ANNUAL REPORT 2011

DAB bank

Die DirektAnlageBank

Highlights of 2011

DAB bank earns a solid profit before taxes
DAB bank earned a solid profit before taxes of €25.73 million in financial year 2011.

Dividend payment proposed
Again in 2012, the Management Board and Supervisory Board will propose to the annual shareholders' meeting that the company pay a dividend equal to the entire consolidated distributable profit according to IFRS. Thus, shareholders will receive a tax-exempt dividend of 22 cents per share.

Capital base strengthened
DAB bank strengthened its capital base by conducting an approved capital increase. With a tier-1 ratio of 15.21% and an overall capital ratio (overall ratio as per the German Bank Solvency Regulation) of 15.21% at the end of financial year 2011, DAB bank fulfilled all the minimum ratios prescribed by the regulatory authorities.

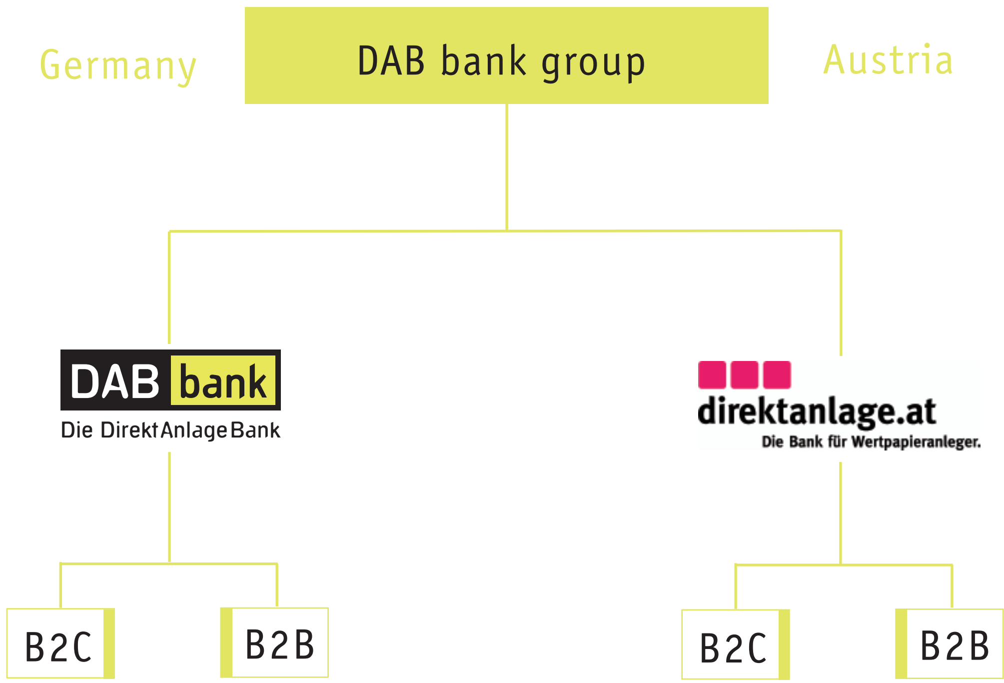
Focus on the core business
Having sold its financial investment in SRQ FinanzPartner AG, DAB bank is now focused on its two core business segments of individual investors (B2C) and independent financial services providers (B2B).

DAB bank enters into cooperation agreement with ADAC
DAB bank AG has entered into a cooperation agreement with ADAC Finanzdienste GmbH. Starting in January 2012, Europe's biggest automobile club will offer ADAC savings products to its 17.8 million members via DAB bank.

Numerous product and service innovations
DAB bank continues to pursue its program for the future, "DAB one," with great success, introducing numerous new products and services to benefit its customers.

DAB bank receives numerous awards
DAB bank received numerous awards for its product offering, fair terms and excellent service.

Customers appreciate our accessibility and service
DAB bank scored outstanding results in the regular customer satisfaction surveys conducted by an independent firm, both from its individual investors and its business customers.


Germany
DAB bank group
Austria
DAB bank
Die DirektAnlageBank
direktanlage.at
Die Bank für Wertpapieranleger.
B2C
B2B
B2C
B2B

Key Figures of DAB bank Group (IFRS)

		2011	2010	Change	Page
Results					
Net commission income	k€	85,606	82,892	3.3%	55, 98, 114
Net financial income	k€	53,299	69,606	-23.4%	54, 98, 114
Administrative expenses	k€	113,088	115,278	-1.9%	55, 98, 115
Result before taxes	k€	25,728	28,702	-10.4%	56, 98
Net profit	k€	17,271	16,436	5.1%	56, 98
Cost-income ratio	in %	81.6	80.5	1.4%	56, 135
Return on equity before taxes	in %	14.6	16.4	-11.0%	-
Balance sheet					
Total assets	€ mn	3,406.2	3,237.3	5.2%	56, 99
Shareholders' equity	€ mn	185.4	168.2	10.2%	57, 99, 128
Overall ratio per SolvV	in %	15.2	13.1	16.0%	57, 137
Share					
Earnings per share	€	0.23	0.22	4.5%	54, 98, 118
Dividend per share	€	0.22	0.20	10.0%	54, 118
End-of-year share price (Xetra)	€	3.32	4.27	-22.2%	29
Book value per share	€	2.23	1.98	12.6%	29
Dividend yield	in %	6.6	4.7	40.4%	29
Total shareholder return	in %	-17.7	5.4	-427.8%	29
Market capitalization	€ mn	274.6	321.0	-14.5%	29
Key operating figures					
Securities accounts	number	620,922	616,044	0.8%	50, 52, 53
Volume of securities accounts and deposits	€ bn	24.26	26.03	-6.8%	51, 52, 53
Trades executed	number	5,081,041	4,506,466	12.8%	50, 52, 53
Trades per securities account per year	number	8.22	7.29	12.8%	50
Employees					
Employees (headcount)	number	626	606	3.3%	58
Employees (full-time basis)	number	559	541	3.3%	58

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,

There was a great deal of movement in financial year 2011, not only in the financial markets, but also at DAB bank. On the basis of our program for the future, DAB one, we continually developed new offerings, tools and services for our customers, thereby underscoring our claim to be the best bank for investors, traders and asset managers. We launched our ambitious program for the future at the beginning of the new decade in order to permanently satisfy the expectations of modern, securities-savvy investors. DAB one is a dynamic, fluid process that is also reflected in our brand design. Like a dynamic green wave, the fresh green color is a distinguishing characteristic of our advertising campaigns. It is a visible sign that DAB bank never stands still, but is constantly on the move, in a process of continuous development.

DAB bank to focus on its core business

A high level of customer satisfaction, innovative products and excellent service are the basis of our success, from which our shareholders will again benefit directly this year. DAB bank closed financial year 2011 with a profit before taxes of €25.73 million. Despite the market turmoil and the non-recurring effect on our subsidiary direktanlage.at resulting from the internationally agreed “haircut” for the holders of Greek debt, the consolidated profit before taxes was only slightly less than the corresponding prior-year figure. The Management Board and Supervisory Board of DAB bank will propose to the annual shareholders’ meeting that the company again pay a dividend equal to the full consolidated distributable profit according to IFRS for financial year, in the total amount of €16.54 million. Thus, our shareholders will receive a dividend of 22 cents per share, which will be paid on a tax-exempt basis once again.

Thus, DAB bank continues to pursue a policy of attractive dividends. With the consent of our Supervisory Board in November 2011, we decided to conduct an approved cash capital increase by issuing 7,518,699 new shares. Thus, we opted not to reinvest the dividend as a means of bolstering the bank’s capital base. The implementation of the resolution adopted by the annual shareholders’ meeting in 2007 approving a capital increase was a low-cost way of quickly raising fresh capital. Although DAB bank’s capital base was solid even before the capital increase, it would have been necessary to raise additional capital in the coming years to fulfill the heightened regulatory requirements associated with Basel III. Other factors contributing to the need for additional capital included the increase in the bank’s intangible assets (IT investments) and the increase in customer deposits envisaged by our program for the future, DAB one. With a tier-1 ratio of 15.21% and an overall capital ratio (overall ratio as per the German Bank Solvency Regulation) of 15.21% at the end of financial year 2011, DAB bank fulfilled all the minimum ratios prescribed by the regulatory authorities.

Markus Gunter

Dr. Niklas Dieterich

The sale of SRQ FinanzPartner AG (SRQ) represented another important change of course. As a financial investment, SRQ no longer fit in with DAB bank's strategy of focusing on its two core business units of individual investors (B2C) and independent financial services providers (B2B). DAB bank is ideally positioned to provide financial advice. Our individual investors can obtain telephone advice from our Private Banking Team or, if they so wish, they can delegate the management of their financial affairs entirely to one of our business partners in the B2B segment. Based on these considerations, DAB bank decided at the end of the third quarter to sell its entire majority interest in SRQ to Aragon AG, Wiesbaden. DAB bank intends to expand its cooperation with SRQ further as a B2B partner under its new ownership.

Fluidity and movement in our program for the future, DAB one

Our customers have long been accustomed to our practice of introducing numerous new products and services, year after year. As part of our program for the future, DAB one, which we have been pursuing since the beginning of 2010, we proudly introduced numerous innovations again in financial year 2011, underscoring our claim to being the "best bank for investors, traders and asset managers."

Already at the start of 2011, DAB bank further extended its leading position as Germany's biggest distributor of ETF-linked savings plans. In connection with a promotional campaign, we offered customers the chance to purchase their first ETF products on a no-fee basis. As a result, the total number of ETF-linked savings plans offered by DAB bank rose to 207. We also offer 13 ETC-linked savings plans. Furthermore, we expanded the range of products offered under the DAB bank "Star Partner" cooperation program. HypoVereinsbank became the fifth issuer to participate in this program, thus joining Commerzbank, Lang & Schwarz, Macquarie Oppenheim and Citi as "Star Partners" on our real-time trading platform, DAB Sekunden-Handel. Under this program, customers can trade 150,000 products for a low flat fee.

We also introduced many innovative new tools for our traders, including the new trailing stop-loss order, which makes it even more convenient to trade securities with DAB bank. Thanks to this tool, investors no longer need to constantly monitor the markets. The automatic chart pattern recognition makes it easier for our customers to make their trading decisions because it displays alternative buying options, based on well-founded analytical data. By using the futures margin trading introduced in the autumn of 2011, moreover, opportunity-oriented traders can trade 16 different futures with up to 200-times leverage.

Another factor contributing to fluidity and movement is permanent mobile access to DAB bank, which we provide to our customers in the form of our own iPhone/iPad app, which allows for quick, secure access to information and enables them to use all our banking and trading applications. Furthermore, all holders of our DAB MasterCard can withdraw money from more than a million ATMS worldwide without paying a fee.

Customers appreciate our excellent service

Our customers deserve more than just an outstanding product offering. Although we are an online bank, we actively seek personal contact with our customers by presenting our bank at stock exchange conferences, webinars and customer events. We have also taken steps to improve the personal service provided at our Munich headquarters. And we have expanded our social media presence further. Thus, interested customers can now follow important activities of our bank on Twitter and YouTube.

Despite the extremely volatile markets in financial year 2011, DAB bank distinguished itself through very good accessibility and excellent service, as affirmed by our customers in the results of the regular customer satisfaction surveys conducted by an independent firm. Based on the survey results, both our individual investors and our business customers are extremely satisfied with DAB bank.

Furthermore, DAB bank was honored with numerous awards in financial year 2011. In addition to the three highly coveted titles “Certificate Broker of the Year 2011,” “Fund and ETF Broker of the Year 2011” and “FOREX Broker of the Year 2011,” DAB bank was also crowned “Biggest Vendor of Share-based, ETF-based and Certificate-based Savings Plans” by the business magazine Euro am Sonntag, having bested a field of 14 tested banks. In the election of “Best-Loved Bank” conducted by the business magazine €uro, our customers gave the highest grades to DAB bank, making us the “Best-Loved Bank” in the brokerage category. And we received yet another award for our FOREX offering: The readers of the business magazine Börse am Sonntag elected DAB bank as the “Best FOREX Broker of the Year 2011.” After the victory in the “Brokerwahl” elections, this is the second award we have received for this new product, which we only introduced a year ago. And for the fourth time, DAB bank won the “ETF Savings Plan Test” conducted by the trade magazine EXtra. Aside from the biggest selection of ETFs that can be used for savings plans, the editors also praised the bank’s terms and prices, which were found to be the most attractive on the whole, as well as the broad selection of no-fee ETF-linked savings plans. The investor magazine €uro am Sonntag awarded DAB bank the grade of “very good” for its offering of products and services related to certificates. Particularly high marks were given to our trading platform. Furthermore, DAB bank was honored yet again for an innovative new product: In September, the Center of Competence for Sourcing in the Financial Industry, a cooperative venture of the Universities of St. Gallen, Leipzig and Zurich, awarded the Banking IT Innovation Award 2011 to DAB bank, in recognition of “DAB bank mobile,” the comprehensive mobile solution for smart phones, including the mobile website and the iPhone/iPad app. In this contest, DAB bank prevailed over a total field of 19 nominees.

