receivables from customers	-	-	9,098	9,098	9,259
AFV financial assets	19	23,071	-	23,090	34,954
AfS financial assets	33	20,686	-	20,719	9,610
HtM financial assets	-	14,343	-	14,343	19,616
Other assets	-	-	8	8	6
<b>Total</b>	<b>52</b>	<b>58,100</b>	<b>12,068</b>	<b>70,220</b>	<b>101,375</b>

### ▶ 26 Interest expenses

in € thousand 01/01 – 12/31	2010	2009
Liabilities to banks	118	1,273
Liabilities to customers	14,058	34,647
Subordinated liabilities	276	487
Other liabilities	123	236
<b>Total</b>	<b>14,575</b>	<b>36,643</b>

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

### ▶ 27 Net commission income

in € thousand 01/01 – 12/31	2010	2009
<b>Commission income from</b>	<b>147,311</b>	<b>152,154</b>
securities and custodial services	73,215	78,805
brokerage of third-party products	62,626	62,429
foreign trade/payments	5,526	3,580
other service operations	5,944	7,340
<b>Commission expenses for</b>	<b>61,089</b>	<b>69,242</b>
securities and custodial services	12,013	15,961
brokerage of third-party products	43,823	50,192
foreign trade/payments	416	310
other service operations	4,837	2,779
<b>Total</b>	<b>86,222</b>	<b>82,912</b>

### ▶ 28 Trading profit/loss

in € thousand 01/01 – 12/31	2010	2009
<b>HfT financial instruments</b>	<b>501</b>	<b>714</b>
Debt securities and other fixed-income securities	367	650
Equities and other non-fixed income securities	110	53
Derivative financial instruments	24	11
<b>AFV financial instruments</b>	<b>13,222</b>	<b>8,295</b>
Debt securities and other fixed-income securities	13,114	7,981
Equities and other non-fixed income securities	108	314
<b>Total</b>	<b>13,723</b>	<b>9,009</b>

Fundamentally, the net profits of the holdings measured at fair value that affect net income only contain the fair value changes that affect net income. The interest profit/loss of the trading portfolio is fundamentally recognized in the net interest income.

### ► 29 Profit/loss from investments

in € thousand	2010	2009
<b>01/01 - 12/31</b>		
<b>AfS financial instruments</b>	195	2,645
Debt securities and other fixed-income securities	17	2,580
Equities and other non-fixed income securities	178	65
<b>HtM financial instruments</b>	-	-
Debt securities and other fixed-income securities	-	-
<b>Total</b>	195	2,645

The net profits from the sale of securities holdings in the category Available for Sale exclusively contain realization profits and losses. Changes in measured value are disclosed with no effect on income until the asset is sold or written down. The interest profit/loss of AfS and HtM financial assets is fundamentally recognized in the net interest income.

### ► 30 Net other operating income/expenses

in € thousand	2010	2009
<b>01/01 - 12/31</b>		
<b>Other operating income</b>	2,774	19,225
Income from the sale of the customer base of FSB unit	-	17,244
Income from product management	560	230
Income from defective handling of securities trades	956	671
Other	1,258	1,080
<b>Other operating expenses</b>	5,287	6,283
Losses from defective handling of securities trades or accommodation payments	3,698	3,324
Write-offs on receivables	1,029	231
Other	560	2,728
<b>Total</b>	-2,513	12,942

Expenses of €779 thousand were incurred in Other operating expenses arising from the sale of the customer base of the FondsServiceBank business unit in the context of post-contractual obligations. Other operating income/expenses includes an overall effect from exchange differences in the amount of €49 thousand (PY: €30 thousand).

### ▶ 31 Administrative expenses

in € thousand 01/01 - 12/31	2010	2009
<b>Personnel expenses</b>	37,940	40,169
Wages and salaries	31,595	33,795
Social security	5,452	5,444
Pension and other benefit costs	893	930
<b>Other administrative expenses</b>	67,996	69,958
Marketing expenses	14,144	10,876
Communication expenses	4,994	5,154
IT expenses	15,168	14,874
Securities clearing and settlement expenses	10,589	14,378
Remaining other administrative expenses	23,101	24,676
<b>Depreciation and amortization</b>	13,060	9,713
of equipment	1,624	1,510
of software and other intangible assets (excluding goodwill)	11,436	8,203
<b>Total</b>	118,996	119,840

Personnel expenses include severance payments for the year 2010 in the amount of €24 thousand (PY: €51 thousand). The expenses resulting from lease payments in connection with the company's obligations under operating leases amounted to €4,827 thousand in 2010 (PY: €5,403 thousand). The item Depreciation and amortization of software and other intangible assets includes unplanned depreciation of €3,629 thousand on software whose potential use we reviewed at year-end and adjusted accordingly. Pursuant to IFRS 8, the software is assigned to the DAB bank AG segment.

### ▶ 32 Additions to provisions

For 2010, the expenses for additions to provisions amounted to €1,908 thousand (PY: €3,192 thousand), which relate primarily to provisions for damage payments. To the extent that the reason for a provision had lapsed, we were able to apply reversals of €205 thousand (PY: €101 thousand).

### ▶ 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 more than five years in order to be able to determine a more accurate economic value-in-use over a longer term of development. At SRQ, the cash flow projections cover seven years due to planned investments for fiscal 2011 through 2013 and resulting income expectations for the following four periods.

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

in %	12/31/2010	12/31/2009
<b>Goodwill of direktanlage.at AG</b>		
Initial growth rate	15	2
Final growth rate	0	1
Risk-adjusted discount rate to determine present values	9	10
<b>Goodwill of SRQ FinanzPartner AG</b>		
Average initial growth rate	47	75
Final growth rate	0	1
Risk-adjusted discount rate to determine present values	13	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.

In this context, we carried out impairment tests on both sets of goodwill at December 31, 2010. The value of the carried goodwill of direktanlage.at AG in the amount of €18,137 thousand was confirmed in the full amount. We applied an impairment of €3,410 thousand on the goodwill of SRQ FinanzPartner AG and thus carry a new value of €1,443 thousand.

### ► 34 Impairment losses on the customer bases

We present a customer base allocated to our subsidiary SRQ FinanzPartner AG (SRQ) as a component of intangible assets. We subjected the customer base to an impairment test at the balance sheet date. In general, all income and expense components were subjected to a reevaluation, and the melting rate and the risk-adjusted discount rate in particular were updated, so that the fair value for the customer base was determined on a new basis. The impairment tests confirmed the value of the customer base of SRQ in the amount of €1,206 thousand.

### ► 35 Restructuring expenses

For fiscal 2009, we show the restructuring expenses incurred from the sale of the customer base of the FSB business unit in this item. Details can be found on page 99 of the 2009 Annual Report.

### ▶ 36 Credit risk provisions

in € thousand	2010	2009
<b>01.01. - 31.12.</b>		
Additions	900	828
Reversals	274	233
Amounts recovered on charged-off receivables	30	23
<b>Total</b>	<b>596</b>	<b>572</b>

### ▶ 37 Income taxes

The income taxes break down as follows:

in € thousand	2010	2009
<b>01/01 - 12/31</b>		
Current tax expenses	7,534	9,689
Deferred tax expenses	4,597	576
<b>Total</b>	<b>12,131</b>	<b>10,265</b>

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

The current tax expenses include corporate income tax effects of €220 thousand (PY: €-3 thousand) allocated to prior years.

The total amount of corporate income tax loss carryforwards at the balance sheet date was €52,356 thousand (2009: €66,121 thousand). No impairment losses were recognized.



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

in € thousand	2010	2009
<b>01/01 - 12/31</b>		
<b>Result before taxes</b>	28,567	33,575
Applicable tax rate	15.80%	15.80%
<b>Income taxes derived from applicable rate</b>	4,514	5,305
<b>Tax effects from</b>		
previous years	723	-148
foreign income	833	1,079
tax-exempt income	-1	-
differing legal norms	5,676	3,570
non-deductible expenses	48	168
impairment losses in goodwill	539	304
other differences	-201	-13
<b>Effective income taxes</b>	12,131	10,265

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. The domestic income tax rate has been 15.8%, unchanged from the prior year.

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 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	2010		2009	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
<b>at 12/31</b>				
Tax loss carryforwards	8,285	-	10,464	-
Credit risk provisions	-	76	-	81
Trading assets	-	9,931	-	6,604
Property and equipment	-	37	-	95
Intangible assets	-	661	-	558
AFV, AFS, and HtM financial instruments	3,099	2,279	539	769
Other assets	-	67	-	9
Trading liabilities	9,889	-	6,560	-
Provisions	122	420	114	-
Other liabilities	159	-	81	-
<b>Total</b>	21,554	13,471	17,758	8,116

The change in the balance of deferred taxes from temporary differences caused an expense of €5,914 thousand (2009: €2,398 thousand) and an income of €3,496 thousand (2009: €4,358 thousand). The utilization of deferred tax assets from loss carryforwards led to an expense in the amount of €2,179 thousand (2009: €3,145 thousand); the subsequent capitalization of tax loss carryforwards led to recognition of €609 thousand in income in the prior year.

### ▶ 38 Decrease or increase in the value of AfS financial instruments not affecting net income

The portfolio of deferred taxes included in equity and allocated to AfS financial instruments at the balance sheet date has a net value of €3,045 thousand (€3,099 thousand in deferred tax assets and €54 thousand in deferred tax liabilities). In the prior year, the net balance was €8 thousand (€539 thousand in deferred tax assets and €531 thousand in deferred tax liabilities).

### ▶ 39 Appropriation of net profit (as per HGB/AktG)

The unappropriated net profit of DAB bank AG for the 2010 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 €15,037 thousand. At the annual shareholders' meeting to be held on May 19, 2011, the Management Board and Supervisory Board of DAB bank AG will propose distributing a dividend of 0.20 euros per no-par bearer share. The consolidated unappropriated net profit of the DAB bank Group calculated in accordance with IFRS is likewise €15,037 thousand.