DAB bank assumes social responsibility

DAB bank expanded its Corporate Social Responsibility (CSR) program further in financial year 2011. DAB bank is highly conscious of its responsibility to society. The four areas in which DAB bank expresses this sense of responsibility encompass all causes related to the workplace and employees, environmental protection, sustainable investment products and last but not least, social welfare causes. Besides providing longer-term financial support to two major charitable institutions in Munich, DAB bank selected social welfare projects every month from a list proposed by its employees. Primary emphasis is given to regional institutions and organizations that seek to alleviate the problems of people suffering from socio-economic distress or illness and to those seeking to combat poverty and underdevelopment.

With a sense of responsibility for our employees, customers, business partners, society in general and our shareholders, we will continue in 2012 to improve DAB bank's performance in the areas of trading, investment, banking, online services, quality and efficiency, with the aim of keeping our customers satisfied. The green wave that you will see throughout the present Annual Report is a symbol of the fact that DAB bank is constantly in motion. Staying on the move is the best and only way to uphold our claim to being Germany's best bank for traders, investors and asset managers.

Markus Gunter
Spokesman of the Management Board

Dr. Niklas Dieterich
Member of the Management Board

Dear shareholders,

Despite adverse market conditions in part, DAB bank AG turned in a generally successful performance in 2011. The bank's activities in the past year were again characterized by continual improvements in its products and services. The high level of satisfaction of our customers, which is measured by an independent institution, makes it clear that DAB bank AG is on the right path, which is also reflected in the bank's results for the past year. By reason of its consistent focus on investors, traders and independent asset managers, DAB bank AG is strategically well positioned for 2012 as well.

Dr. Theodor Weimer

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.

Alessandro Foti

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 2011 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.

Werner Allwang

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 18. The Executive Committee met four times in financial year 2011. It adopted two resolutions by way of written circulation. The Audit Committee also held four meetings. The Audit Committee did not adopt resolutions by way of written circulation.

Nikolaus Barthold

Peter Buschbeck

Dr. Marita Kraemer

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 units of individual investors and independend financial service providers, 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 Risk Controlling, Compliance, Internal Audit and Legal Affairs. 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 on May 19, 2011. 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, particularly including the currently valid requirements of May 26, 2010, on two occasions in financial year 2011. On March 9, 2011, the Management Board and Supervisory Board updated the Declaration of Conformity in accordance with Section 161 of the German Stock Corporations Act (AktG) and made the updated version permanently available on the company's website, due to the fact that the company's corporate governance practices had changed since the Declaration of Conformity of November 17, 2010. In its meeting of March 9, 2011, the Supervisory Board formulated concrete goals for its composition, in accordance with the recommendation set out in Section 5.4.1 para. 2 and para. 3 of the Corporate Governance Code.

On November 17, 2011, the Management Board and Supervisory Board deliberated again on the requirements of the Corporate Governance Code, issued the annual Declaration of Conformity pursuant to Section 161 AktG and made it permanently available to the shareholders also on the company's website.

Additional information on corporate governance, the Declarations of Conformity, the goals for the composition of the Supervisory Board and a detailed report on the amount and structure of compensation of the Supervisory Board and Management Board are provided on pages 12 to 26 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 7, 2012 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 2011 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 7, 2012. 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 22 cents per share for the 2011 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 7, 2012

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.

Declaration of Conformity of March 9, 2011

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

Update of the Declaration of Conformity with the German Corporate Governance Code pursuant to Section 161 of the German Stock Companies Act

Since the company's corporate governance practice has changed since November 17, 2010 (the date of the last Declaration of Conformity), the company's Declaration of Conformity is hereby updated.

The Management Board and Supervisory Board of DAB bank AG declare that the recommendations of the Government Commission on the German Corporate Governance Code, as announced by the Federal Ministry of Justice in the official part of the electronic Federal Gazette and as amended on May 26, 2010, were followed and will be followed in the future, with the following exceptions, which are noted and explained below.

As before, the following recommendations of the Code have not been followed since November 17, 2010 (date of the last Declaration of Conformity) and will also not be followed in the future:

- Deductible in the D&O insurance (3.8 (3) of the Code):
Under Section 3.8 (3) of the Code, a reasonable deductible is to be agreed if the company maintains D&O insurance for the Supervisory Board. Along with the renewal of the D&O insurance cover with effect as of January 31, 2010, a deductible was agreed for the Management Board in line with the new statutory provisions. However, the insurance policy does not stipulate a deductible for members of the Supervisory Board. The Management Board and the Supervisory Board continue to be of the opinion that responsible actions are a self-evident obligation for each member of these bodies; therefore a deductible is not required for members of the Supervisory Board.

- No Management Board Chairman or Speaker (4.2.1 Sentence 1 of the Code):
By way of exception to the recommendation, DAB bank AG has neither a Management Board Chairman nor a Management Board Speaker and therefore practices fully the principle of collegiality set forth in the German Stock Companies Act.

- No severance payment cap (4.2.3 (4) Sentence 1 of the Code):
Contrary to the recommendation, no severance payment cap has been agreed upon contract conclusion. The Management Board contracts are concluded

for a term of three years. In the event of premature termination of Management Board activity without serious cause, compensation amounting to no more than the remaining term of the employment contract will be paid. Therefore, the Supervisory Board does not consider it necessary to stipulate a severance award cap of two years' compensation when concluding Management Board contracts.

- No nominating committee (5.3.3 of the Code):

The Supervisory Board has not established a nominating committee due to the majority ownership structure. Nonetheless, it is assured that the Supervisory Board members to be appointed by the shareholders possess the necessary knowledge, abilities and professional skills to adequately perform their duties.

Due to the change in the company's corporate governance practice since November 17, 2010 (the date of the last Declaration of Compliance), we hereby declare that the following recommendations of the Code will now no longer be followed:

- No mail election (2.3.3 Sentence 2 of the Code):

Under Section 2.3.3 Sentence 2 of the Code, the company should not only support the shareholders by offering the possibility of a proxy in the context of the annual shareholders' meeting, but also by offering the possibility of a mail election. The company's Management Board has once again reviewed the possibility of a mail election and has concluded that the practical implementation of a mail election is currently still beset with too many legal uncertainties. Therefore, the Management Board will refrain from offering the possibility of a mail election for the next annual shareholders' meeting. For many years, DAB bank AG has offered its shareholders the possibility of appointing a proxy specified by the company to exercise their voting rights. In this way, the shareholders have the opportunity to submit their vote up to the date of the annual shareholders' meeting. We consider this to be sufficient.

- No performance-oriented remuneration for the members of the Supervisory Board (5.4.6 (2) of the Code)

No. 5.4.6 (2) of the German Corporate Governance Code contains the recommendation that the members of the Supervisory Board should receive both fixed and performance-based remuneration. The Management Board and Supervisory Board of the company have decided to recommend to the annual shareholders' meeting of the company on May 19, 2011, to convert the remuneration of the Supervisory Board members to pure fixed remuneration effective for the fiscal year started January 1, 2011, by amendment of the company's Articles of Incorporation. The amendment of the Articles of Incorporation requires adoption of a resolution by the annual shareholders' meeting and only becomes effective upon its being recorded in the company's Commercial Register entry.
The abolition of the variable remuneration component is intended to further strengthen the independence of the Supervisory Board. The abolition of performance-oriented variable remuneration of the Supervisory Board members is advocated by various parties in the current corporate governance discussion and is more in line with international best practices in this area. The amendment of Article 14 of the Articles of Incorporation as recommended to the annual shareholders' meeting takes this into account.

Previously, the recommendation in Section 5.4.1 (2) and (3) of the Code (specification of specific goals for the composition of the Supervisory Board) had not been followed. This was based on the fact that the Supervisory Board had not yet adopted a corresponding resolution. Since the Supervisory Board has now adopted specific goals for its composition, this recommendation of the Code is now being followed.

Munich, March 09, 2011

On behalf of the Supervisory Board:

Dr. Theodor Weimer, Chairman of the Supervisory Board

On behalf of the Management Board:

Markus Gunter
Member of the Management Board

Dr. Markus Walch
Member of the Management Board

Declaration of Conformity of November 17, 2011

Declaration of Conformity with the German Corporate Governance Code for 2011 pursuant to Section 161 of the German Stock Companies Act

The Management Board and Supervisory Board of DAB bank AG declare that the recommendations of the Government Commission on the German Corporate Governance Code, as announced by the Federal Ministry of Justice in the official part of the electronic Federal Gazette, were followed and will be followed in the future, with the following exceptions, which are noted and explained below. Since November 17, 2010 (date of the Declaration of Conformity for 2010), these statements are based on the German Corporate Governance Code in the version of May 26, 2010. Because the company's corporate governance practice has changed since November 17, 2010, the company's Declaration of Conformity was updated on March 9, 2011.

▸ Deductible in the D&O insurance for the Supervisory Board (3.8 para. 3 of the Code):
According to Section 3.8 para. 3 of the Code, an appropriate deductible should be stipulated if the company maintains D&O insurance for the Supervisory Board. The D&O insurance policy for the Management Board stipulates a deductible in accordance with the statutory provisions. However, the insurance policy does not stipulate a deductible for members of the Supervisory Board. The Management Board and Supervisory Board continue to hold the view that responsible action is a self-evident obligation for all members of the company's governing bodies; therefore, a deductible for Supervisory Board members is not necessary.

▸ No severance award cap (4.2.3 para. 4 sub-para. 1 of the Code):
Contrary to the recommendation, no severance award cap was stipulated in the employment contracts of Management Board members. The Management Board contracts are concluded for a term of three years. In the event of premature termination of a Management Board member without serious cause, compensation amounting to no more than the remaining term of the employment contract will be paid. Therefore, the Supervisory Board does not consider it necessary to stipulate a severance award cap of two years' compensation when concluding Management Board contracts.

▸ No Nominating Committee (5.3.3 of the Code):
The Supervisory Board has not formed a Nominating Committee by reason of the fact that shareholder representatives hold a majority of Supervisory Board seats. Nonetheless, it is assured that the Supervisory Board members to be appointed by the shareholders possess the necessary knowledge, abilities and professional skills to adequately perform their duties.
In accordance with the updated Declaration of Conformity of March 9, 2011, the following other recommendations of the Code are no longer followed:

▸ No voting by mail (2.3.3 sub-para. 2of the Code):
According to Section 2.3.3 sub-para. 2 of the Code, the company should assist the shareholders by allowing them to cast their votes by mail, in addition to allowing them to appoint a proxy to vote for them at the annual shareholders' meeting. The Management Board of the company has reviewed the option of voting by mail again and has concluded that the practical implementation of voting by mail is still fraught with too many legal uncertainties at the present time. Therefore, the Management Board will not allow the option of voting by mail in General Shareholders' Meetings to be held in the future. For many years, DAB bank AG has offered its shareholders the option of empowering a proxy specified by the company to exercise their voting rights. That way, shareholders have the option of casting their vote in the time leading up to the day of the at the annual shareholders' meeting. We consider that to be sufficient.

▸ No performance-based compensation for Supervisory Board members (5.4.6 para. 2 of the Code)
Section 5.4.6 para. 2 of the German Corporate Governance Code contains the recommendation that members of the Supervisory Board should receive performance-based compensation, in addition to fixed compensation. By resolution of the General Shareholders' Meeting of May 19, 2011, the compensation of Supervisory Board members was converted to purely fixed compensation with effect as of the financial year beginning on January 1, 2011, by amending Article 14 of the company's Articles of Incorporation. The amendment to the Articles of Incorporation took effect when it was recorded in the Commercial Register on May 26, 2011. The purpose of eliminating the variable compensation component is to further strengthen the independence

of the Supervisory Board. In the current discussion of corporate governance issues, many sides advocate the absence of performance-based variable compensation for Supervisory Board members, which is more in line with international best practices in this respect. The amendment of Article 14 of the Articles of Association reflects that view.