#### **Dividend distribution of the 2009 unappropriated net profit**

The shareholders present and represented at the annual shareholders' meeting of DAB bank AG on May 20, 2010 approved a dividend of €0.30 per no-par bearer share for the 2008 financial year. The full amount of the dividend distribution corresponds to the unappropriated net profit of DAB bank AG according to German commercial law rules and to the accumulated profit of the Group according to IFRS. The total amount of €22,556 thousand computed on this basis was distributed to the shareholders as a dividend.

### ▶ 40 Earnings per share

	2010	2009
<b>01/01 - 12/31</b>		
Consolidated net income (attributable to shareholders of DAB bank AG) in € thousand	16,436	23,299
Average number of shares outstanding	75,187,007	75,187,007
<b>Earnings per share (basic) in €</b>	0,22	0,31
Consolidated net income in € thousand	16,436	23,299
Number of potential shares	-	-
Adjusted average number of shares outstanding	75,187,007	75,187,007
<b>Earnings per share (diluted) in €</b>	0,22	0,31

\*The treasury shares acquired for the purpose of adjusting improperly executed securities orders had no significant effect on the average number of shares in circulation.

## Notes to the Consolidated Statement of Financial Position

### ► 41 Cash reserve

in € thousand at 12/31	2010	2009
Cash on hand	1,744	1,373
Balances with central banks	66,507	52,239
<b>Total</b>	<b>68,251</b>	<b>53,612</b>

### ► 42 Trading assets

in € thousand 01/01 - 12/31	2010	2009
<b>Trading assets (HfT)</b>		
Debt securities and other fixed-income securities	147	223
Stocks and other variable-yield securities	-	411
Derivative financial instruments	30,117	19,997
<b>Total</b>	<b>30,264</b>	<b>20,631</b>

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.

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

in € thousand at 12/31	2010	2009
<b>Due in</b>		
up to 3 months	1	27
more than 3 months to 1 year	1	30
more than 1 year to 5 years	105	119
more than 5 years	40	47
<b>Total</b>	<b>147</b>	<b>223</b>

A breakdown of derivative financial instruments by residual maturities is presented on page 83 of the Management Report (Risk Report).

### ► 43 AFV, AfS, and HtM financial instruments

#### Breakdown of financial assets

in € thousand at 12/31	2010	2009
<b>AFV financial assets</b>	<b>198,370</b>	<b>1,259,618</b>
<b>Bonds and other fixed-income securities</b>	<b>197,140</b>	<b>1,256,195</b>
thereof: long-term financial assets	-	-
<b>Stocks and other variable-yield securities</b>	<b>1,230</b>	<b>3,423</b>
thereof: long-term financial assets	-	-
<b>AfS financial assets</b>	<b>1,784,778</b>	<b>627,595</b>
<b>Equity investments</b>	<b>20</b>	<b>20</b>
<b>Bonds and other fixed-income securities</b>	<b>1,784,211</b>	<b>626,696</b>
thereof: long-term financial assets	-	-
<b>Stocks and other variable-yield securities</b>	<b>547</b>	<b>879</b>
thereof: long-term financial assets	-	-
<b>HtM financial assets</b>	<b>358,051</b>	<b>357,863</b>
<b>Bonds and other fixed-income securities</b>	<b>358,051</b>	<b>357,863</b>
including: long-term financial assets	-	-
<b>Total</b>	<b>2,341,199</b>	<b>2,245,076</b>

At the balance sheet date, we applied an impairment test to our holdings of category HtM financial instruments for which there was an objective 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 stated carrying amount totaling €358,051 thousand. At the balance sheet date, the market value of all HtM holdings amounted to €364,094 thousand.

The carrying amounts at December 31, 2010, break down as follows:

	Equity investments	Bonds and other fixed-income securities	Stocks and other variable-yield securities	Total
<b>in € thousand</b>				
<b>Marketable securities</b>	-	2,339,402	1,140	2,340,542
Listed securities	-	2,339,402	1,066	2,340,468
Unlisted securities	-	-	74	74
<b>Unmarketable securities</b>	20	-	637	657

The equity investments in the amount of €20 thousand 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:

<b>in € thousand at 12/31</b>	2010	2009
<b>Bonds and other fixed-income securities</b>	2,339,402	2,240,754
Money market instruments	142,557	56,678
of public issuers	12,397	-
of other issuers	130,160	56,678
Bonds and debt issues	2,196,845	2,184,075
of public issuers	148,646	187,790
of other issuers	2,048,199	1,996,285
<b>Stocks and other variable-yield securities</b>	1,777	4,302
Stocks	135	536
Investment fund shares	1,642	2,284
Index certificates	-	1,482

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

<b>in € thousand at 12/31</b>	2010	2009
<b>Term to maturity</b>		
up to 3 months	24,141	154,304
3 months to 1 year	65,070	426,697
1 year to 5 years	2,176,516	1,571,533
more than 5 years	73,675	88,220
<b>Total</b>	2,339,402	2,240,754

#### Bonds by overdue status

<b>in € thousand at 12/31</b>	2010	2009
Neither overdue nor written down	2,339,402	2,240,754
Overdue, but not yet written down	-	-
<b>Total</b>	2,339,402	2,240,754

## ▶ 44 Receivables from banks

by maturity		
in € thousand at 12/31	2010	2009
Payable on demand	233,077	154,452
Due in	186,874	321,480
up to 3 months	40,321	183,884
more than 3 months to 1 year	143,537	137,596
more than 1 year to 5 years	3,016	-
more than 5 years	-	-
<b>Total</b>	<b>419,951</b>	<b>475,932</b>
by domestic and foreign		
in € thousand at 12/31	2010	2009
Domestic banks	344,203	328,110
Foreign banks	75,748	147,822
<b>Total</b>	<b>419,951</b>	<b>475,932</b>
to affiliated companies		
in € thousand at 12/31	2010	2009
<b>Total</b>	<b>159,674</b>	<b>139,779</b>
by overdue status		
in € thousand at 12/31	2010	2009
Neither overdue nor written down	419,951	475,932
Overdue but not yet written down	-	-
<b>Total</b>	<b>419,951</b>	<b>475,932</b>

## ▶ 45 Receivables from customers

by maturity		
in € thousand at 12/31	2010	2009
Payable on demand	279,980	223,835
Due in	1,681	1,848
up to 3 months	1,253	1,376
more than 3 months to 1 year	428	472
more than 1 year to 5 years	-	-
more than 5 years	-	-
<b>Total</b>	<b>281,661</b>	<b>225,683</b>
thereof, secured by mortgages	-	-
by domestic and foreign		
in € thousand at 12/31	2010	2009
Domestic	187,739	148,902
Foreign	93,922	76,781
<b>Total</b>	<b>281,661</b>	<b>225,683</b>
to affiliated companies		
in € thousand at 12/31	2010	2009
<b>Total</b>	<b>220</b>	<b>-</b>
by overdue status		
in € thousand at 12/31	2010	2009
Neither overdue nor written down	281,661	225,683
Overdue but not yet written down	-	-
<b>Total</b>	<b>281,661</b>	<b>225,683</b>

The receivables due on a daily basis consist mainly of loans against securities.

The individual disclosures of receivables from customers are reduced by write-offs on receivables (credit risk). They break down as follows:

#### Changes in provisions

in € thousand	Individual risks		Latent risks		Total	
	2010	2009	2010	2009	2010	2009
<b>at 01/01</b>	2,290	1,863	-	-	2,290	1,863
<b>Changes recognized in income</b>						
Additions	900	828	-	-	900	828
Releases	274	233	-	-	274	233
<b>Changes not recognized in income</b>						
Utilization	326	168	-	-	326	168
<b>at 12/31</b>	2,590	2,290	-	-	2,590	2,290

In the DAB bank Group, receivables amounting to €215 thousand were completely charged off in 2010 (2009: €15 thousand). The amounts recovered on charged-off receivables in 2010 totaled €30 thousand (2009: €23 thousand).

The bank's credit business consists mainly of loans against securities. The apparent 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 €322 thousand (2009: €247 thousand).

## ► 46 Property and equipment

#### Changes in property and equipment

in € thousand	Hardware	Facilities	Miscellaneous
<b>Acquisition/production cost</b>			
Balance at 01/01/2009	3,859	4,740	18,258
Additions	2,871	65	-
Disposals	41	63	5,931
<b>Balance at 12/31/2009</b>	6,689	4,742	12,327
<b>Depreciation and impairments</b>			
Balance at 12/31/2009	2,473	1,289	11,991
Scheduled depreciation	489	391	629
Unscheduled depreciation	-	-	9
Disposals	70	58	5,886
<b>Balance at 12/31/2009</b>	2,892	1,622	6,743
<b>Carrying amounts</b>			
<b>Balance at 12/31/2010</b>	3,797	3,120	5,584
<b>Acquisition/production cost</b>			
Balance at 01/01/2010	6,689	4,742	12,327
Additions	1,546	20	280
Disposals	526	19	3
<b>Balance at 12/31/2010</b>	7,708	4,743	12,604
<b>Depreciation and impairments</b>			
Balance at 01/01/2010	2,892	1,622	6,743
Scheduled depreciation	675	384	565
Disposals	280	24	9
<b>Balance at 12/31/2010</b>	3,287	1,982	7,299
<b>Carrying amounts</b>			
<b>Balance at 12/31/2010</b>	4,421	2,762	5,305