Until March 9, 2011, the recommendation set out in Section 5.4.1 paras. 2 and 3 of the Code (adoption of concrete goals for the composition of the Supervisory Board) was not followed. By resolution of March 9, the Supervisory Board adopted a resolution to set concrete goals for the composition of the Supervisory Board, so that the recommendation of the Code is now followed.

Contrary to the recommendation set out in Section 4.2.1 sub-para. 1 of the Code, DAB bank AG did not have a Management Board Chairman or a Management Board Speaker until September 1, 2011. By resolution of July 20, 2011, the Supervisory Board appointed the Management Board member Markus Gunter as Management Board Speaker, with effect as of September 1, 2011, and therefore this recommendation of the Code is now being followed.

Munich, November 17, 2011

On behalf of the Supervisory Board:

Dr. Theodor Weimer, Chairman of the Supervisory Board

For the Management Board:

Markus Gunter Spokesman of the Management Board	Dr. Niklas Dieterich Management Board

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 goals are outlined on page 16 of the present Annual Report. This information is also available on the company's website at www.dab-bank.de/servicenavigation/investor-relations_en/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 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 three members, including the Chairman and Vice Chairman of the Supervisory Board ex officio, as well as another Supervisory Board member to be elected by the Supervisory Board. The Chairman should be independent and should possess particular knowledge and experience in the application of accounting principles and internal controls. Furthermore, the Chairman should not be the Chairman of the Supervisory Board, nor a former member of the company's Management Board, if the latter position will have been resigned less than two years ago. 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).

Objectives for the Composition of the Supervisory Board of DAB bank AG

At its meeting on March 9, 2011, the Supervisory Board adopted the following objectives for its composition pursuant to No. 5.4.1 of the German Corporate Governance Code and pursuant to Article 1 (5) of the rules of procedure for the Supervisory Board:

Members of the Supervisory Board of DAB bank AG should be appointed in such a way that qualified monitoring of and consultation with the Management Board by the Supervisory Board is ensured. The candidates recommended for election to the Supervisory Board should be in a position to fulfill the duties of a Supervisory Board member at a direct bank active in Germany and Austria due to their knowledge, abilities, and professional experience, and to preserve the good reputation of the DAB bank Group in public. The selection process should focus particularly on the personality, integrity, willingness to work, and professionality of the persons recommended for election. The objective is for all of the knowledge and experience that is considered significant given the activities of DAB bank AG to be represented on the Supervisory Board as a whole.

Considering the international orientation of the company, moreover, another factor to be taken into consideration is that the Supervisory Board has a sufficient number of members with many years of international experience. The objective is for the currently existing proportion of Supervisory Board members with an international background to be preserved.

In addition, the Supervisory Board should ensure adequate inclusion of women in its nominations for election. Qualified women should be included in the selection process starting with the review of potential candidates for new election or appointment to fill Supervisory Board seats becoming vacant, and should be adequately included in the nominations. The Supervisory Board wishes to ensure that at least one woman belongs to the Supervisory Board in the future.

The Supervisory Board should have a sufficient number of independent members, that is, at least one member. Significant and non-temporary conflicts of interest, such as having a seat on a company body or consulting duties at a significant competitor of the company, should be avoided.

In addition, the Supervisory Board members should have sufficient time to carry out the duties of their office, so that they can carry out these duties with the necessary regularity and care. The regulation on the age limit set forth by the Supervisory Board in its rules of procedure shall be taken into account. No more than two former members of the Management Board of DAB Bank AG should belong to the Supervisory Board.

For the Supervisory Board:

Munich, March 09, 2011

Dr. Theodor Weimer
Chairman of the Supervisory Board

The status of implementation of the aforementioned goals for the composition of the Supervisory Board is described in the following.

The goal of staffing the Supervisory Board with members who are qualified to supervise and advise the Management Board of a bank that operates in Germany and Austria, as well as the goal of ensuring that a sufficient number of members possess many years of international experience and the goal of appointing at least one independent member to the Supervisory Board, have already been fulfilled. Furthermore, the goal of giving consideration to qualified female candidates when evaluating potential candidates for new or vacant Supervisory Board positions and when submitting election proposals was also fulfilled in the Supervisory Board elections held in financial year 2011. The Supervisory Board has also appropriately fulfilled the other goals it adopted.

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 19, 2011, one representative of the shareholders, Mr. Gunter Ernst, resigned from the Supervisory Board. The annual shareholders' meeting of May 19, 2011 elected Dr. Marita Kraemer as a shareholder representative. Dr. Marita Kraemer is independent and possesses expertise in the areas of financial accounting and the auditing of financials statements, in accordance with Section 100 (5) AktG. Also on May 19, 2011, the annual shareholders' meeting re-elected Mr. Alessandro Foti, whose previous term of office expired upon the close of the annual shareholders' meeting of May 19, 2011, to the Supervisory Board as a shareholder representative.

Members of the Supervisory Board:
- Dr. Theodor Weimer (Chairman)
- Alessandro Foti (Vice Chairman)
- Peter Buschbeck
- Gunter Ernst (until May 19, 2011)
- Dr. Marita Kraemer (since May 19, 2011)
- Werner Allwang (employee representative)
- Nikolaus Barthold (employee representative)

Members of the Executive Committee:
- Dr. Theodor Weimer (Chairman)
- Alessandro Foti (Vice Chairman)
- Peter Buschbeck

Members of the Audit Committee:
- Dr. Marita Kraemer (Chairwoman since May 19, 2011)
- Dr. Theodor Weimer (Vice Chairman)
- Alessandro Foti (Chairman until May 19, 2011)
- Gunter Ernst (until May 19, 2011)

Composition of the Management Board
The Management Board underwent personnel changes. Effective August 31, 2011, Dr. Markus Walch resigned from the Management Board of DAB bank AG. The Supervisory Board appointed Dr. Niklas Dieterich to the Management Board as a new member, effective September 1, 2011. The Supervisory Board also appointed Mr. Markus Gunter as the Speaker of the Management Board, effective September 1, 2011.

Members of the Management Board:
- Markus Gunter (Speaker of the Management Board since September 1, 2011)
- Dr. Niklas Dieterich

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 thousand. The transactions notified to DAB bank AG were duly published and can be found on the company's website at www.dab-bank.de/servicenavigation/investor-relations_en/corporate-governance.html. No transactions pursuant to Section 15a of the Securities Trading Act (WpHG) were notified to DAB bank AG in financial year 2011.

The shareholdings of the individual members of the Supervisory Board and Management Board are presented in Notes Nr. 73 of this Annual Report.

Relations with shareholders

DAB bank reports to is 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 participation 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_en/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, as well as the individual amounts, of the compensation granted to Management Board members. The Compensation Report also describes the principles and amount of compensation granted to 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 2011

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 member of the Management Board, based on the draft resolutions prepared by the Executive Committee of the Supervisory Board. For the preceding financial year 2010, the Management Board and Supervisory Board had 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 19, 2010.

Also in financial year 2011, DAB bank AG reviewed the compensation system on a regular basis. The Supervisory Board discussed the compensation system of the Management Board intensively in its meetings of March 9, 2011 and May 12, 2011. This review was based primarily on the prescriptions of the German Stock Corporations Act and the currently valid version of the German Corporate Governance Code. Thereafter, the company conducted a self-assessment, based on the Statutory Order on the Regulatory Requirements to be met by the Compensation Systems of Financial Institutions, again in financial year 2011. As in the prior year, this self-assessment yielded the result 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 order to align the compensation more closely with the company's long-term success, the Supervisory Board revised the previous compensation system for members of the Management Board of DAB bank AG, with effect as of January 1, 2011, in order to place even greater emphasis on the existing orientation to the company's sustainable development. The main element of the revised compensation system lies in the fact that variable compensation is disbursed on a deferred basis over a period of now four years. Such disbursements are contingent upon the fulfillment of certain criteria in the year of disbursement.

The subsequent disbursements are subject to the condition that the Management Board member is still employed by the UniCredit Group. A bonus-penalty mechanism has been introduced to prevent the occurrence of a loss or significant reduction in the company's results, both on the level of UniCredit Group and on the individual level of the Management Board.

As a result, any negative profit contributions that could only take effect in the retention period will be deducted from the compensation, which would lead to an appreciable reduction in compensation.

To achieve that goal, the two components of variable compensation that had previously been granted, the so-called “Short-Term Incentive” (STI) and the “Long-Term Incentive” (LTI), were combined into a single variable component, known as the “Bonus Opportunity” (BO). The amount of the BO depends on the degree of attainment of the targets agreed for the financial year. It is limited to a maximum amount of 150% of the target value and cannot be exceeded, even if the targets were to be over-fulfilled (“cap”). The amount of the agreed variable compensation is also not guaranteed; instead, it is established every quarter anew, depending on the adopted targets and the attainment of those targets. If the targets are missed by a considerable margin, therefore, the variable compensation may be forfeited entirely. The measurement criteria applied in setting the variable compensation are geared to the medium-term and long-term economic success of DAB bank AG and the UniCredit Group and to the individual performance of the members of DAB bank AG. Disbursement of an amount equal to 60% of the actually achieved variable compensation is deferred, so as to account for the long-term component of measurable success. An amount equal to only 40% is paid in cash in the year when target attainment has been verified. In subsequent years, the full amount will be disbursed only when certain, previously adopted parameters are met in the year of disbursement. If the targets are missed, the deferred compensation components may be forfeited in part or even in full. Assuming that the criteria are met, 20% of the BO will be paid in cash in the second year; in the third year, another 20% of the BO will be paid in the form of common shares of UniCredit S.p.A. and in the fourth year, another 20% of the BO will be paid also in common shares of UniCredit S.p.A.

In the opinion of the Supervisory Board, these changes have the effect of aligning the Management Board compensation of DAB bank AG even more closely with the sustainable economic success of the company, with due consideration given over a longer period of time to the business risks assumed. Furthermore, postponing a portion of the disbursement to the medium-term to long-term future and converting a portion of the variable compensation into common shares of UniCredit S.p.A. have the effect of reinforcing the loyalty of the Management to the company and to the UniCredit Group over the long term.

By reason of the changes made to the previous compensation system, the new system of Management Board compensation will be presented to the annual shareholders’ meeting of DAB bank AG in May 2012 for their approval.

DAB bank AG also reviews the level of compensation on a regular basis. After careful review, the Supervisory Board did not find it necessary to make any adjustments for financial year 2011. It reached this conclusion on the basis of external and intragroup market comparisons and with reference to the current duties and performance of the Management Board members, with due consideration given to the size and to the current economic and financial situation of DAB bank AG. Because the previously granted STI and LTI have been combined into the BO, however, the presentation format has changed from that used in prior years.

Specifically, the Management Board compensation for financial year 2011 consists of the following components:

Non-success-dependent compensation in the form of fixed salary
The fixed, non-success-dependent salary is paid in 12 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.

The fixed annual salary of Mr. Gunter was unchanged at €300 thousand. The fixed annual salary of Dr. Dieterich was set at €210 thousand, which was paid on a pro-rated basis for the months of September to and including December. Dr. Walch received the pro-rated amount of his fixed annual salary of €300 thousand for the months of January to and including September.

Bonus Opportunity (BO)
Starting with financial year 2011, the members of the Management Board receive only the BO as their sole variable compensation. The BO is composed of the previous STI and LTI and supersedes them.

The Supervisory Board sets the targets for the individual BO of a Management Board member and the weighting of those targets for each member of the Management Board at the beginning of every financial year. The targets are documented in the form of scorecards. One half of the targets for financial year 2011 are based on the key indicators of the company and the UniCredit Asset Gathering Business Line; the other half are based on sustainability factors and individual performance. The sustainability factors are based on factors such as customer satisfaction, for example.
The amount of the agreed variable compensation components is not guaranteed. It is set every year anew on the basis of the individual target attainment of each Management Board member. Depending on the target attainment, the amount of the BO can range between 0% and a maximum of 150% (cap) of the target amount. The criteria for the sustainable success of the Group are adopted every year anew in the form of key indicators for a profitability and sustainability limit (so-called "Group Gate"). If the adopted key indicators are achieved in full or surpassed, 100% of the BO budget will be made available. If they are not achieved in full, 90% or 75% of the BO budget will be made available, depending on the degree of target attainment. If a net loss is incurred or if the UniCredit Group can no longer fulfill its liquidity requirements, no budget will be made available (so-called "zero factor").

At the end of the financial year, after the company's profit for the year has been determined, the Supervisory Board first assesses the attainment of the targets adopted at the beginning of the financial year and the Group Gate and then sets the level of variable compensation for each member of the Management Board on that basis. Depending on the absolute amount of the BO so established, the BO will be disbursed on a deferred basis over a period of four years. Within this period, a separate assessment is conducted every year to determine whether the targets set for disbursement of the deferred portion of the BO have been attained. As a general rule, the Management Board member is not entitled to such disbursements if he or she will have violated the company's compliance guidelines.

For financial year 2011, Mr. Gunter is entitled to a BO of €270 thousand and Dr. Dieterich to a pro-rated BO of €50 thousand for the period of his appointment, assuming 100% target attainment in both cases. By reason of the fact that Dr. Walch resigned from the company, his pro-rated BO (assuming 100% target attainment) has been reduced to €81 thousand.

At the time when the annual financial statements were audited, the target attainment for financial year 2011 had not yet been determined, due to the non-availability of results pertaining to the Group-level targets.

Disbursement of deferred compensation components from prior years (STI)
Because the previous short-term variable compensation for financial years 2009 and 2010 was already subject to deferred disbursement over several years, disbursements from the two prior financial years were made in financial year 2011, as the targets established for the deferred period were attained.

Of the total bonus amount granted in respect of financial year 2009, an amount of €40 thousand was disbursed to Mr. Gunter and an amount of €37.5 thousand was disbursed to Dr. Walch in financial year 2011. Of the total bonus amount granted in respect of financial year 2010, an amount of €100 thousand each was disbursed to Mr. Gunter and Dr. Walch in financial year 2011.

In the case of Dr. Walch, the further deferred amounts of variable compensation for financial years 2009 and 2010, which would have been payable only in 2012 and in the subsequent years, were forfeited by reason of his resignation and the corresponding provisions were reversed and recognized in income.

For his activity as Department Manager at DAB bank AG, Dr. Dieterich still holds claims to variable compensation for the period from April 1, 2011 to August 31, 2011.

Long-Term Incentive (LTI)
In previous years, the long-term variable compensation of Management Board members of DAB bank AG was always granted in the form of an LTI, which was set up by the UniCredit Group every year in a different form and made available to the highest-level executives of the UniCredit Group. Due to the fact that the STI and LTI were combined to form the BO, no further LTI will be granted in the future.

In financial year 2011, Mr. Gunter, Dr. Walch and Dr. Dieterich all held claims under the LTI programs of the UniCredit Group. Some of these claims arose from their prior employment with other companies of the UniCredit Group.

Specifically, they held the following claims arising from the LTI programs mentioned below.

Mr. Gunter participated in the cash-based LTI 2009 in the amount of €90 thousand and in the LTI 2010 (2011 – 2013) with a claim to 59,810 Performance Stock Options and 31,542 Performance Shares for common shares of UniCredit S.p.A., Italy.

Since the appointment of Dr. Dieterich as a new Management Board member of DAB bank AG, he has not participated in any LTI program of the UniCredit Group. From his earlier employment with the UniCredit Group, however, Dr. Dieterich still holds claims to 9,398 Stock Options from the LTI 2007 and claims to 18,548 Stock Options from the LTI 2008. Upon the close of December 31, 2011, 6,113 Performance Shares from the LTI 2008 expired. Under the LTI 2010 (2011 – 2013), Dr. Dieterich holds a claim to 33,228 Performance Stock Options and 17,523 Performance Shares, assuming that the corresponding targets are achieved. Under the cash-based LTI 2009, Dr. Dieterich will receive an amount of €50 thousand, assuming 100% target achievement. Except for the cash-based LTI 2009, all such claims pertain to common shares of UniCredit S.p.A., Italy.

The granting of stock options and performance shares is subject to the condition that the relevant targets are attained during the vesting period and that the beneficiary still works for the UniCredit Group.

By reason of his resignation, the claims of Dr. Walch arising from the LTI Programs in which he participated during his employment with DAB bank AG have been forfeited without compensation.
For purposes of accrual-based accounting, provisions have been recognized for the various LTI programs; when claims are granted, the corresponding provisions are reversed, giving rise to current expenses. In financial year 2011, DAB bank AG recognized provisions of €30 thousand for the LTI programs of Mr. Gunter. For additional details on the LTI program, please refer to the notes to the consolidated financial statements.

The taxes payable on the benefits acquired by the Management Board members under the LTI Program must be paid by the Management Board members themselves. In the case of stock options, the determining amount for this purpose is the value of the shares, less the established purchase price at the time when the stock options are exercised; in the case of performance shares, the determining amount is the value of the shares at the time when they are granted; and in the case of the Cash-Based LTI, the determining amount is the corresponding payment.

Pensions
Pension benefits are offered to members of the Management Board exclusively on a defined-contribution basis.

Under the pension plan based on deferred compensation, the Management Board members Markus Gunter and Dr. Markus Walch voluntarily paid monthly contributions from their salaries to the same pension fund used by the other employees of DAB bank AG.

In addition, DAB bank AG withholds fixed, non-success-dependent contributions from the salaries of all 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 and the company's telecommunications equipment for private use, for which the company grants a subsidy, as well as the assumption by the company of insurance premiums for a group accident insurance plan, under which coverage is extended on a 24-hour basis, and D&O insurance for directors and officers, which includes a deductible. The company paid an amount of €1 thousand for the group accident insurance in financial year 2011. 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 particular contingent liabilities were assumed on behalf of Management Board members.

No loans were granted to the Management Board members Markus Gunter and Dr. Niklas Dieterich in financial year 2011.

The Management Board member Dr. Markus Walch had 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 current account carried for Dr. Walch did not feature an overdraft facility. No further loans were granted to Dr. Walch during his term of service on the Management Board of DAB bank AG, nor to any other Management Board member.

Like all employees of the bank, moreover, Management Board members are entitled to special terms and conditions, particularly for banking services.

Change of control, temporary allowances 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. Dr. Walch did not receive any severance award payments, with the exception of a special arrangement pertaining to the stock options already granted under the LTI program, in connection with his resignation from the bank.

The employment contracts of Management Board members do not stipulate a claim to temporary allowances in the event of non-renewal of their contracts, nor an explicit claim to severance award payments, and therefore no severance award caps either, in case of premature termination of their employment relationships with the company. A severance award 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 2011 is presented in the table below:

Itemized compensation granted to the individual Management Board members:

in k€	Fixed salary	Success-driven components	Long-term incentive components	Pensions	Value of ancillary benefit	Total
Markus Gunter	300	270	58	52	9	689
Dr. Niklas Dieterich	70	50	-	8	3	131
Dr. Markus Walch	225	81	-	39	7	352
Total	595	401	58	99	19	1,172

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 19, 2011. They took effect for the first time in the financial year beginning on January 1, 2011 and superseded the previous rules on the compensation of Supervisory Board members. Section 5.4.6 para. 2 of the German Corporate Governance Code contains the recommendation that members of the Supervisory Board should receive both a fixed compensation component and a success-based compensation component.
Accordingly, the earlier rules on the compensation of Supervisory Board members, which were set out in Article 14 paras. 3 to 5 of the company's Articles of Incorporation, established variable compensation elements, the amount of which was dependent on the development of the company's share price. In order to further strengthen the independence of the Supervisory Board, such variable compensation elements are no longer granted. In most cases, the work burden and liability risk of Supervisory Board members are not proportionate to the company's business success or financial performance. On the contrary, Supervisory Board members are required to perform their supervisory and advisory function with even greater intensity in difficult times, during which any variable compensation based on the company's share price may actually decline. Furthermore, the decision not to grant success-based variable compensation to Supervisory Board members is more in line with the international best practice in this area.

As recommended in Section 5.4.6 para. 1 sub-para. 3 of the German Corporate Governance Code, the roles played by Supervisory Board members on committees as chairmen and members are now reflected in their compensation. Thus, their compensation is composed of a base pay, plus additional compensation, payable at the end of the financial year, for the activity performed on the committees of the Supervisory Board. The base pay for every Supervisory Board member is €10 thousand. The Supervisory Board Chairman receives twice that amount and the Vice Chairman receives one and a half times that amount.

Additional compensation is granted for work performed on the committees of the Supervisory Board. The Chairman of the Audit Committee receives €10 thousand and each other member of the Audit Committee receives €5 thousand. The Chairman of the Executive Committee receives €5 thousand and each other member of the Executive Committee receives €2.5 thousand.

In the event of personnel changes in the Supervisory Board and/or its committees, compensation is granted on a pro-rated basis, partial months being rounded to full months.

Supervisory Board members may be covered under any civil liability insurance for directors and officers maintained by the company in an appropriate amount, in the interest of the company. The company pays the premiums for covering the members of the company's Supervisory Board.

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

The compensation granted to each member of the Supervisory Board for financial year 2011 is presented in the table below:

Itemized compensation of Supervisory Board members:

in €	Fixed salary	Value-added tax	Success-driven component	Components with a long-term incentive effect	Total
Dr. Theodor Weimer (Chairman)	20,000	10,000	-	-	30,000
Alessandro Foti Vice Chairman)	15,000	9,584	-	-	24,584
Peter Buschbeck	10,000	2,500	-	-	12,500
Dr. Marita Kraemer (since May 19, 2011)	6,667	6,667	-	-	13,333
Gunter Ernst (until May 19, 2011)	4,167	2,083	-	-	6,250
Werner Allwang (employee representative)	10,000	-	-	-	10,000
Nikolaus Barthold (employee representative)	10,000	-	-	-	10,000
Total	75,834	30,834	-	-	106,667

* 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 be sued for pecuniary damages 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 attainment.

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. Attainment 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 sustainability 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.

On average, DAB bank AG had 479 employees in financial year 2011. The total amount of all compensation paid in financial year 2011 (excluding social security contributions) was €23.78 million, including €20.62 million in the form of fixed compensation and €3.16 million in the form of variable compensation. All employees receive a variable compensation component.

Financial communication

DAB bank share

Positive economic news alternated with ominous headlines about the international debt crisis in 2011. Given the turmoil affecting the European markets, investors remained very cautious about investing in bank stocks, which was reflected also in the development of the DAB bank share. After remaining nearly constant at around €4.00 in the first half of the year, the share price retreated in the third quarter before stabilizing in the fourth quarter, when it climbed back from €2.98 to a level of around €3.40.

Having started the year on January 3 at €4.30, the DAB bank share initially exhibited a steady upward trend, reaching its high for the year of €4.95 on February 18. Like other stocks, the DAB bank share was adversely impacted by the news of the catastrophe in Japan and subsequently fell to €3.93 on March 14, the lowest level in more than a year. However, the share price stabilized quickly again and closed the first quarter on March 31, 2011 at €4.28, close to the level at the start of the year.

In the second quarter, the DAB bank share traded in a price range between €4.50 and almost €4.00. Within this period, the development was mixed. The share steadily gained value from the start of the second quarter on April 1 (€4.30) to the annual shareholders' meeting on May 19 (€4.50), but then fell initially to €4.27 after the dividend payment and continued to lose ground in the subsequent weeks, before settling in around €4.00. On June 30, the DAB bank closed the first half at €3.93.

In late July and early August, the DAB share price moved in tandem with market trends. As a result of the generally clouded investor sentiment, the DAB bank share fell to its low for the year of €2.75 on August 9. Accompanied by somewhat higher trading volumes, the share recovered a bit at first, climbing to a level of around €3.30 at the end of August, before closing the third quarter at €3.10 on September 30.

In the fourth quarter, the DAB bank share price oscillated with somewhat higher volatility within a range of €2.98 to €3.43. The share price was relatively unaffected by the cash capital increase which DAB bank conducted on November 17. On the final trading day of the year, the DAB bank share closed at €3.32, for a total loss of 23% on the year 2011. By comparison, the EuroStoxx Bank Index lost 39% and the leading German stock index, the DAX, lost about 15% on the year. The MDAX and the SDAX exhibited a similar development (minus 12% and 15%, respectively).

The development of the DAB bank share price was also reflected in the restrained trading activity of our shareholders in 2011. On average, about 19,608 shares were traded per day on the Frankfurt Stock Exchange and on Xetra (PY: about 29,737 shares per day). The best month for trade orders was August, when a total of 846,074 shares were traded.

DAB bank earned a profit before taxes of €25.73 million in 2011, from which the shareholders will benefit directly. As in the preceding years, the company intends to pay a dividend equal to the full distributable profit for 2011. The Management Board and Supervisory Board will propose to the annual shareholders' meeting that the company pay a dividend of 22 cents per share for 2011, after having paid a dividend of 30 cents for 2009 and 20 cents for 2010. The dividend will be paid without deduction of the investment income tax and solidarity surtax.