## ► 47 Intangible assets

### Changes in intangible assets

in € thousand	Software	Kundenstamm	Geschäfts- oder Firmenwert
<b>Acquisition/production cost</b>			
Balance at 01/01/2009	78,526	6,840	26,319
Additions	4,292	-	-
Disposals	18,243	5,220	-
Changes in scope of consolidation	-	-	2,219
<b>Balance at 12/31/2009</b>	<b>64,575</b>	<b>1,620</b>	<b>28,538</b>
<b>Depreciation and impairments</b>			
Balance at 12/31/2009	39,210	1,590	3,625
Scheduled depreciation	7,950	253	-
Unscheduled depreciation	3,699	-	1,923
Disposals	18,161	1,537	-
<b>Balance at 12/31/2009</b>	<b>32,698</b>	<b>306</b>	<b>5,548</b>
<b>Carrying amounts</b>			
<b>Balance at 12/31/2010</b>	<b>31,877</b>	<b>1,314</b>	<b>22,990</b>
<b>Acquisition/production cost</b>			
Balance at 01/01/2010	64,575	1,620	28,538
Additions	9,726	-	-
Disposals	5,231	-	-
<b>Balance at 12/31/2010</b>	<b>69,070</b>	<b>1,620</b>	<b>28,538</b>
<b>Depreciation and impairments</b>			
Balance at 01/01/2010	32,698	306	5,548
Scheduled depreciation	7,699	108	-
Unscheduled depreciation	3,629	-	3,410
Disposals	5,112	-	-
<b>Balance at 12/31/2010</b>	<b>38,915</b>	<b>414</b>	<b>8,958</b>
<b>Carrying amounts</b>			
<b>Balance at 12/31/2010</b>	<b>30,155</b>	<b>1,206</b>	<b>19,580</b>

The software contains advance payments of €608 thousand (2009: €1,967 thousand) for IT projects that were not yet completed on the balance sheet date. The item Software includes unplanned depreciation of €3,629 thousand on software whose potential use we reviewed at year-end and adjusted accordingly.

Following the sale of the FSB customer base in fiscal 2009, the customer base item in the amount of €1,206 thousand is exclusively comprised of the customer base from the acquisition of SRQ FinanzPartner AG.

Of the goodwill totaling €19,580 thousand, €18,137 thousand is allocated to direktanlage.at AG. In addition, goodwill exists arising from the majority investment holding in SRQ FinanzPartner AG. In connection with the impairment test applied to the goodwill of SRQ at the balance sheet date, we applied a write-down of €3,410 thousand and thus carry a new value of €1,443 thousand. The cumulative decreases in the value of the SRQ goodwill total €5,333 thousand.

## ► 48 Income tax assets

in € thousand at 12/31	2010	2009
Tax refund claims	543	3,578
Deferred tax assets from tax loss carryforwards	8,285	10,464
Deferred tax assets from temporary differences	13,269	7,294
<b>Total</b>	<b>22,097</b>	<b>21,336</b>

## ▶ 49 Other assets

in € thousand at 12/31	2010	2009
Prepaid expenses	2,259	1,550
Trade receivables	4,081	1,705
Receivables due from public-sector entities	1,373	2,706
Other assets	2,723	3,676
<b>Total</b>	<b>10,436</b>	<b>9,637</b>

## by overdue status (Trade receivables)

in € thousand at 12/31	2010	2009
<b>Neither overdue nor written down</b>	<b>3,084</b>	<b>310</b>
<b>Overdue, but not yet written down</b>	<b>834</b>	<b>1,222</b>
up to 3 months	484	623
more than 3 months up to 6 months	17	450
more than 6 months up to 1 year	92	149
more than 1 year up to 5 years	241	-
<b>Total</b>	<b>3,918</b>	<b>1,532</b>

The valuation allowances charged against various trade receivables at the balance sheet date amounted to €163 thousand (2009: €173 thousand).

The Other assets exclusively comprise amounts without unequivocal due dates or interest obligations.

## ▶ 50 Liabilities to banks

## by maturity

in € thousand at 12/31	2010	2009
Payable on demand	38,808	27,056
Due in	-	9,774
up to 3 months	-	9,774
more than 3 months to 1 year	-	-
more than 1 year to 5 years	-	-
more than 5 years	-	-
<b>Total</b>	<b>38,808</b>	<b>36,830</b>

## by domestic and foreign

in € thousand at 12/31	2010	2009
Domestic banks	18,474	22,034
Foreign banks	20,334	14,796
<b>Total</b>	<b>38,808</b>	<b>36,830</b>

## to affiliated companies

in € thousand at 12/31	2010	2009
<b>Total</b>	<b>5,869</b>	<b>10,071</b>



## ► 51 Liabilities to customers

### by maturity

in € thousand at 12/31	2010	2009
<b>Payable on demand</b>	2,670,357	2,147,980
<b>Due in</b>	236,709	638,236
up to 3 months	153,238	512,369
more than 3 months to 1 year	80,165	125,867
more than 1 year to 5 years	3,296	-
more than 5 years	10	-
<b>Total</b>	<b>2,907,066</b>	<b>2,786,216</b>

### by domestic and foreign

in € thousand at 12/31	2010	2009
Domestic	2,320,797	2,259,967
Foreign	586,269	526,249
<b>Total</b>	<b>2,907,066</b>	<b>2,786,216</b>

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 €32,491 thousand (2009: €28,508 thousand).

## ► 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 83 of the Management Report (Risk Report).

## ► 53 Provisions

### Changes in provisions

in € thousand at 12/31	2010	2009
<b>Changes recognized in income</b>		
Additions	2,102	3,492
Reversals	240	101
<b>Changes not recognized in income</b>		
Effects of the sale of FSB unit	-	-23
Utilizations	217	46
<b>at 12/31</b>	<b>8,079</b>	<b>6,434</b>

The total inventory of provisions for compensation of loss or damage in the amount of €5,887 thousand (2009: €4,365 thousand), provisions for long-term obligations toward employees in the amount of €45 thousand (2009: €77 thousand), provisions for litigation expenses in the amount of €38 thousand (2009: €35 thousand), and other provisions in the amount of €100 thousand (PY: €80 thousand).

All provisions consist of current liabilities, except for obligations toward employees. With regard to provisions for compensation of loss or damage, we expect refunds in the amount of €1,008 thousand.

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

#### Changes in pension provisions

in € thousand	2010	2009
<b>Present value of pension obligations at 01/01</b>	1,877	1,600
<b>Changes recognized in income</b>		
Present value of the pension claims earned in the fiscal year	100	191
Interest expense	95	86
Amortized amount of actuarial gains and losses	-36	23
<b>Changes not recognized in income</b>		
Effects of the sale of FSB unit	-	-23
Payments affecting liquidity	-27	-
<b>Present value of pension obligations at 12/31</b>	2,009	1,877

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

in % at 12/31	31.12.2010/ 01.01.2011	31.12.2009/ 01.01.2010
Discount rate (p.a.)	5.00	5.25
Pension adjustment (p.a.)	1.70	1.90
Income increase (p.a.)	2.00	2.50

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 DAB bank Group relate to the benefits payable after termination of the employment 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 in fiscal 2005, and to the employees of direktanlage.at AG. The total number of entitled persons at the balance sheet date is 24 persons (2009: 39 persons), while at the balance sheet date, only vested pension rights exist. 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 cash value at 12/31/2010 is allocated to DAB bank AG at €527 thousand and direktanlage.at AG at €1,482 thousand.

The total expected pension expenses for 2011 are €100 thousand.

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

Please see Note 71 for information on amounts paid to defined contribution benefit plans for members of management.

#### ► 54 Income tax liabilities

in € thousand at 12/31	2010	2009
Income tax provisions	7,008	4,073
Deferred tax liabilities from temporary differences	13,471	8,116
<b>Total</b>	20,479	12,189

## ► 55 Other liabilities

<b>in € thousand at 12/31</b>	2010	2009
Accruals	36,111	39,828
Trade payables	4,806	5,444
Receivables due from public-sector entities	12,384	11,910
Other liabilities	1,383	2,674
<b>Total</b>	<b>54,684</b>	<b>59,856</b>

<b>to affiliated companies</b>		
<b>in € thousand at 12/31</b>	2010	2009
<b>Total</b>	<b>31</b>	<b>32</b>

The deferred accruals relate mainly to short-term liabilities due to employees and trade payables in connection with outstanding invoices. The remaining Other liabilities exclusively comprise items without unequivocal due dates or interest obligations.

## ► 56 Subordinated capital

The securitized liabilities exclusively comprise debt instruments in the form of subordinated capital. The portfolio at year-end breaks down as follows:

<b>Subordinated capital</b>				
<b>Nominal amount in in € thousand</b>	Interest rate	Starting date	Expiration date	Counterparty
<b>10,000</b>	3-month Euribor + 0.88% p.a.	12/12/2006	12/13/2011	Volkswahl Bund Lebensversicherung a.G.

A subordinated loan owed to UniCredit Bank AG in the amount of €8,000 thousand became due effective September 30, 2010.

<b>by maturity</b>		
<b>in € thousand at 12/31</b>	2010	2009
<b>Due in</b>		
up to 3 months	-	-
more than 3 months to 1 year	10,010	8,000
more than 1 year to 5 years	-	10,009
more than 5 years	-	-
<b>Total</b>	<b>10,010</b>	<b>18,009</b>

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

The item of Subordinated liabilities contains prorated interest of €10 thousand (PY: €9 thousand) and a loan discount of €6 thousand (2009: €12 thousand), which has been recognized as a prepaid expense. Interest expenses of €275 thousand (2009: €487 thousand) were incurred on subordinated liabilities in 2010.

## ► 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 (issued and fully paid-up) no-par bearer shares, each of which grants the same rights. Each share has one vote.

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.

### Changes in measured value of financial instruments (OCI)

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, 2010, 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, 2010, 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, 2010, 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 2010.

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, 2010, 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 2010.