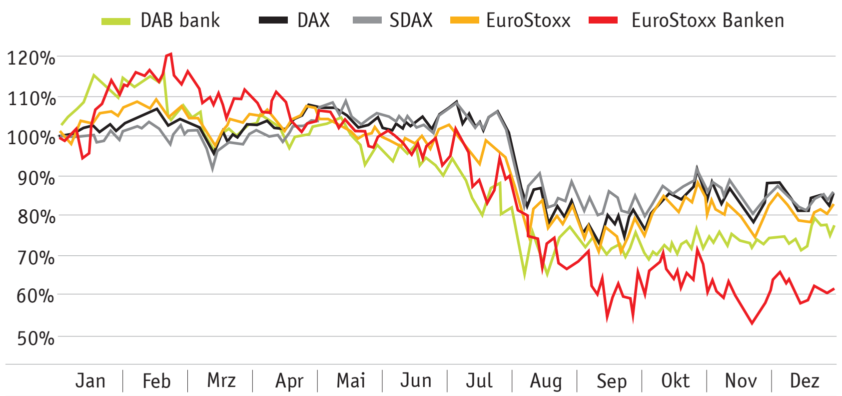
Key figures on the DAB bank share

Opening price, Xetra (01/03/2011)	4.30 €
Highest price, Xetra (02/18, 21/2011)	4.95 €
Lowest price, Xetra (08/09/2011)	2.75 €
Closing price, Xetra (12/30/2011)	3.32 €
Market capitalization (12/30/2011)	274.58m
Earnings per share	**0.23€**
Dividend yield	6.6
Book value per share	2.23
Total shareholder return	-17.7
WKN	507230
SICOVAM	22040
Reuters Code	DRNG
Bloomberg Ticker	DRN GR
ISIN Code	DE0005072300
Shares outstanding	82,705,706
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 2011, we continued our tradition of open, active communication in support of a trustful dialog with our shareholders, investors and other interested parties.

Chart indexes, comparison of DAB bank DAX, SDAX, EuroStoxx, EuroStoxx Banken 2011



Even before the publication of our Annual Report on March 15, we presented our business results for the 2010 financial year and the goals of DAB bank for 2011 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 conferences calls each in May, July and October.

In addition, we informed our shareholders about the successes of fiscal year 2010 and our goals for the future at the annual shareholders' meeting of May 19. For the seventh year in a row, our shareholders voted to approve the proposed dividend payment representing the entire net profit for 2010. Thus, the shareholders approved the proposal of the Management Board and Supervisory Board to pay a dividend of 20 cents per share.

Again in 2011, 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 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 five analysts in 2011.

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. By means of a MP3 download, moreover, 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 2012. 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. Accordingly, we will intensify our financial market communications in 2012. Thus, we published our preliminary figures for 2011 at the financial statements press conference and at the analyst conference in Frankfurt on February 28. Again this year, we will answer investors' questions 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 talks at any time.

DAB bank conducted an approved cash capital increase by issuing 7,518,699 new shares in November 2011. By means of this step, the Management Board of DAB bank opted not to reinvest the dividend as a means of bolstering the bank's capital base. The implementation of the resolution adopted by the annual shareholders meeting of 2007 approving a capital increase was a low-cost way of quickly raising capital. Although the DAB bank's capital base was solid even before the capital increase, it would have been necessary to raise additional capital in the coming years to fulfill the heightened regulatory requirements associated with Basel 3. Other factors contributing to the need for additional capital included the increase in the bank's intangible assets (IT investments) and the increase in customer deposits envisaged by our program for the future, DAB one. With a tier-1 ratio of 15.21% and an overall capital ratio (overall ratio as per the German Bank

Solvency Regulation) of 15.21% at the end of financial year 2011, DAB bank fulfilled all the minimum ratios prescribed by the regulatory authorities.

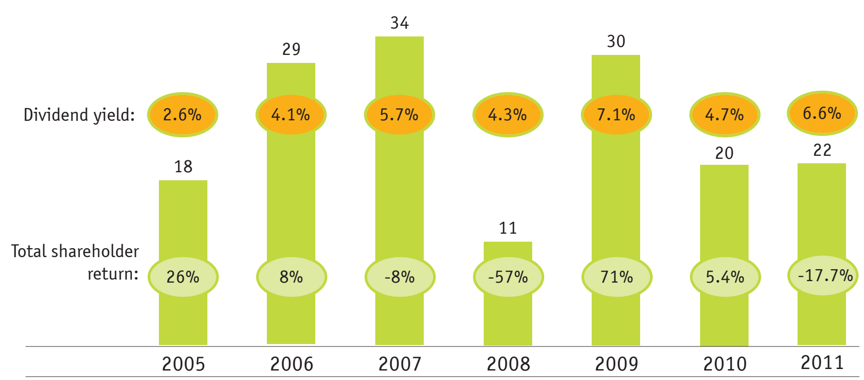
The total gross proceeds of the capital increase amounted to €23,759,088.84 in cash.

The subscription right of existing shareholders was excluded in connection with the approved capital increase, so that all the new shares were issued to the Munich-based majority shareholder UniCredit Bank AG under a new securities ID number (WKN) at a price of €3.16 per share. The issue price was determined with reference to the average closing price of the shares of DAB bank AG in the XETRA trading system over the last five trading days prior to November 17, 2011. The new shares qualify for dividends as of January 1, 2012. After the annual shareholders' meeting of DAB bank AG to be held on May 24, 2012, the shares issued under the new securities ID number will be re-registered under the existing securities ID number WKN 507230.

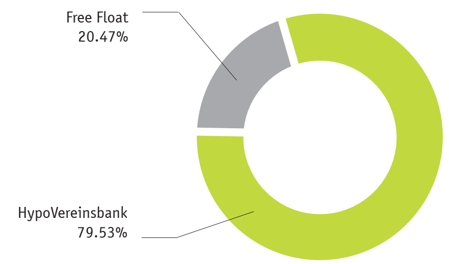
The capital increase did not significantly alter the shareholder structure. The issuance of new shares raised the percentage of equity held DAB bank AG by UniCredit Bank AG from 77.48% to 79.53%.

Thus, 20.47% of DAB bank's shares were widely held at the end of financial year 2011. The 79.53% majority interest held by UniCredit Bank AG is ascribed to the Group of UniCredit S.p.A., Rome, Italy.

Dividend per share (€ cent)



Shareholder structure at 12/31/2011



Corporate Social Responsibility at DAB bank

The term "Corporate Social Responsibility (CSR)" refers to the voluntary contribution that companies make to sustainable development, beyond the requirements imposed by law. CSR stands for responsible corporate actions in the company's specific area of business activity, including environmentally relevant efforts, the treatment of employees and the dialog conducted with relevant stakeholders and interest groups.

As a successful and profitable business enterprise, DAB bank is genuinely committed to exercising social responsibility. The bank intensified its CSR activities in 2011.

DAB bank's commitment to social responsibility is divided into four topic areas: employees, social responsibility, the environment and sustainable investments.

Employee satisfaction as a crucial business objective

Ever since it was founded in 1994, DAB bank has invested heavily in the career development and continuing education of its employees, in recognition of the fact that the bank's success depends on the people who work for it. The innovation capacity and competitiveness of DAB bank are inextricably tied to its having highly qualified and highly motivated employees. Accordingly, the bank's employees participated actively in continuing education programs also in 2011.

Employees of DAB bank can choose between two career tracks, one for managers and another for skilled experts, both of which promise a wide range of development opportunities. Every year, the bank's managers identify those employees who exhibit the potential for more responsibility and propose them as candidates for promotion. An expert committee then applies a uniform diagnostic procedure to select the employees who will be targeted for promotion. The career track at DAB bank is divided into the levels of Manager, Senior Manager, Associate Director and Director.

To support its employees in this career development process, DAB bank offers specialized programs to provide them with the skills and knowledge needed for promotion.

As part of its career development program, DAB bank also developed a health promotion concept for its employees in 2011, which is currently being implemented. Furthermore, the programs offered in the areas of medicine, sports and recreation, nutrition, psychological health and prevention are being expanded further.

Employee satisfaction is one of the key business objectives of DAB bank. Like all employees of the UniCredit Group, the employees of DAB bank are regularly surveyed on this topic. Based on the survey results, DAB bank develops measures aimed at continuously enhancing employee satisfaction.

DAB bank launched a program to support the promotion of women in 2011. The goal of this program is to develop the potential of DAB bank's female employees more sustainably.

DAB bank provides extensive fringe benefits to its employees. With the goal of promoting sustainability, employee compensation is composed of a fixed component and a variable component, half of which is determined on the basis of the employee's attainment of individual targets, while the other half is based on the attainment of previously defined business targets. Besides bottom-line results, the business targets are also based on the sustainability criterion of customer satisfaction.

Exercising responsibility for people in need

Since 2011, DAB bank has sustainably supported two Munich-based organizations devoted to helping needy children and their families.

The organization known as “Ambulantes Kinderhospiz München” (AKM) seeks to help multiply handicapped and terminally ill children and youths remain in the midst of their families for as long as possible.

The organization known as Horizont e.V. cuts through bureaucratic red tape to provide quick assistance to homeless mothers and their children. They are given a home in the Horizont House, in the northern part of Munich, for as long as they need until they can gain control over their own lives again.

But DAB bank provides more than just regular financial assistance. Under the bank’s corporate volunteering program, which was relaunched in the autumn of 2011, employees can participate in a “Social Day,” during which they volunteer their time and efforts to assist a charitable organization.

Since August 2011, moreover, DAB bank has provided a financial grant to a different project every month, based on proposals submitted by the bank’s employees. Preference is given to those organizations in which the bank’s employees are actively involved themselves. By way of example, DAB bank supported the construction of a jungle gym in a Munich day care center in 2011. Other donations were given to the Munich homeless center BISS, the crisis intervention team of the Bavarian Red Cross in Landsberg, the association known as “Verein für Heilende Erziehung,” which operates a school for handicapped children in Munich, and the association known as “Entwicklung hilft,” to alleviate the catastrophic famine in eastern Africa.

Promoting environmental protection

As a direct bank, DAB bank operates in a way that is extremely efficient in terms of environmental protection. Because its customers conduct their banking business online or over the telephone, the bank does not need to maintain physical branches and all its employees are housed in a single building in Munich. That reduces the consumption of valuable resources such as electricity, heating and water.

The intelligent use of technology helps to lower the consumption of energy and resources and often lowers operating costs as well. To that end, DAB bank has made numerous investments to reduce electricity consumption, in particular. The use of LED lamps, electronic ballast devices and transformers, as well as a load-shedding and compensation system, have helped minimize power consumption. And since the beginning of 2012, DAB bank purchases only “green” power.

By means of additional steps, such as a sustainable purchasing policy that incorporates environmental and social standards, the use of environmentally friendly materials and the committed efforts of the bank’s employees in matters of waste sorting and energy conservation, DAB bank seeks to further minimize the environmental impact of its operations.

Promoting sustainable investments

DAB bank aims to serve traders, investors and asset managers, under the slogan “Only the Best for my Investments.” And sustainable investments are an important part of the bank’s offering. DAB bank is a member of the association known as “Forum Nachhaltige Geldanlagen e.V.” (FNG), which can be translated as the “Forum for Sustainable Investments.”

In addition to traditional criteria such as return, liquidity and security, sustainable investments also fulfill ecological, social and ethical criteria. They are instruments of sustainable, responsible, ethical, socially responsible and ecological investment.

Milestones in 2011

January

DAB bank extends its position as Germany's biggest distributor of ETF-linked savings plans. As part of a promotional campaign, customers are given the chance to purchase their first ETF products on a no-fee basis.

Golden times for new customers of DAB bank: New customers who transfer their securities to a custody account with DAB bank receive gold bars ranging from one gram to 50 grams, depending on the value of their securities holdings.

"Don't speculate, but invest for the long term" is the slogan for the new round of DAB bank's stock market contest for asset managers. Accordingly, DAB bank introduced a new category, "long-term investment", to its Portfolio Contest, so as to offer even better guidance to investors.

February

DAB bank meets its forecast for financial year 2010 by reporting a solid profit before taxes of €28.57 million.

March

HypoVereinsbank joins the "DAB Star Partner" program with its "onemarkets" product line, becoming the fifth issuer to become a "Star Partner" in DAB bank's real-time trading platform, DAB Sekunden-Handel, after Commerzbank, Lang & Schwarz, Macquarie Oppenheim and Citi. Customers can trade 150,000 products for a low flat fee.

April

All holders of a DAB MasterCard can withdraw cash free of charge at more than one million ATMs worldwide.

DAB bank reprises its study of women investors: The analysis of roughly 450,000 securities accounts of individual investors with DAB bank shows that women and men pursue different investment strategies and enjoy different levels of success.

DAB bank mobile is made available also as an iPad app. Thus, customers can retrieve information easily and securely and use all the banking and trading applications of DAB bank on their iPads.

May

Active investors and traders lift DAB bank's profit before taxes for the first quarter to €8.65 million.

DAB bank pays shareholders a dividend of 20 cents per share for the 2010 financial year.

Customers of DAB bank can trade more successfully and conveniently with the new trailing stop-loss order function. Thanks to this tool, investors no longer need to constantly monitor the markets or continually change their stop-loss limits themselves.

June

DAB bank publishes a regional study, according to which the shares of DAX companies are more popular among investors in the region surrounding the bank's headquarters than in the rest of Germany.

July

The Supervisory Board appoints Markus Gunter as the Speaker of the Management Board. Effective September 1, Dr.Niklas Dieterich is appointed to the Management Board with responsibility for Finance & Controlling, Operations and IT, as well as the departments Risk Controlling & Compliance, Internal Audit and Investor Relations.

DAB bank is named the official financial partner of the FC Bayern basketball team, earning the right to present its logo on the players' shorts, perimeter advertising and other advertising spaces.

August

DAB bank's customers express their satisfaction with a clear voice, giving top scores to the bank in the annual customer satisfaction survey conducted by an independent institution.

As part of its CSR (Corporate Social Responsibility) project, DAB bank supports the charitable institution known as "Ambulantes Kinderhospiz" in Munich and the charitable initiative Horizont e.V. for homeless children and their mothers in Munich.

September

DAB bank hosts the 14th Investment Congress with Peer Steinbrück, former Federal Minister of Finance and German parliament member, and Prof. Dr. Dr. Manfred Spitzer, Director of the Transfer Center for Neuroscience and Learning in Ulm, as the main speakers. With more than 1,000 financial professionals in attendance, the Investment Congress is the most important industry gathering for independent financial services providers and institutional investors.

DAB bank expands its offering of gold products to include gold bars weighing 20 grams and one ounce.

October

DAB bank reports a profit before taxes of €6.66 million for the third quarter, representing an increase of more than 20% over the corresponding year-ago figure.

DAB bank conducts a survey of asset manager customers and learns that most investors are more than satisfied with the advice provided to them by their asset managers.

DAB bank introduces a new tool, automatic chart pattern recognition, to help its customers make their trading decisions.

Futures margin trading at DAB bank: Opportunity-oriented traders can trade 16 different futures with up to 200-times leverage with DAB bank.

November

DAB bank conducts an approved cash capital increase. The subscription right of existing shareholders being excluded, the bank's majority shareholder UniCredit Bank AG purchases all the newly issued shares. This kind of capital increase allows DAB bank to raise fresh capital quickly and at a low cost.

December

DAB bank sells its 82.25% equity interest in SRQ FinanzPartner AG to Aragon AG.

DAB bank AG enters into a cooperation agreement with ADAC Finanzdienste GmbH. In the future, Europe's biggest automobile club will offer its 17.8 million members the chance to purchase ADAC savings products via the direct bank specialist for investment-related services. The cooperation starts in January 2012.

B2C: Our business unit for individual investors

DAB bank's B2C business unit focuses on individual investors and traders, who again benefited from numerous new products and services targeted specifically to this target group in 2011.

New products and services for traders and investors

In October, for example, DAB bank launched futures margin trading, enabling its customers to trade 16 selected futures on the EUREX with individually selectable leverage. This kind of futures margin trading, which no other bank in Germany offers in this form, was presented at the "World of Trading" exhibition and also on a road show in four German cities.

Futures margin trading is another important step in the initiative that DAB bank launched in 2010 with the introduction of FOREX currency trading. The strategy is to give traders more and more ways to profit from both rising and falling markets.

DAB bank also introduced new order functions, such as trailing stop-loss orders, which make it even easier for customers to trade with DAB bank. In time before the summer vacation season, DAB bank informed its customers of the many ways they can protect their portfolios through the intelligent use of order functions.

Other highlights for traders included new tools such as automatic chart pattern recognition and tools that display portfolio alternatives and expand over-the-counter limit trading, as well as webinars on various trading topics and a new app that allows traders to place orders from their iPads.

DAB bank also introduced many attractive new features for investors. Among other options, DAB bank customers can now trade in new sizes of physical gold bars. The bank also expanded its offering of ETF-linked savings plans. With more than 200 products that can be linked to savings plans, DAB bank established itself as a leading platform for ETF investors.

DAB bank also made further improvements in the service it provides to individual investors. Among other developments, it optimized the language portal to make it even easier to use. Furthermore, customers who live in Munich and the surrounding area can receive personal advice in a specially designed meeting room of the bank's headquarters in Munich. In a word play on the German name of the headquarters building (Laimer Würfel, meaning "Cube on Laimer Square"), the new meeting room is called a "cube within a cube," with reference to its design.

DAB bank entered into a cooperation agreement with yet another strong partner, ADAC Finanzdienste GmbH. Starting in January 2012, Europe's biggest automobile club will offer its 17.8 million members ADAC savings products via the direct bank specialist for investment-related services.

DAB bank is named the financial partner of FC Bayern Basketball

DAB bank continues to sponsor FC Bayern Basketball in the 2011/12 season. As the official financial partner of the basketball beam, it holds the right to advertise the products and services of DAB bank at the basketball team's appearances. DAB bank had already supported the team in its successful quest to be promoted to the National German Basketball League ("Mission Promotion") in the 2010/11 season.

Also in 2011, DAB bank gave its individual investors numerous opportunities to personally meet its employees, including at the financial industry trade fairs invest (Stuttgart) and World of Trading (Frankfurt a.M.), and at various stock market conferences.

DAB bank receives numerous awards

DAB bank's broad-based efforts in the B2C segment, including the introduction of new products, successful new customer acquisition campaigns and further improvements to its customer service, have yielded many positive results. Rarely has DAB bank received so many awards for its products and services in one year, as it did in 2011. Especially noteworthy is the bank's triple victory in the "Broker Elections" conducted by brokerwahl.de: Best Certificate Broker, Best Investment Fund and ETF Broker and Best FOREX Broker of 2011. Furthermore, the readers of the trade publication "Börse am Sonntag" chose DAB bank as the Best German FOREX Broker. News channel n-tv named DAB bank the Best Custodial Bank for Active Investors. For its mobile apps, DAB bank received the Banking IT Innovation Award given by the Universities of St. Gallen, Zurich and Leipzig; and for the DAB Trader Card, it received the Publi-news Trophée, a prestigious European award for innovative credit cards. And that represents only a small selection of the awards DAB bank received in 2011.

Customers recognize DAB bank for accessibility and service

Again in 2011, customers were very satisfied with their DAB bank, as evidenced by the results of the two customer surveys conducted last year. The highest satisfaction scores came from the bank's core target groups of especially active investors and traders.

The green fluid that has been DAB bank's visual hallmark since the summer campaign in 2011 symbolizes the essence of DAB bank. It conveys a sense of fluidity and constant movement, representing the fact that DAB bank's products and services (also for individual investors) are constantly evolving, though always focused on the satisfaction of its customers.

B2B: Our business unit for business partners

DAB bank is still the uncontested No. 1 bank when it comes to collaborating with independent asset managers, financial intermediaries and institutional investors. More than 60% of the asset managers licensed by the Federal Financial Services Supervisory Office (BaFin) work with DAB bank. In addition to the safe custody of securities and the clearing and settlement of trades, the bank's core service offering also encompasses services related to IT systems, reporting and marketing and sales support.

The feedback we receive from our business customers makes it clear that they appreciate these services. Creative technical solutions at attractive prices are the foundation of our success.

Customer satisfaction

DAB bank conducted its representative B2B customer satisfaction survey for the eighth year in a row in 2011. And once again, DAB bank exceeded the very good results of the prior-year survey. Nearly three quarters of the customers surveyed are completely or very satisfied with the services of DAB bank. When asked about the reasons for their satisfaction, our business customers emphasized the quality of service and support they receive from the bank. They also identified the quality of clearing and settlement as a major strength of DAB bank.

Just as important as the customer satisfaction survey conducted of our business customers is that survey we conducted of their own customers, which provides us with additional information as to whether these end customers likewise appreciate the quality of the services we provide. In 2011, we conducted the first-ever survey of the customers of independent asset managers who collaborate with DAB bank. And the results were not surprising: The vast majority of investors are more than satisfied with the advice provided by their asset managers. Moreover, 71% of the investors surveyed perceive a very great or great advantage in working with an independent asset manager, as opposed to a traditional bank advisor. And 94% of the customers surveyed were satisfied, very satisfied or completely satisfied with their most recent advisory session. Thus, all satisfaction values were substantially higher than those of established banks. Furthermore, 72% of the surveyed investors would certainly or probably recommend their asset manager to others, while 78% would certainly or probably choose the same asset manager again.

Good advice from the very beginning

Our satisfaction surveys have revealed a correlation between the satisfaction of asset managers and the satisfaction of their end customers. Accordingly, we place a high priority, especially in the case of asset managers who are just starting their own business, to support them from the very beginning, so that they can be successful in their new venture. To that end, our new business initiative "DAB Start!", which we have offered since the beginning of 2011, has already yielded positive results.

"DAB Start!" is a comprehensive program that provides optimal support to independent investment portfolio managers seeking to start their own business. Using the online tool, independent asset managers can assess their aptitude for starting their own business and determine the extent to which they fulfill the regulatory requirements of the Federal Financial Services Supervisory Office (BaFin), for example. If the prerequisites are met, such persons can obtain information on all important issues related to starting their own business from a comprehensive knowledge database; and in the next step, they can prepare their own business plans 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.

In 2011, the first asset managers who started their own business and are now customers of DAB bank not only prepared their business plan with the help of this service, but also benefitted from a significantly faster BaFin licensing process.

Reinforcing the loyalty of our business partners through regular exchanges

The annual Investment Congress for B2B partners in Munich has long been a widely regarded fixture of the financial services industry. Again in 2011, more than 50 exhibiting investment firms and financial services providers informed visitors of the latest trends in the financial sector. More than 1,000 financial professionals accepted our invitation to attend the 14th Investment Congress of DAB bank in Munich. The main speakers were Peer Steinbrück, former Federal Minister of Finance and member of the German parliament, and Prof. Dr. Dr. Manfred Spitzer, Head of the Transfer Center for Neuroscience and Learning in Ulm. Participants were also given the chance to attend specialized workshops on specific topics.

The stock market contest known as the “Portfolio Contest,” which is hosted by DAB bank in cooperation with its media partners n-tv and Focus Money, was held for the eleventh year in a row. The slogan of the 2011 Portfolio Contest was “Don’t speculate, but invest for the long term.” Thirty four selected asset managers tested their skills in three investor profile categories. To render the contest even more realistic, the rules were revised and three different leagues were offered: security, balanced and opportunity. As always, individual investors could follow the professionals’ reasoning for their investment decisions at www.depot-contest.de. The contest is an outstanding platform for asset managers seeking to reach a wide audience.

Best bank for asset managers

Our vision is to make “private banking” available to everyone, in collaboration with our business partners. The professional services of our B2B partners are distinguished by a high degree of transparency and an affordable cost structure, so as to promote long-term customer relationships rooted in 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. For example, DAB bank AG offers the function “delivery of documents via the XKO server,” through which all kinds of documents can be delivered as electronic documents via a separate server. In addition, DAB bank entered into cooperation agreements with five providers of document management systems, with the aim of reducing the volume of paper-form documents by means of completely and permanently digitizing as many documents as possible, regardless of their source, so as to implement the concept of the “low-paper office.” Some of DAB bank’s B2B partners were connected to this system in 2011, helping both sides to reduce costs.

The new organizational handbook prepared by DAB bank, which helps its business partners fulfill the current requirements of the Federal Financial Services Supervisory Authority (BaFin) relative to conduct, organization and transparency, was very much in demand among the assets managers of our B2B business unit.

Besides helping DAB bank to be the biggest direct bank for asset managers, these services provided to and in cooperation with our business partners also support our claim to being the best bank for asset managers.

direktanlage.at: Our Austrian subsidiary

Highest-quality securities trades at the very best terms: That is also the recipe for success of our subsidiary direktanlage.at. The Austrian market leader in the discount brokerage business is constantly refining its products and services, with an emphasis of offering the lowest-cost terms and the best service for investors.