### 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 01/01/2010	75,187	37,500	37,500	6,800
<b>at 12/31/2010</b>	<b>75,187</b>	<b>37,500</b>	<b>37,500</b>	<b>6,800</b>

### Authorized capital

Decision year	Original amount € thousand	Still available € thousand	Limited in time until
2006	22,500	22,500	05/11/2011
2007	15,000	15,000	05/10/2012
<b>at 12/31/2010</b>	<b>37,500</b>	<b>37,500</b>	

### Conditional capital

Decision year	Original amount € thousand	Still available € thousand	Limited in time until
1999	3,500	3,500	-
2001	3,300	3,300	-
<b>at 12/31/2010</b>	<b>6,800</b>	<b>6,800</b>	

## ► 58 Treasury shares

In accordance with § 71 (1) (7) AktG, the company is authorized to buy and sell its own shares for trading purposes from May 20, 2010, to May 19, 2015, by resolution of the annual shareholders' meeting. 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 §§ 71 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 14, 2009, under Agenda Item 6, which is hereby annulled.

DAB bank AG purchased treasury shares in 2010 for the purpose of correcting errors and to process customer orders. Overall, transactions in the period listed above involved 58 shares; this corresponds to a share of € 58 or 0.00001 percent of the capital stock. Of this amount, 58 shares were used for correcting errors; this likewise corresponds to a share of 0.00001 percent of the capital stock. At an average purchase price/sale price of €4.53 / €4.22 per share, a loss of €17.50 was earned on these transactions.

No company shares were held by the DAB bank Group at December 31, 2010.

#### ► 59 Trust transactions

The trust assets in the amount of €190,889 thousand 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. 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 statement of

financial position. If included in the statement of financial position, the trust transactions would correspond to the statement of financial position 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 reporting date date amounted to €131,441 thousand (2009: €66,883 thousand), and that of liabilities denominated in a foreign currency €132,608 thousand (2009: €96,125 thousand). Foreign currency transactions were effected primarily in U.S. dollars.

#### ► 61 Pledge of securities for own liabilities

Securities with a value of €10,000 thousand 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 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 Statement of Cash Flows

#### ► 62 Statement of Cash Flows

The Statement of Cash Flows 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, dividend income, interest expense, and income taxes paid are included in the item Other adjustments.

The change in liquid funds resulting from the further acquisition of shares in SRQ FinanzPartner AG is shown in the Statement of Cash Flows in summary form in a separate item. The purchase of the shares was made by a cash payment, which led to a cash outflow in the amount of the acquisition costs of €49 thousand. Recognition of this effect occurs as a component of financing activities in conformity with IAS 7.42a.

## Notes to the segment report

### ► 63 Segment reporting

The DAB bank Group is managed exclusively by the companies included in the DAB bank Group, whereby DAB bank AG, direktanlage.at AG, and SRQ FinanzPartner AG represent the operating segments within the meaning of IFRS 8.2ff. This is done by using management approach as a basis according to which a segment is determined on the basis of internal reports, which are regularly reviewed by managerial decision-makers in order to allocate resources to the individual segment and to measure its performance. Thus the internal Group organizational and management structure and the internal Group financial reporting constitute the basis for segment reporting.

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.

The geographical segmentation exclusively contains the countries Germany and Austria, where the DAB bank Group is active. Values are assigned to the geographic regions on the basis of the individual company's head office. DAB bank AG and SRQ FinanzPartner AG are to be assigned to the Germany segment, and direktanlage.at AG to the Austria segment. A breakdown by regional segments was also used in the Management Report (Financial Review) on page 52 ff.

In the Consolidation column, we presented cross-segmental consolidation processes whose effects primarily comprise internal Group revenues from income similar to interest (dividends) in the amount of €7,197 thousand and commission income and expenses in the amount of €4,509 thousand.

► The income similar to interest results due to phase-shifted dividend collection in connection with the distributions of the subsidiaries of DAB bank AG to the parent company. The net interest income of DAB bank AG has already been reduced by this amount in the segment presentation. The amounts disclosed in the item Net interest income thus already represent the revenues external to the Group.

► The disclosed net commission income of the included companies contains components of internal Group revenues of €4,509 thousand, whose disclosure does not appear in the Consolidation column due to the net presentation. Subtracting these effects results in the revenues external to the Group.

In the opinion of the DAB bank Group, there is no significant degree of dependency on customers who make a significant contribution to the result.

## Consolidated Segment Report according to IFRS

### Income Statement by Segments:

in € thousand	DAB bank AG	SRQ FinanzPartner AG	direktanlage.at AG	Consolidation	Group
<b>Net interest income</b>					
01/01/2010-12/31/2010	46,020	-43	9,668	-	55,645
01/01/2009-12/31/2009	55,149	-144	9,727	-	64,732
<b>Net commission income</b>					
01/01/2010-12/31/2010	64,133	3,330	18,759	-	86,222
01/01/2009-12/31/2009	63,636	3,452	15,824	-	82,912
<b>Trading profit/loss</b>					
01/01/2010-12/31/2010	13,729	-	-6	-	13,723
01/01/2009-12/31/2009	8,925	-	84	-	9,009
<b>Profit/loss from investments</b>					
01/01/2010-12/31/2010	1,417	-	-1,222	-	195
01/01/2009-12/31/2009	-	-	2,645	-	2,645
<b>Net other operating income/expenses</b>					
01/01/2010-12/31/2010	-2,610	329	-232	-	-2,513
01/01/2009-12/31/2009	12,342	800	-189	-11	12,942
<b>Non-interest-dependent income</b>					
01/01/2010-12/31/2010	76,669	3,659	17,299	-	97,627
01/01/2009-12/31/2009	84,903	4,252	18,364	-11	107,508
<b>OPERATING INCOME</b>					
01/01/2010-12/31/2010	122,689	3,616	26,967	-	153,272
01/01/2009-12/31/2009	140,052	4,108	28,091	-11	172,240
<b>Personnel expenses</b>					
01/01/2010-12/31/2010	29,077	1,425	7,438	-	37,940
01/01/2009-12/31/2009	31,461	1,321	7,387	-	40,169
<b>Other administrative expenses</b>					
01/01/2010-12/31/2010	56,652	1,885	9,459	-	67,996
01/01/2009-12/31/2009	59,214	2,198	8,557	-11	69,958
<b>Depreciation, amortization and impairments of property, plant and equipment and intangible assets</b>					
01/01/2010-12/31/2010	11,822	409	829	-	13,060
01/01/2009-12/31/2009	8,473	435	805	-	9,713
<b>Administrative expenses</b>					
01/01/2010-12/31/2010	97,551	3,719	17,726	-	118,996
01/01/2009-12/31/2009	99,148	3,954	16,749	-11	119,840
<b>OPERATING PROFIT/LOSS</b>					
01/01/2010-12/31/2010	25,138	-103	9,241	-	34,276
01/01/2009-12/31/2009	40,904	154	11,342	-	52,400



**Income Statement by Segments:**

in € thousand	DAB bank AG	SRQ FinanzPartner AG	direktanlage.at AG	Consolidation	Group
<b>Additions to provisions</b>					
01/01/2010-12/31/2010	1,605	32	66	-	1,703
01/01/2009-12/31/2009	2,986	64	41	-	3,091
<b>Impairment of goodwill</b>					
01/01/2010-12/31/2010	3,410	-	-	-	3,410
01/01/2009-12/31/2009	1,923	-	-	-	1,923
<b>Restructuring expenses</b>					
01/01/2010-12/31/2010	-	-	-	-	-
01/01/2009-12/31/2009	13,239	-	-	-	13,239
<b>Credit risk provisions</b>					
01/01/2010-12/31/2010	476	-	120	-	596
01/01/2009-12/31/2009	551	-	21	-	572
<b>PROFIT/LOSS BEFORE TAXES</b>					
01/01/2010-12/31/2010	19,647	-135	9,055	-	28,567
01/01/2009-12/31/2009	22,205	90	11,280	-	33,575
<b>Income taxes</b>					
01/01/2010-12/31/2010	10,082	-65	2,114	-	12,131
01/01/2009-12/31/2009	7,266	29	2,970	-	10,265
<b>Net profit/loss after taxes</b>					
01/01/2010-12/31/2010	9,565	-70	6,941	-	16,436
01/01/2009-12/31/2009	14,939	61	8,310	-	23,310

## Additional information by segments

	DAB bank AG	SRQ FinanzPartner AG	direktanlage.at AG	Consolidation	Group
<b>Cost-income ratio (in %)</b>					
01/01/2010-12/31/2010	83.7	103.8	66.2	-	81.1
01/01/2009-12/31/2009	83.7	97.8	59.8	-	80.1
<b>Investments in property and equipment and intangible assets (in € thousand)</b>					
01/01/2010-12/31/2010	9,829	812	931	-	11,572
01/01/2009-12/31/2009	6,411	30	786	-	7,227
<b>Total book value of segment assets (in € thousand)</b>					
12/31/2010	2,695,371	5,883	565,538	-29,504	3,237,288
12/31/2009	2,614,157	6,253	521,472	-21,294	3,120,588
<b>Total book value of segment liabilities (in € thousand)</b>					
12/31/2010	2,540,614	4,122	533,999	-9,620	3,069,115
12/31/2009	2,448,402	3,383	488,444	-801	2,939,428
<b>Cash flow from operating activities (in € thousand)</b>					
01/01/2010-12/31/2010	47,748	771	97,326	-	145,845
01/01/2009-12/31/2009	105,223	183	34,290	-	139,696
<b>Cash flow from investing activities (in € thousand)</b>					
01/01/2010-12/31/2010	-18,198	-531	-75,195	-	-93,924
01/01/2009-12/31/2009	-52,584	30	-58,096	-	-110,650
<b>Cash flow from financing activities (in € thousand)</b>					
01/01/2010-12/31/2010	-28,612	-240	-8,430	-	-37,282
01/01/2009-12/31/2009	-7,305	-213	-4,055	-	-11,573
<b>Employees (headcount)</b>					
12/31/2010	478	15	128	-	621
12/31/2009	532	12	119	-	663
<b>Trades executed (number)</b>					
01/01/2010-12/31/2010	3,364,885	-	1,141,581	-	4,506,466
01/01/2009-12/31/2009	2,972,826	-	1,137,988	-	4,110,814
<b>Securities accounts (number)</b>					
12/31/2010	556,686	4,608	59,358	-	620,652
12/31/2009	562,760	4,278	56,715	-	623,753

The prior-year figure for transactions and securities accounts was adjusted to reflect the sale of the customer base of FondsServiceBank at 12/31/2009.

## 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 pp. 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 €6,574 thousand (2009: €9,462 thousand) and the same difference in the case of liabilities was €-164 thousand (2009: €797 thousand). The net balance of these values, to be understood as undisclosed reserves or undisclosed liabilities, was €6,738 thousand (2009: €8,665 thousand).

#### Financial instruments under IFRS 7

in € thousand at 12/31	Valuation category per IAS 39	2010		2009	
		Fair value	Carrying amount	Fair value	Carrying amount
Cash reserve	LaR	68,251	68,251	53,612	53,612
Trading assets	HfT	30,264	30,264	20,631	20,631
AFV financial instruments	AFV	198,370	198,370	1,259,618	1,259,618
AFS financial instruments	AFS	1,784,778	1,784,778	627,595	627,595
HtM financial instruments	HtM	364,094	358,051	366,695	357,863
Receivables from banks	LaR	420,482	419,951	476,562	475,932
Receivables from customers	LaR	281,661	281,661	225,683	225,683
Other assets*	LaR	4,081	4,081	1,705	1,705
<b>Assets (total)</b>		<b>3,151,981</b>	<b>3,145,407</b>	<b>3,032,101</b>	<b>3,022,639</b>
Liabilities to banks	AC	38,808	38,808	36,830	36,830
Liabilities to customers	AC	2,906,873	2,907,066	2,787,088	2,786,216
Trading liabilities	HfT	29,989	29,989	19,894	19,894
Subordinated capital	AC	10,039	10,010	17,934	18,009
Other liabilities*	AC	4,806	4,806	5,444	5,444
<b>Liabilities (total)</b>		<b>2,990,515</b>	<b>2,990,679</b>	<b>2,867,190</b>	<b>2,866,393</b>

\* 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	12/31/2010				12/31/2009			
	Listed market prices (Level 1)	Valuation procedure based on market data (Level 2)	Valuation procedure not based on market data (Level 3)	Fair value (Total)	Listed market prices (Level 1)	Valuation procedure based on market data (Level 2)	Valuation procedure not based on market data (Level 3)	Fair value (Total)
Trading assets	28,356	1,908	-	30,264	15,359	5,272	-	20,631
AFV financial instruments	198,370	-	-	198,370	1,223,952	35,666	-	1,259,618
AFS financial instruments	1,784,778	-	-	1,784,778	612,610	14,985	-	627,595
HtM financial instruments	345,222	18,872	-	364,094	348,485	18,210	-	366,695
Trading liabilities	28,208	1,781	-	29,989	14,725	5,169	-	19,894

### Net results by valuation categories

in € thousand at 12/31	2010	2009	Notes
	Net results	Net results	
Loans and receivables (LaR)	11,472	36,623	25, 36
Financial assets and financial liabilities measured at fair value, recognized in income (HFT)	501	714	28
Financial assets measured at fair value recognized in income (AFV)	36,312	43,249	25, 28
Investments in financial assets held to maturity (HtM)	14,343	19,616	25, 29
Assets available for sale (AFS)	20,914	12,255	25, 29
Financial liabilities measured at amortized cost (AC)	-14,575	-36,643	26

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

As part of the regulatory requirements of the “Bank Solvency Regulation” (SolV), DAB bank AG decided to apply the Credit Risk Standard Method to the measurement of credit risks, the Market Risk Standard Method to the measurement of market risks, and the Advanced Measurement Approach (AMA) to the measurement of operational risks since 2009.

The Group-level monitoring in Germany is performed exclusively by the parent company of DAB bank AG, UniCredit Bank AG (UCB), Munich. This treatment accords with Section 10a of the German Banking Act (“KWG”) in conjunction with Article 25 Para. 2b of the “GroMiKV” (Large Loan Exposure and Multimillion Loan Regulation).

At DAB bank AG, the regulatory core capital is planned on the basis of equity as well as the capital charges for default risks and operational risks, and the capital charges for market risk positions.

In addition, the overall ratio as per SolV is planned, which represents the proportion of equity to capital charges and must at least comply with the 8% limit prescribed by SolV.

Compliance with the key regulatory ratios is monitored every day. DAB bank was in compliance with these ratios at all times in 2010.

The liable equity capital of DAB bank AG, which is determined on the basis of German commercial law, amounts to €96,685 thousand at year-end (PY: €93,342 thousand). Due to the increases in the receivable items from companies, the capital charges for default risk increased from €40,883 thousand to €48,292 thousand in the reporting year. For operational risk, they amount

to €10,701 thousand (PY: €10,149 thousand) for 2010 according to the Advanced Measurement Approach (AMA). The capital charges for market risk items declined year-on-year from €363 thousand to €235 thousand because the shareholdings in the trading book were reduced.

This results in an overall ratio at year-end pursuant to SolvV of 13.06%, which decreased slightly (by 1.44%) compared to the prior year (14.5%). Thus, the ratio was well above the minimum ratio of 8 percent prescribed by the bank regulators. The Tier 1 ratio at December 31, 2010 was 12.52, compared to 13.41 in the prior year. The changes in the overall ratio pursuant to SolvV and the Tier 1 ratio primarily result from a strong increase in capital charges for default risk.

#### Risk assets and market risk positions

at 12/31 in € thousand	2010	2009
Core capital	92,698	86,155
Supplementary capital	3,987	7,187
Eligible capital	96,685	93,342
Capital charges for default risk	48,292	40,883
Capital charges for market risk positions	235	363
Capital charges for operational risk	10,701	10,149
Surplus capital	37,457	41,948
Overall ratio per SolvV	13.1%	14.5%

With an overall ratio of 13.1%, DAB bank AG is adequately endowed with equity capital. In reference to the entire year 2010, DAB bank AG was likewise always sufficiently endowed with equity capital.

For banking regulation purposes, a bank's liquidity is measured by means of

the liquidity ratio prescribed by the Liquidity Regulation. This ratio is the ratio of the 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 6.95 as of December 31, 2010 (2009: 6.30); therefore, this requirement of supervisory law is also satisfied. The changes in the liquidity ratio can be found in the Risk Reporting section on page 90 to 92.

#### ► 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 financial obligations

in € thousand at 12/31	2010	2009
<b>Contingent liabilities</b>		
from guarantees and warranty agreements	458	1,313
<b>Other financial obligations</b>		
from rental agreements	25,770	28,165
from lease agreements	10,669	15,197
<b>Total</b>	<b>36,897</b>	<b>44,675</b>

The contingent liabilities presented consist primarily of credit guarantees, which are fully hedged up to €23 thousand by corresponding cash deposits or securities.

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 the significant future minimum lease payments due to non-cancellable operating leases break down as follows:

in € thousand at 12/31	2010	2009
<b>Maturity</b>		
up to 1 year	4,215	5,015
more than one year to 5 years	6,454	10,182
more than 5 years	-	-
<b>Total</b>	<b>10,669</b>	<b>15,197</b>

### ► 68 Group affiliation

At December 31, 2010, UniCredit S.p.A., Via Alessandro Specchi 16, 00186 Rome, Italy, indirectly held and UniCredit Bank AG, Kardinal-Faulhaber-Straße 1, 80333 Munich, Germany, directly held 77.48% of the shares of DAB bank AG, Landsberger Str. 300, 80687 Munich, Germany. No further direct or indirect investments in capital that exceed 10 percent of voting rights exist to the knowledge of the Management Board.

Pursuant to Section 315a (1) HGB, the consolidated financial statements of DAB bank AG at December 31, 2010, are prepared according to the International Financial Reporting Standards (IFRS) and included in the consolidated financial statements of UniCredit S.p.A., Rome, Italy, through the sub-group consolidated financial statements of UniCredit Bank AG, Munich, Germany.

### ► 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

Since December 31, 2009, no material events have occurred with regard to the financial and operational development of the DAB bank Group.

### ► 71 Related party disclosures

#### Compensation paid to members of the Supervisory Board and the Management Board of DAB bank AG\*

in € thousand	Fixed component		Performance-related components		Components with a long-term incentive effect		Pensions		Value of fringe benefits		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Management Board	600	698	244	596	69	13	92	-	30	43	1,035	1,350
Supervisory Board	75	74	21	69	-	-	-	-	-	-	96	143
<b>Total</b>	<b>675</b>	<b>772</b>	<b>265</b>	<b>665</b>	<b>69</b>	<b>13</b>	<b>92</b>	<b>-</b>	<b>30</b>	<b>43</b>	<b>1,131</b>	<b>1,493</b>

The compensation paid to the individual members of the Supervisory Board and the Management Board in 2010 is presented in the table below:

in € thousand	Fixed component	Performance - related components	Components with a long-term incentive effect	Pensions	Value of fringe benefits	Total
<b>Members of the Management Board</b>						
Markus Gunter	300	122	30	46	14	512
Dr. Markus Walch	300	122	39	46	16	523
<b>Members of the Supervisory Board</b>						
Werner Allwang	10	3	-	-	-	13
Nikolaus Barthold	10	3	-	-	-	13
Peter Buschbeck	6	2	-	-	-	8
Gunter Ernst	10	3	-	-	-	13
Alessandro Foti	13	4	-	-	-	17
Dr. Theodor Weimer	20	6	-	-	-	26
Jan Wohlschiess	6	2	-	-	-	8
<b>Total</b>	<b>675</b>	<b>265</b>	<b>69</b>	<b>92</b>	<b>30</b>	<b>1,131</b>

The key members of management include all members of the Management Board and the Supervisory Board. The compensation in the reporting period and in the comparison period consists primarily of payments due in the short term that are composed of a fixed amount and performance-based components. In addition, remuneration for pension plans, fringe benefits, and components with a long-term incentive effect exist to a limited extent. The latter contain programs from stock options, performance shares, and cash-based plans. Other types of compensation within the meaning of IAS 24.16 were not provided.