Thus, direktanlage.at has continued to focus on achieving constant growth in its operating business, leading to customer assets of €3.26 billion. By means of tailored new customer acquisition campaigns, each of which involving attractive interest rates coupled with the lowest trade fees, direktanlage.at was again successful in winning new customers in 2011. Thus, it achieved the goal of defending and continuously extending the bank's outstanding position, both in the segment of individual investors (B2C) and in the segment of business customers (B2B).

The key operational indicator to show a decline from the previous year was the number of trades executed for customers, which fell by around 8.2% from 2010. The main reason for this decline was the investment income tax on capital gains that was introduced at the beginning of the year. Starting in April 2012, banks have been required for the first time to withhold and transfer to the national tax authority the 25% investment income tax on realized capital gains. The new tax affects all Austrian individual investors who sell securities from their new holdings at a profit.

direktanlage.at surprises the Austrian market with numerous innovations

Much of the credit for the outstanding position of direktanlage.at in the Austrian market lies with its innovative offering of products. Like DAB bank, direktanlage.at introduced numerous new products in 2011. Using the stock margin trading function introduced in April 2011, customers of direktanlage.at can move large volumes of roughly 100 stocks with very little capital invested, due to the leverage effect, by using the trading application "PowerTrader Pro." The risk to investors is limited by means of stop-loss orders. In November 2011, direktanlage.at introduced another innovation to the Austrian market, in the form of futures margin trading. Another service is the "follow-on order," under which the purchase of a security is combined with the placement of a sale order at a pre-defined price, at which the security is sold automatically. The follow-on order is available for purchases of roughly 1,300 stocks on Xetra Vienna or Xetra Frankfurt.

direktanlage.at reaffirms its pioneering role in technology

Because our Austrian customers are also very web-savvy, direktanlage.at is increasingly using social media channels to communicate with them. Since 2011, the biggest Austrian discount broker has used Facebook, Twitter, YouTube, Xing and Flickr to communicate with customers and other interested persons and to provide both information and interactive services.

Furthermore, our Austrian subsidiary direktanlage.at reaffirmed its pioneering technology role by introducing an app for the iPhone and iPad. The new application is a full-service brokerage software program featuring a streamlined, intuitive user interface. The app also provides current data on market developments, including charts, news and summaries of "tops & flops." By setting up their own watch list, users can keep an eye on favored indexes and securities and quickly follow the latest developments on their mobile device.

direktanlage.at cultivates personal contact with its customers

Unlike DAB bank in Germany, direktanlage.at maintains branch offices all over Austria. Besides opening current accounts, savings accounts and securities accounts, customers can also make deposits and withdrawals at teller windows, make use of the asset management services of direktanlage.at and obtain advice on various kinds of investments. The bank also offers brokerage seminars and training courses designed to help its customers conduct online securities and currency trades on their own. To serve the Lower Austria region, the Austrian direct bank, which has its main office in Salzburg, opened its eight branch office in St. Pölten.

Investment Evenings and seminar series of direktanlage.at

The lecture series hosted by direktanlage.at have become a very popular institution for customers, interested persons and employees alike.
As part of the Investment Evening series, numerous visitors attended top-shelf presentations by the former Federal Chancellor Wolfgang Schüssel, the economist Martin Hüfner, the former ski racer Hans Knauß, the acclaimed globalization expert DDr. Franz-Josef Radermacher and Wall Street legend Jim Rogers.

The seminars hosted by direktanlage.at were also extremely popular with customers and other interested parties. The Austrian direct bank launched a new seminar series for securities investors, known as the “direktanlage.at Academy,” to educate interested persons in financial matters. The offering includes specialized seminars on currency trading, courses on chart techniques and live analyses, and workshops on trading applications.

Besides being excellent customer retention instruments, such events and seminars provide an ideal opportunity to obtain personal feedback from customers and other interested persons.

FINANCIAL REPORT 2011

Management Report

Economic report

Operating results in 2011

Amid an environment characterized by persistent market turmoil and the debt crisis affecting European countries, the DAB bank Group turned in a successful performance in financial year 2011, generating a profit before taxes according to IFRS of €25,728 thousand, as a further confirmation of our sustained operating profitability. Driven by the strong trading activity of our customers, which was also reflected in the total number of trades executed, the net commission income of €85,606 thousand was particularly impressive. In total, we executed 5,081,041 trades for our customers, reflecting a 12.8% increase over the number of trades executed in the prior year. At the end of 2011, customer assets amounted to €24.26 billion, reflecting a decrease that was in line with the trend of market prices in 2011.

Market developments

General economic developments

Following the strong recovery in 2010, global economic growth slowed in 2011. According to the International Monetary Fund, global production rose by a rate of only 3.8% (PY: 5.2%) and world trade by only 6.9% (PY: 12.7%). Economic developments varied in the different regions of the world.

The U.S. economy got off to a weak start in the new year, stoking fears of a so-called double-dip recession, also in view of the persistently high unemployment. But contrary to these initial fears, U.S. economic growth gathered momentum from one quarter to the next, reaching an annualized rate of 2.8% at the end of the year. Nonetheless, the U.S. housing market remained weak.

In terms of the temporal progression, the development of the economy in Europe was opposite to that of the United States, as the initially strong rate of expansion weakened progressively over the course of the year. In the fourth quarter, the real gross domestic product contracted in absolute terms. The main factor driving this development was the escalating euro crisis, which compelled the peripheral eurozone countries in particular to adopt draconian retrenchment measures. This situation rattled investors and consumers alike. Greece and Portugal slip into recession.

The Japanese economy was adversely impacted by the severe earthquake and subsequent tsunami in the region north of Tokyo in March. The country's real gross domestic product contracted slightly for the full year 2011.

In the traditionally fast-growing emerging-market countries, the rate of economic expansion slowed in 2011. The rate of economic growth in China weakened from 10.4% to 9.2%, in India from 9.9% to 7.4% and in Brazil from 7.5% to 2.9%. These developments were driven in part by the restrictive monetary policies undertaken to combat high rates of inflation. Economic growth in Russia held firm at 4%, thanks in part to the high level of oil prices in 2011.

Amid this environment, German businesses fared rather well on the whole, despite the euro crisis. They benefited from strong exports, particularly to the emerging-market countries. Consumer spending rose, thanks to the improved development of personal incomes and the employment market. Investment in plant and equipment have risen by 7.9%. Over the course of the year, however, the German economy increasingly lost momentum, so that many observers feared a recession at the end of the year.

The development of the German employment market was especially positive. The number of employed persons rose to above 41 million, the highest level since the reunification of Germany, while the number of unemployed job-seekers remained below three million for the first time since 1992. The main factors driving this development were the expansion of production and the lower number of working-age persons due to demographic ageing. A number of industries encountered a shortage of skilled workers.

Inflation was generally higher in 2011 than in 2010. In most countries, it was higher than is considered healthy. The average inflation rate for the full year was 2.3% in Germany and 2.7% in the eurozone. In some countries, inflation accelerated in the first six months of 2011, mainly as a result of rising oil and food prices, before slowing in the second half of the year, due to weaker economic growth in many countries.

Inflation was a major concern for central banks, particularly in the emerging-market countries, where monetary policy-makers raised key lending rates, in some cases drastically, while also raising minimum reserve requirements and curtailing liquidity. By contrast, the industrialized nations were more restrained in that respect. The European Central Bank raised its key lending rate in two increments from 1% to 1.5%. In October and December, however, it lowered the key lending rate again, in anticipation of weaker economic growth. Following the expiration of its “quantitative easing program,“ the U.S. Federal Reserve continued to pump liquidity into the system in the summer through the new program dubbed “operation twist.” The Bank of Japan held interest rates on a low level.

Developments in the financial markets

Again in 2011, the development of financial markets was heavily influenced by high liquidity, low prime rates and high levels of government debt. Under these conditions, investors found it difficult to achieve adequate returns, leading many of them to take on heightened risks, to some extent. Moreover, government bonds lost their appeal as low-risk investments.

The various asset classes experienced some surprising developments in 2011. Early in the year, bond markets were considered to be rather unattractive, even for top-rated issuers, because the yields were too low. In the further course of the year, however, they became increasingly more attractive, as interest rates dipped again, contrary to the expectations of many observers. Over the twelve-month period, the German bond market index REX (performance index) rose by a total of 8%. The yields of ten-year government bonds declined from 2.9% to 1.9%. In the United States, they fell by an ever sharper margin (from 3.3% to 1.9%). This development was driven in part by the flight of investment funds out of the peripheral eurozone countries, but also by weakening economic growth and subsiding inflationary pressures during the course of the year.

Contrary to expectations at the beginning of the year, stock markets generally were among the losers in 2011. The German lead index DAX lost 15% and the Japanese Nikkei Index lost 18% on the year. In the emerging-market countries, the Chinese Shanghai Composite Index fell by 22% and the Indian Sensex by an even greater 25%. Among the major stock market indexes, only the U.S. Dow Jones Industrial Average stood out, with a gain of 5%. The main reason for lower stock prices in 2011 was the weakening global economy. This factor was exacerbated at times by the heightened risk aversion of investors, particularly in view of the uncertainty emanating from the euro crisis. The still-high level of interest rates was a drag on the stock markets of emerging-market countries. And the Japanese stock market was additionally burdened by the disaster in Fukushima.

Gold again proved itself to be an important market in times of economic and political uncertainty and investors reaped substantial price gains. From the beginning of January to the end of December, the price of a troy ounce of gold jumped 12% to US$1,574. At times, it rose to nearly US$1,900. Demand was particularly strong for physical gold in the form of ingots and coins. During the course of the year, even central banks boosted their purchases of gold in many countries of the world. European central banks, which had been net sellers of gold in past years, did not trim their holdings further in 2011. However, this trend was motivated not by the fear of inflation, which usually drives the price of gold; rather, central banks were seeking to become more independent of the U.S. currency, in view of the turmoil affecting the world's currency reserves. The price of gold was also supported by low interest rates, which lowered the opportunity costs of holding gold. The rise in the price of gold was even more pronounced in euro terms than in dollar terms.

As for other commodities, both industrial metals and foodstuffs were cheaper on the whole. The price of oil was slightly higher. The CRB Index declined by 9%. It should be noted, however, that these developments varied over the course of the year. In the first six months, demand for commodities was strong, both in the industrialized nations and the emerging-market countries, due to the positive economic situation and rising inflation rates. In the summer, demand began to weaken as investors became increasingly concerned about a sharper slowdown of the global economy. The price of oil recovered somewhat in the final months of the year.

Developments in the financial sector

The business environment for German banks worsened considerably in 2011, as the sovereign debt crisis led to a bank crisis. Many banks were forced to lower the ambitious earnings targets they had set for 2011.

Several factors converged to dim the outlook for banks. Among other factors, the new "Basel III" regulations tightened capital and liquidity requirements.

In the second half of the year, European heads of state and government agreed to invite banks to participate voluntarily in a "haircut" of their Greek sovereign debt holdings. The refinancing rate was initially set at 20%, but was later raised to above 50%. This "private-sector involvement" (PSI) was meant to ensure that both creditors and taxpayers would shoulder the cost of the Greek rescue. Over the course of time, however, considerable difficulties arose, particularly due to the fact that the heads of state and government simultaneously tightened the capital adequacy requirements in order to avert greater distortions in the banking system. Starting in June 2012, major internationally active banks of the European Union are temporarily supposed to maintain a hard core capital ratio of at least 9%, after consideration of the market valuation of their holdings of debt issued by eurozone countries. Government guaranties are supposed to be issued to facilitate the borrowing of longer-term debt.

To meet the new requirements, banks are expected to increase their capital on their own. If that would not be possible, their respective home countries are supposed to provide the necessary funds. If even that could not be assured, funds would be released from the European rescue fund. The results of several stress tests conducted by the new European Banking Agency (EBA) revealed that some banks will need much more capital than they would be able to raise in the market themselves.

In response to the difficulties encountered with the “private-sector involvement” concept, European heads of state and government resolved at their December summit in Brussels to reconsider the involvement of banks in future rescue actions.

The domestic lending business of German banks was mixed. Thanks to low interest rates and the recovery of the housing market, real estate financing loans were in high demand in large parts of Germany. Also, companies needed additional funds to finance the expansion of their business. They also increased their cash holdings as a hedge against risks. However, companies did not only turn to banks for these funds. Instead, large and medium-sized companies raised funds directly in the capital market by issuing bonds and notes.

As a general trend, banks were compelled to increase their risk provisions, not only as a result of slowing economic growth in Germany, but also to account for problems in neighboring European countries, including in Eastern Europe.