### Information on stock options:

#### Stock Options:

	2008
Number (units)	55,642
Exercise price (€)	4,185
UCI Share market price at granting (€)	4,185
Date of grant	06/25/2008
Start of exercise period	07/10/2012
End of exercise period	07/09/2018
Fair value per option on date of grant (€)	0,6552

Each stock option grants the right to purchase one share of UniCredit S.P.A., Rome, at a price that was established prior to issuing the option. Exercise is only possible from the beginning of the specified exercise period.

If the beneficiary has left the UniCredit Group by that time, the stock options are fundamentally void, that is, they no longer can be exercised. In specific exceptional cases such as permanent incapacity to work, retirement, or the employer leaving the UniCredit Group, the options are acquired proportionally.

Determination of the fair values of the stock options at the grant date is performed using the trinomial model by Hull & White. The following parameters were taken into account:

- ▶ Probability of the option lapsing because the beneficiary leaves the company prematurely after expiration of the lock-up period
- ▶ Assumption of an exercise barrier, meaning that the options will only be exercised prior to expiration of the exercise period if the current price of the UCG share exceeds the exercise price by the multiplier of the exercise barrier (for stock options granted in 2008, 1.5 times)
- ▶ Dividend yield of the UCG share
- ▶ Average historical daily volatility over the term of the lock-up period

For options, expense is recorded as the fair value on the grant date on the basis of the expected number of exercised options over the term.

For fiscal 2010, an expense of €9 thousand was incurred (PY: €13 thousand).

#### Information on performance shares:

##### Performance shares:

	2008
Number (units)	17,513
UCI Share market price at granting (€)	4,185
Date of conditional promise	06/25/2008
Grant upon fulfillment of criteria	12/31/2011
Fair value per performance share on the commitment date (€)	3,480

The transfer at no charge of a fixed number of shares (performance shares) of UniCredit will be effected when the individual relevant goals have been achieved after passage of three years and the rights holder continues to work for the UniCredit Group; otherwise, the performance shares fundamentally lapse (see the description of stock options regarding specific exceptions). Upon satisfaction of the criteria, we disclose the resulting expense only upon occurrence of the grant in fiscal 2011. The fair value for the performance shares is determined on the basis of the stock price on the reference date of granting the performance shares, factoring in a discount for expected dividend payments up to the reference date of granting upon achievement of the criteria.

#### Information on cash-based plans:

The program with a long-term incentive effect from fiscal 2009 is linked to specified criteria that are decisive for the amount of the remuneration. When the relevant goals are achieved, a corresponding cash payment is made. An expense of €60 thousand was incurred for fiscal 2010 in this context.

##### Receivables from members of the Supervisory Board and the Management Board

in € thousand	2010	2009
<b>at 12/31</b>		
Members of the Management Board	-	-
Members of the Supervisory Board	30	30
<b>Total</b>	<b>30</b>	<b>30</b>

At the balance sheet date, receivables due from members of the Supervisory Board existed in the amount of €30 thousand due to granted loans against securities, which are based on customary market terms. No further loans, advances, or contingent liabilities existed. The members of the Supervisory Board did not receive any compensation in 2010 for services rendered personally.



In 2010, the company maintained business relationships with the following companies included in the consolidated financial statements of the ultimate parent company UniCredit S.p.A.:

- ▶ UniCredit Bank Austria AG, Vienna
- ▶ FinecoBank S.p.A., Rome
- ▶ Food & More GmbH, Munich
- ▶ HVB Immobilien AG, Munich
- ▶ HVB Secur GmbH, Munich
- ▶ Pioneer Investments Austria GmbH, Vienna
- ▶ Pioneer Investments Kapitalanlagegesellschaft mbH, Unterföhring
- ▶ Pioneer Asset Management S.A., Luxembourg
- ▶ Schoellerbank Aktiengesellschaft, Vienna
- ▶ Schoellerbank Invest AG, Salzburg
- ▶ Structured Invest S.A., Luxembourg
- ▶ UniCredit Bank AG, Munich
- ▶ UniCredit Direct Services GmbH, Munich
- ▶ UniCredit Global Information Services S.p.A., Milan
- ▶ UniCredit S.p.A., Rome
- ▶ Unimagement S.R.L., Torino

The income from these business relationships total €3,989 thousand for fiscal 2010 (PY: €4,527 thousand) and the expenses total €1,112 thousand (PY: €1,513 thousand). At the balance sheet date, receivables of €159,895 thousand (PY: €139,778 thousand) and payables of €5,900 thousand (PY: €18,103 thousand) existed vis-à-vis the specified companies.

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

in € thousand	Expenses		Income	
	2010	2009	2010	2009
<b>Other companies included in the UniCredit S.p.A. with significant influence:</b>				
UniCredit Bank AG	388	961	1,171	2,241
<b>Other companies included in the UniCredit S.p.A.</b>				
UniCredit Bank Austria AG	8	14	88	-
UniCredit Global Information Services S.p.A.	550	373	-	-
Pioneer Investments Kapitalanlagegesellschaft mbH	-	-	319	526
Pioneer Asset Management SA	-	-	1,015	1,027
Schoellerbank Invest AG	-	-	638	-

in € thousand	Receivables		Payables	
	2010	2009	2010	2009
<b>at 12/31</b>				
<b>Other companies included in the UniCredit S.p.A. with significant influence:</b>				
UniCredit Bank AG	145,576	142,316	82	19,680
<b>Other companies included in the UniCredit S.p.A.</b>				
UniCredit Bank Austria AG	9,482	76	3,456	185
UniCredit Global Information Services S.p.A.	-	-	-	32
Pioneer Investments Kapitalanlagegesellschaft mbH	-	-	-	-
Pioneer Asset Management SA	-	-	-	-
Schoellerbank Invest AG	133	-	-	-

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 terms that were not disadvantageous.

In the DAB bank Group, a total effect from the income and expenses consolidation of €11,706 thousand (2009: €11,401 thousand) occurred in fiscal 2010, and a total effect of €9,611 thousand (2009: €801 thousand) occurred at the balance sheet date arising from debt consolidation.

## ▶ 72 Employees

	2010	2009
<b>Average number of employees (headcount)</b>		
Managing Directors	6	6
Senior Vice President	-	-
Holders of commercial power of attorney	9	10
Other salaried employees	559	621
Parental leave/military service	22	22
Vocational trainees	17	17
<b>Employees (total)</b>	<b>613</b>	<b>676</b>

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

### Members of the Supervisory Board of DAB bank AG:

#### **Dr. Theodor Weimer (Chairman)**

Board Spokesman of UniCredit Bank AG, Munich, and member of the Management Committee as Country Chairman Germany of the UniCredit Group, Rome, Italy

At December 31, 2010, Dr. Theodor Weimer also served on the following other, legally prescribed Supervisory Boards of German companies:

- ▶ Bayerische Börse AG, Munich
- ▶ ERGO Versicherungsgruppe AG, Düsseldorf

At December 31, 2010, Dr. Theodor Weimer served on the following comparable oversight boards of German and foreign companies:

- ▶ UniCredit Luxembourg S.A., Luxembourg, Vice Chairman of the Board of Directors \*)

In addition, Dr. Theodor Weimer was Chairman of the Supervisory Board of UniCredit CAIB AG, Vienna, Austria, until July 1, 2010.

#### **Alessandro Foti (Vice Chairman since May 20, 2010)**

Head of Business Line Asset Gathering of UniCredit Group, Rome, Italy, and Chief Executive Officer of FinecoBank S.p.A., Milan, Italy

At December 31, 2010, Mr. Alessandro Foti served on no other, legally prescribed Supervisory Boards of German companies.

At December 31, 2010, Mr. Alessandro Foti served on the following comparable oversight boards of German and foreign companies.

- ▶ direktanlage.at AG, Salzburg, Chairman of the Supervisory Board \*)

**Jan Wohlschiess (Vice Chairman until May 20, 2010)**

Head of Organisation Division Private Banking, UniCredit S.p.A., Rome, Italy, and Director of UniCredit Bank AG, Munich

**Peter Buschbeck (since May 20, 2010)**

Member of the Management Board of UniCredit Bank AG, Munich, and member of the Management Committee of UniCredit S.p.A., Rome, Italy

At December 31, 2010, Mr. Peter Buschbeck also served on the following other, legally prescribed Supervisory Boards of German companies:

- ▶ Bankhaus Neelmeyer AG, Bremen, Chairman of the Supervisory Board \*)
- ▶ PlanetHome AG, Unterföhring, Vice Chairman of the Supervisory Board \*)
- ▶ UniCredit Direct Services GmbH, Munich, Chairman of the Supervisory Board \*)

At December 31, 2010, Mr. Peter Buschbeck served on the following comparable oversight boards of German and foreign companies:

- ▶ Wealth Management Capital Holding GmbH, Munich, member of the Board of Directors \*)

**Gunter Ernst**

Person of independent means

At December 31, 2010, Mr. Gunter Ernst served on the following other, legally prescribed Supervisory Boards of German companies:

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

At December 31, 2010, Mr. Gunter Ernst did not serve on any other, comparable oversight boards of German and foreign companies.

**Werner Allwang (employee representative)**

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

At December 31, 2010, 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)**

Senior Manager, B2B Trading, DAB bank AG, Munich

At December 31, 2010, 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

Responsible for the areas B2C, B2B, Products & Services, and Human Resources & Corporate Affairs, as well as the Brand & Innovation Management department and the Corporate Communications task area

In addition, he held the following other offices at December 31, 2010:

Member of the Supervisory Board:

- ▶ SRQ FinanzPartner AG, Berlin, Chairman \*)
- ▶ Innovatum AG, Munich, Vice Chairman

#### Dr. Markus Walch

Responsible for the areas Finance & Controlling, IT, and Operations, as well as the Internal Audit departments and the directly managed task areas Legal & Compliance and Investor Relations

In addition, he held the following other offices at December 31, 2010:

Member of the Supervisory Board:

- ▶ direktanlage.at AG, Salzburg, Chairman\*)
- ▶ SRQ FinanzPartner AG, Berlin, Vice Chairman \*)

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

### ▶ 74 Changes in the Management Board and Supervisory Board

At the conclusion of the General Shareholders' Meeting on May 20, 2010, Mr. Jan Wohlschiess, a member of the Supervisory Board and formerly Vice Chairman, resigned from this office. The General Shareholders' Meeting elected a new member to the Supervisory Board to replace him: Mr. Peter Buschbeck, member of the Management Board of UniCreditBank AG, Munich, and member of the Management Committee as Head of Retail Germany & Austria of UniCredit S.p.A., Rome, Italy. Alessandro Foti, CEO of FinecoBank S.p.A., Milan, and Head of Business Line Asset Gathering of UniCredit Group, Rome, Italy, was elected by the Supervisory Board to be the Vice Chairman of that body.

### ▶ 75 Shareholdings of members of the Management Board and the Supervisory Board

at 12/31/2010	Shares	Options
<b>Members of the Management Board</b>		
Markus Gunter	-	-
Dr. Markus Walch	-	-
<b>Members of the Supervisory Board</b>		
Werner Allwang	-	-
Nikolaus Barthold	-	-
Peter Buschbeck	-	-
Gunter Ernst	-	-
Alessandro Foti	-	-
Dr. Theodor Weimer	-	-
<b>Treasury stock</b>	-	-

### ▶ 76 Share purchases and sales

in € thousand	Members of the Management Board of DAB bank AG	Members of the Supervisory Board of DAB bank AG
Share purchases, DAB bank AG	-	-
Share sales, DAB bank AG	-	2,001
Derivatives on shares	-	-

### ▶ 77 Relationships between the independent auditor and DAB bank AG

in € thousand	2010	2009
<b>Fees paid for:</b>		
The audit	303	309
Other certification services	132	165
Other services (including valuation services)	72	-
<b>Total</b>	<b>507</b>	<b>474</b>

### ▶ 78 Timing of release for publication

The present consolidated financial statements will be submitted to the Supervisory Board for adoption and approval on March 09, 2011.

Munich, March 01, 2011

DAB bank AG



Markus Gunter  
Member of the  
Management Board



Dr. Markus Walch  
Member of the  
Management Board

## Affirmation by the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal rewards and risks associated with the expected development of the Group.

Munich, March 1, 2011

DAB bank AG



Markus Gunter  
Member of the  
Management Board



Dr. Markus Walch  
Member of the  
Management Board

## Auditor's report\*

We have audited the consolidated financial statements prepared by the DAB bank AG, Munich, comprising the statement of financial position, statement of comprehensive income, notes to the consolidated financial statements, cash flow statement, statement of changes in equity and segment reporting, together with the group management report for the business year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code“] 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 net 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 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 EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net 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 of future development.

Munich, March 2, 2011

KPMG AG  
Auditing Company

Pfeiffer  
Independent Auditor

Petermaier  
Independent Auditor

\* Courtesy translation of the management report and the financial statements published in the original language of German.

## Quarterly Summary Consolidated Statement of Comprehensive Income (IFRS)

in € thousand	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
	2009	2010	2010	2010	2010
Interest and similar income	18,096	16,551	17,335	18,362	17,972
Interest expenses	3,073	3,358	3,394	3,701	4,122
<b>Net interest income/expenses</b>	<b>15,023</b>	<b>13,193</b>	<b>13,941</b>	<b>14,661</b>	<b>13,850</b>
Commission income	41,844	40,927	35,503	31,751	39,130
Commission expenses	20,253	18,466	13,658	13,380	15,585
Net commission income/expenses	21,591	22,461	21,845	18,371	23,545
Trading profit/loss	3,154	3,802	3,119	778	6,024
Profit/loss from investments	709	-6	-868	316	753
Net other operating income/ expenses	11,754	-186	-389	-830	-1,108
<b>Non-interest-dependent income</b>	<b>37,208</b>	<b>26,071</b>	<b>23,707</b>	<b>18,635</b>	<b>29,214</b>
<b>OPERATING INCOME</b>	<b>52,231</b>	<b>39,264</b>	<b>37,648</b>	<b>33,296</b>	<b>43,064</b>
Personnel expenses	10,091	9,968	9,505	9,144	9,323
Other administrative expenses	15,152	17,581	16,115	15,964	18,336
Depreciation, amortization and impairments of property, plant and equipment and intangible assets	2,284	2,208	2,228	2,407	6,217
<b>Administrative expenses</b>	<b>27,527</b>	<b>29,757</b>	<b>27,848</b>	<b>27,515</b>	<b>33,876</b>
<b>OPERATING PROFIT/LOSS</b>	<b>24,704</b>	<b>9,507</b>	<b>9,800</b>	<b>5,781</b>	<b>9,188</b>
Additions to provisions	2,346	920	-83	366	500
Impairment of goodwill	1,923	-	-	-	3,410
Restructuring expenses	13,239	-	-	-	-
Credit risk provisions	146	49	29	106	412
<b>PROFIT/LOSS BEFORE TAXES</b>	<b>7,050</b>	<b>8,538</b>	<b>9,854</b>	<b>5,309</b>	<b>4,866</b>
Income taxes	2,059	2,669	2,946	1,624	4,892
<b>NET PROFIT/LOSS AFTER TAXES</b>	<b>4,991</b>	<b>5,869</b>	<b>6,908</b>	<b>3,685</b>	<b>-26</b>
Decrease or increase in the value of AFS financial instruments not affecting net income (OCI)	-2,399	1,743	-5,386	173	-3,164
<b>Other comprehensive income/ expenses (after taxes)</b>	<b>-2,399</b>	<b>1,743</b>	<b>-5,386</b>	<b>173</b>	<b>-3,164</b>
<b>COMPREHENSIVE INCOME</b>	<b>2,592</b>	<b>7,612</b>	<b>1,522</b>	<b>3,858</b>	<b>-3,190</b>
Attributable to shareholders of DAB bank AG	4,977	5,887	6,915	3,697	-51
Attributable to non-controlling interests	14	-18	-7	-12	25
<b>Net profit/loss</b>	<b>4,991</b>	<b>5,869</b>	<b>6,908</b>	<b>3,685</b>	<b>-26</b>
Attributable to shareholders of DAB bank AG	2,578	7,630	1,529	3,870	-3,215
Attributable to non-controlling interests	14	-18	-7	-12	25
<b>Comprehensive income</b>	<b>2,592</b>	<b>7,612</b>	<b>1,522</b>	<b>3,858</b>	<b>-3,190</b>



in € thousand	2006	2007	2008	2009	2010
Interest and similar income	100,721	150,713	168,993	101,375	70,220
Interest expenses	57,175	107,832	114,444	36,643	14,575
<b>Net interest income/expenses</b>	<b>43,546</b>	<b>42,881</b>	<b>54,549</b>	<b>64,732</b>	<b>55,645</b>
Commission income	228,238	280,787	206,679	152,154	147,311
Commission expenses	99,648	137,807	98,260	69,242	61,089
Net commission income/expenses	128,590	142,980	108,419	82,912	86,222
Trading profit/loss	-13,012	-6,087	-26,325	9,009	13,723
Profit/loss from investments	-259	94	139	2,645	195
Net other operating income/ expenses	5,027	6,641	4,637	12,942	-2,513
<b>Non-interest-dependent income</b>	<b>120,346</b>	<b>143,628</b>	<b>86,870</b>	<b>107,508</b>	<b>97,627</b>
<b>OPERATING INCOME</b>	<b>163,892</b>	<b>186,509</b>	<b>141,419</b>	<b>172,240</b>	<b>153,272</b>
Personnel expenses	37,920	41,438	41,149	40,169	37,940
Other administrative expenses	82,906	90,999	78,316	69,958	67,996
Depreciation, amortization and impairments of property, plant and equipment and intangible assets	8,224	8,601	9,734	9,713	13,060
<b>Administrative expenses</b>	<b>129,050</b>	<b>141,038</b>	<b>129,199</b>	<b>119,840</b>	<b>118,996</b>
<b>OPERATING PROFIT/LOSS</b>	<b>34,842</b>	<b>45,471</b>	<b>12,220</b>	<b>52,400</b>	<b>34,276</b>
Additions to provisions	-675	184	421	3,091	1,703
Impairment of goodwill	-	-	-	1,923	3,410
Restructuring expenses	-	-	-	13,239	-
Credit risk provisions	511	-228	312	572	596
<b>PROFIT/LOSS BEFORE TAXES</b>	<b>35,006</b>	<b>45,515</b>	<b>11,487</b>	<b>33,575</b>	<b>28,567</b>
Income taxes	13,035	19,697	3,001	10,265	12,131
<b>NET PROFIT/LOSS AFTER TAXES</b>	<b>21,971</b>	<b>25,818</b>	<b>8,486</b>	<b>23,310</b>	<b>16,436</b>
Decrease or increase in the value of AFS financial instruments not affecting net income (OCI)	-469	-918	323	1,849	-6,634
<b>Other comprehensive income/ expenses (after taxes)</b>	<b>-469</b>	<b>-918</b>	<b>323</b>	<b>1,849</b>	<b>-6,634</b>
<b>COMPREHENSIVE INCOME</b>	<b>21,502</b>	<b>24,900</b>	<b>8,809</b>	<b>25,159</b>	<b>9,802</b>
Attributable to shareholders of DAB bank AG	21,971	25,711	8,359	23,299	16,448
Attributable to non-controlling interests	-	107	127	11	-12
<b>Net profit/loss</b>	<b>21,971</b>	<b>25,818</b>	<b>8,486</b>	<b>23,310</b>	<b>16,436</b>
Attributable to shareholders of DAB bank AG	21,502	24,793	8,682	25,148	9,814
Attributable to non-controlling interests	-	107	127	11	-12
<b>Comprehensive income</b>	<b>21,502</b>	<b>24,900</b>	<b>8,809</b>	<b>25,159</b>	<b>9,802</b>

Since February 28, 2007, SRQ FinanzPartner AG has been consolidated in the DAB bank Group.

## Five-year Summary Consolidated Statement of Comprehensive Income (IFRS)

01/01 - 12/31

## Five-year summary of key figures of the DAB bank Group per IFRS

		2006	2007	2008	2009	2010
<b>Results</b>						
Net commission income	k€	128,590	142,980	108,419	82,912	86,222
Net financial income	k€	30,275	36,888	28,363	76,386	69,563
Administrative expenses	k€	129,050	141,038	129,199	119,840	118,996
Result before taxes	k€	35,006	45,515	11,487	33,575	28,567
Net profit	k€	21,971	25,818	8,486	23,310	16,436
Cost-income ratio	in %	78.7	75.6	91.8	80.1	81.1
Return on equity before taxes	in %	20.2	25.3	6.6	19.4	16.4
<b>Balance sheet</b>						
Total assets	€ mn	3,361.9	4,294.6	3,866.7	3,120.6	3,237.3
Shareholders' equity	€ mn	177.6	181.9	165.2	181.2	168.2
Overall ratio per SolvV	in %	12.3	9.3	10.8	14.5	13.1
<b>Share</b>						
Earnings per share	€	0.29	0.34	0.11	0.31	0.22
Dividend per share	€	0.29	0.34	0.11	0.30	0.20
Year-end closing price (Xetra)	€	7.00	6.03	2.57	4.24	4.27
Book value per share	€	2.12	2.12	1.90	2.10	1.98
Dividend yield	in %	4.1	5.7	4.3	7.1	4.7
Total shareholder return	in %	7.8	-8.3	-56.5	71.3	5.4
Market capitalization	€ mn	526.3	453.4	193.2	318.8	321.0
<b>Key operational indicators</b>						
Securities accounts	number	535,874	601,360	619,714	623,753	620,652
Volume of securities accounts and deposits	€ bn	23.11	26.51	19.40	23.30	26.79
Trades executed	number	5,074,580	5,940,848	5,210,884	4,110,814	4,506,466
Trades executed per securities account per year	number	9.89	10.49	8.58	6.65	7.29
<b>Employees</b>						
Employees (head count)	number	646	704	712	663	621
Employees (full-time equivalents)	number	580	643	646	595	554

The customer base of FondsServiceBank was sold with effect as of December 31, 2009 and the operating performance figures were adjusted accordingly. The workforce numbers for the years from 2006 to 2008 were not adjusted. Furthermore, we opted not to adjust the income statement and statement of financial position figures for the entire multi-year overview, for the sake of presentation continuity.

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 year 2006, the overall ratio was presented in accordance with Principle I (KWG).



## Glossary

### Asset management:

(Fiduciary) management of assets for clients.

### Assets:

Assets refer to all items on the assets side of the balance sheet.

### Available-for-sale:

Financial instruments classified as being "available for sale" in accordance with IAS 39.

### Back-testing:

Retrospective method for monitoring the quality of value-at-risk models by means of checking, over a longer period of time, whether the potential losses estimated by application of the value-at-risk model have not been exceeded significantly more frequently than would be expected, based on the confidence level applied.

### 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.

### Basel III:

Planned new capital adequacy requirements of the Basel Committee of the Bank for International Settlements (BIS) in Basel, to supplement the existing capital adequacy requirements for banks. It is based on the experiences made with the Basel II Accord from the year 2007 and on the knowledge and experiences gained from the worldwide financial and economic crisis that began in 2007.

### 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.

### Cash flow statement:

The cash flow statement shows the composition of and changes in a company's cash and cash equivalents during a financial year. It is divided into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities.

### 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.

### Core capital:

Sum of subscribed capital and disclosed reserves, minus intangible assets according to the German Commercial Code.

### 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:

We define the cost-income ratio as the relationship between administrative expenses (or restructuring charges and amortization of goodwill) and the sum of net interest income after default risk provision, net commission income, long-term investment result, trading result, and balance of other operating or other income/expenses.

### Credit spread:

Measure of the premium or discount relative to a reference interest rate, the level of which is determined on the basis of the credit rating and market position of a given debtor.

### Credit Value-at-Risk (C-VaR):

Unexpected, presumed maximum loss that can result from default risks, calculated by application of the value-at-risk concept.

### 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.

**Deferred taxes:**

Income taxes to be paid or received in the future, which result generally from the different tax bases applied in the balance sheet drawn up for tax purposes and the commercial balance sheet according to the German Commercial Code. Deferred taxes do not yet represent current tax receivables due from or current tax liabilities due to the tax authorities.

**Deposit business:**

Administration of customer deposit accounts, including giro accounts, call money accounts, term deposits and term accounts.

**Deposit insurance fund:**

The credit balances of customers of German private banks are fully insured by the Deposit Insurance Fund of the National Association of German Banks, up to 30% of the determining liable equity of the respective bank at the time of the latest published annual financial statements.

**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.

**Due diligence:**

A process of intensive examination of the financial and economic situation and business plan of a company by outside experts (usually banks, lawyers, public accountants). The conduct of a due diligence review is a prerequisite for the preparation of an issuing prospectus for an initial public offering or capital increase.

**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.

**ETC (Exchange-Traded Commodities):**

Openly structured securities that enable investors to invest in commodities. ETCs are traded on the stock exchange like shares and offer a high degree of liquidity.

**ETF (Exchange-Traded Funds):**

Investment funds traded on the stock exchange that track a given index.

**Eurex:**

One of the world's biggest futures exchanges and Europe's leading clearing house; it offers access to the European derivatives market for futures and options.

**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.

**Financial instruments:**

This term refers both to financial assets such as loans and receivables, fixed-income securities, equities and equity investments, and to financial liabilities such as, for example, deposits of banks and customers, bond issues and even derivatives.

**Flat Fee:**

Products are available at a flat fee.

**FRA (Forward Rate Agreement):**

Contractual agreement between two business partners for the purpose of hedging interest rate risks. At the end of the agreed term, only the difference between the interest owed on a specified notional amount based on a predetermined interest rate, as compared to the actual interest rate, is paid.

**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.

**German Accounting Law Modernization Act (BilMoG):**

Reform of the accounting regulations of German commercial law, enacted in 2009 for the purpose of harmonizing German accounting laws with International Financial Reporting Standards.

**German Minimum Requirements for Risk Management (MaRisk):**

These requirements include, among other things, the installation of an adequate business organization and the implementation of appropriate internal controls in the business areas of trading and lending.

**German One-Third Employee Representation Act (DrittelbG):**

German law related to the co-determination of employees on the Supervisory Board of German companies. One third of Supervisory Board members must consist of employee representatives. It applies to companies organized under the German legal forms of AG (stock corporation), KgaA (publicly traded partnership), GmbH (limited liability company), VVaG (cooperative mutual insurance company) and Erwerbs- und Wirtschaftsgenossenschaft (commercial cooperative), that have more than 500 employees.

**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.

**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.

**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.

**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.

**Letter of comfort:**

Customary undertaking by a parent company of a corporate group to third parties, under which the parent company vouches for the adequate management and the settlement of the liabilities of its subsidiary.

**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, the trading profit or loss and the profit or loss from investments.

**Operational risk:**

Qualification or quantification of potential 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.

**Restatement reserve:**

The changes in value of certain assets are recognized directly in equity, as opposed to being recognized in income.

**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.

**Solvency Regulation (SolvV):**

German regulation (in effect since January 1, 2007) aimed at ensuring the adequate capitalization of banks, banking groups and financial holding company groups.

**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 pay a flat fee of only 6.95 euros per order for the warrants and certificates.

**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.

**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.

**Stock option program:**

Issuance of non-transferrable subscription rights to selected employees, members of the senior management and other managers, which entitle the holder to purchase the same number of shares in the company within a specified exercise period, contingent upon the achievement of pre-defined success targets.

**Stress test:**

A stress test simulates the effects of critical capital market situations on the risk status and financial performance of a bank or other financial institution.

**Sustainability:**

Sustainability refers to long-term business practices geared to assuring quality of life in both the present and the future. The main guiding objectives are responsibility for the environment and balanced social relationships.

**Time deposit:**

Bank deposit with a fixed term and interest rate.

**Treasury:**

Corporate division charged with managing liquidity and market price risks.

**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-at-Risk (VaR) model:**

VaR refers to a methodology for quantifying risks. To be conclusive, the holding period (e.g., one day) and the confidence level (e.g., 99%) must always be indicated as well. The VaR value refers to the maximum loss limit that will not be exceeded within the given holding period, with a probability corresponding to the confidence level.

**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.

**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.

**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.

**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**

Markus Gunter  
Dr. Markus Walch

**Supervisory Board**

Dr. Theodor Weimer  
(Chairman)  
Alessandro Foti  
(Vice Chairman)  
Peter Buschbeck  
Werner Allwang  
Nikolaus Barthold  
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