Economic environment for direct banks

The economic environment for direct banks was difficult in 2011, but not completely unfavorable. Direct banks benefitted from the heightened trading activity of their customers, which resulted, in turn, from the uncertainties affecting the international financial markets.

Direct banks also continued to benefit from the dissatisfaction of many customers with the products and services of traditional commercial banks. Some customers were seeking better terms for simple banking transactions, while others believed that the investment advice given by traditional banks is too heavily influenced by their own in-house products, and less by the interests of the banking customer. Therefore, many customers transferred their securities holdings to direct banks, choosing to obtain information on the developments in the financial markets on their own or from independent professional advisors. Some customers, however, shifted their assets to private asset managers, who conduct their business via direct banks.

Legal environment

The national and international efforts to make the banking industry and capital markets more stable and less crisis-prone proceeded further in 2011. Important steps included the reform of bank capital standards (Basel III), the Financial Markets Restructuring Act and the German bank tax. Furthermore, the revised Markets in Financial Instruments Directive (“MiFID II”) can be expected to yield further consequences, particularly for the securities business, in the coming years.

Considerable public interest was devoted to the implementation of the Act to Strengthen Investor Protection and Improved Functioning of Financial Markets, which established new standards for investment advice, among other things (including the design of so-called “product information sheets,” for example). The implementation of this law will impose additional responsibilities on banks, including standards on the requisite qualifications of employees providing investment advice.

Strategy

Focus on investors, traders and asset managers

DAB bank has focused on securities-related services ever since it was founded as Germany's first online broker in 1994. It understands itself to be a fair and transparent partner to its customers – investors, traders and asset managers– in all matters of capital accumulation, wealth protection and asset growth.

In its B2C business unit for individual investors, DAB bank aims to serve traders, self-directed investors, investors desiring support and assistance and investors seeking investment advice. DAB bank offers a wide range of products and services that are precisely tailored to these customer groups. And the bank continuously expands this offering as part of its program for the future, "DAB one." At DAB bank, therefore, traders find a continuously growing number of products, such as FOREX currency trading and futures margin trading, introduced in 2011, that enable them to profit from both rising markets and falling markets.

Besides supporting its core customer groups in the areas of trading and investment, DAB bank also offers them traditional banking services such as current accounts, bank cards and placement of home building loans. That is meant to ensure that investors and traders can find everything they need at DAB bank, as a genuine alternative to traditional branch banks.

Also in its B2B business unit for business customers, DAB bank has offered securities-related services to institutional investors and independent financial services providers ever since the bank was founded. To that end, DAB bank handles custody account administration, executes securities trades and handles reporting for the end customers of independent asset managers, investment fund brokers and other financial intermediaries. DAB bank also supports independent asset managers in matters of new customer acquisition, IT consulting, continuing education and information. Roughly 60% of asset managers in Germany work with DAB bank, making it the clear market leader in this segment.

Individual investors who are customers of DAB bank also benefit from the large network of independent asset managers. DAB bank gladly refers customers seeking comprehensive, personalized advice to a financial professional in their region.

Like its Austrian subsidiary direktanlage.at, DAB bank focuses on the two core business segments of business customers (B2B) and individual investors (B2C). To sharpen this focus still further, DAB bank sold its majority interest in SRQ FinanzPartner AG to Aragon AG. Even under new ownership, SRQ is still a B2B partner of DAB bank.

As in 2011, the activities and initiatives of DAB bank will be guided by five principal business objectives in 2012.

▸ DAB bank continues to pursue profitable growth, both in terms of financial results such as the profit before taxes, for example, and in terms of key performance indicators such as securities accounts, trades executed and customer assets held in custody.

▸ At the same time, DAB bank seeks to maintain a high level of competitiveness, an objective that will be achieved through the implementation of the bank's program for the future, "DAB one," including the continual introduction of new products and services for investors, traders and asset managers. In this respect, DAB bank makes good use of the many synergies arising from the bank's affiliation with the other direct banks of the UniCredit Group. DAB bank places particular emphasis on the quality and efficiency of its products and services. In the near future, it plans to increase its investment in IT systems, with the goal of making its processes even more agile, so as to lower costs in the medium-term and long-term future.

▸ Only satisfied customers will continue to do business with DAB bank. Therefore, DAB bank intends to improve even more the already high level of customer satisfaction by pursuing even greater customer focus and the highest level of quality in all day-to-day operations.

▸ Business success and customer satisfaction are closely tied to yet another key objective: employee satisfaction. Service-oriented and highly motivated employees are an indispensable prerequisite for impressing the bank's customers. Therefore, DAB bank will continue to invest in long-term employee development, based on shared values.

▸ DAB bank will sharpen its profile and create a strong, emotional brand by offering attractive, innovative products and cultivating a highly focused brand image.

With these five objectives in mind, DAB bank will continue to improve its business performance in 2012, so as to become even more attractive to its core target groups of investors, traders and asset managers.

Business developments and key indicators

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

Where relevant, the figures have been adjusted for the effects arising from the sale of SRQ FinanzPartner AG.

Trades executed

A total of 5,081,041 trade orders were executed via DAB bank in 2011, indicative of a 12.8% increase over the corresponding prior-year figure (2010: 4,506,466).

We executed a total of 4,033,358 trades for our customers in Germany, roughly 19.9% higher than the corresponding prior-year figure (2010: 3,364,885). In Austria, we executed 1,047,683 trades for customers, which was less than the prior-year figure (2010: 1,141,581). On a Groupwide basis, the number of trades executed per securities account per year rose from 7.29 in 2010 to 8.22 in 2011. In Germany, our customers placed 7.23 trade orders per securities account per year (2010: 6.01); in Austria, that number came to 17.26 trade orders per securities account per year (2010: 19.67).

Within DAB bank group, the number of trade orders executed for our B2C customers increased by 14.7% to 4,398,677 (2010: 3,836,364). Of that number, 3,517,887 trade orders were executed in Germany (2010: 2,888,177) and 880,790 in Austria (2010: 948,187). At 682,364, the number of trades executed for customers of our B2B unit was 1.8% higher than the prior-year figure (2010: 670,102). The number of trade orders executed in Germany rose by 8.1% to 515,471 (2010: 476,708), while the number of trade orders executed in Austria fell by 13.7% to 166,893 (2010: 193,395), particularly as a result of investment income tax introduced in January 2011.

Securities trades

		2011	2010	Change in %
Securities trades	No.	5,081,041	4,506,466	12.8
Germany	No.	4,033,358	3,364,885	19.9
Austria	No.	1,047,683	1,141,581	-8.2

Securities accounts carried for customers

At December 31, 2011, the DAB bank Group carried 620,922 securities accounts for its customers, reflecting an increase of 4,878 securities accounts over the corresponding prior-year figure (year-end 2010: 616,044).

In Germany, we carried a total of 558,866 securities accounts at December 31, 2010 (year-end 2010: 556,686). In Austria, our subsidiary direktanlage.at increased its customer base to 62,056 securities accounts (year-end 2010: 59,358).

The B2B and B2C segments exhibited a divergent development with regard to securities accounts. Whereas on a Groupwide basis the number of B2C securities accounts increased by 18,853 to 531,233 (year-end 2010: 512,380), the number of B2B securities accounts decreased to 89,689 (year-end 2010: 103,664), particularly due to the market exit of a major B2B partner.

Securities accounts

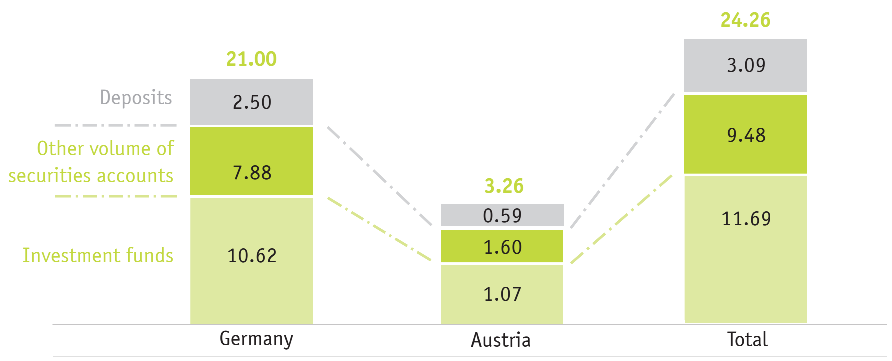
		2011	2010	Change in %
Securities accounts	No.	620,922	616,044	0.8
Germany	No.	558,866	556,686	0.4
Austria	No.	62,056	59,358	4.5

Customer assets

In line with the development of share prices in the stock markets, the volume of customer assets held in custody amounted to €24.26 billion at the end of 2011, reflecting a market-driven decline of 6.8% or €1.77 billion from the prior-year figure. On a Groupwide basis, the volume of customer assets held in securities accounts decreased by €1.94 billion to €21.17 billion and the volume of customer assets held in investment funds decreased by €1.07 billion to €11.69 billion. The volume of customer assets held in cash deposits increased from €2.92 billion to €3.09 billion. The total volume of customer assets held in Germany amounted to €21.00 billion at the end of 2011 (minus 6.3%); in Austria, that figure amounted to €3.26 billion.

On a Groupwide basis, we held customer assets totaling €11.08 billion for our B2C customers (8.0% less than 2010). Of that amount, customer assets totaling €8.93 billion were held in Germany (minus 8.2%) and customer assets totaling €2.15 billion were held in Austria (minus 6.9%). We also registered a decrease in customer assets held for customers of our B2B unit, which fell by 5.8% to €13.18 billion. Of that amount, customer assets totaling €12.07 billion were held in Germany (minus 4.7%) and customer assets totaling €1.11 billion were held in Austria (minus 15.9%).

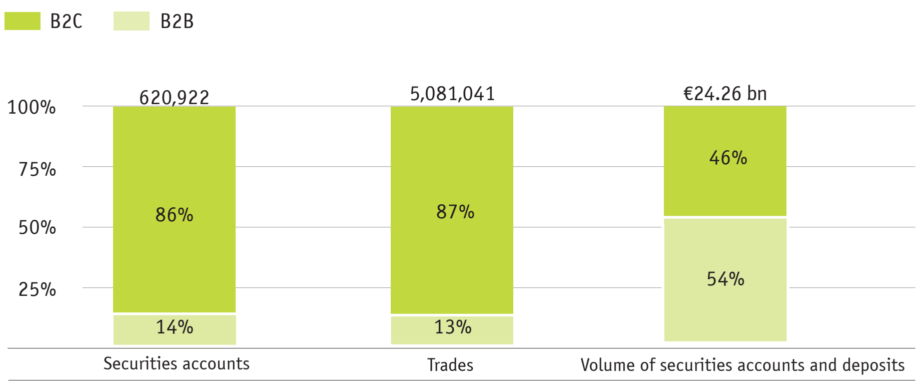
Volume of securities accounts and deposits in € bn



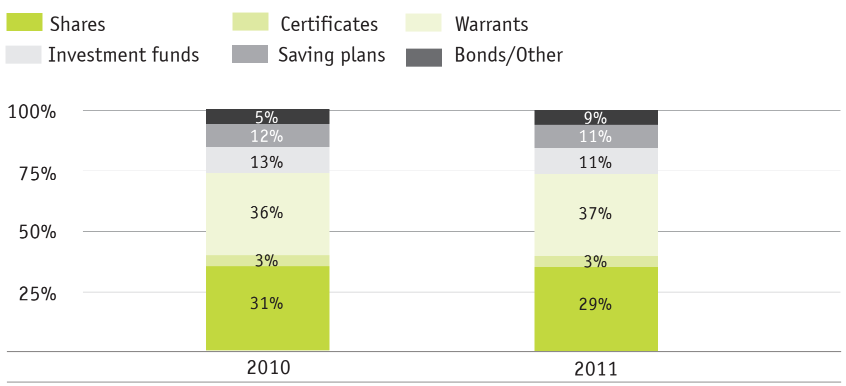
Volume of securities accounts and deposits

		2011	2010	Change in %
Volume of securities accounts and deposits	€ bn	24.26	26.03	-6.8
Germany	€ bn	21.00	22.40	-6.3
Austria	€ bn	3.26	3.63	-10.2
Volume of securities accounts	€ bn	21.17	23.11	-8.4
Germany	€ bn	18.50	19.97	-7.4
Austria	€ bn	2.67	3.14	-15.0
thereof in investment funds	€ bn	11.69	12.76	-8.4
Germany	€ bn	10.62	11.50	-7.7
Austria	€ bn	1.07	1.26	-15.1
Deposits	€ bn	3.09	2.92	5.8
Germany	€ bn	2.50	2.43	2.9
Austria	€ bn	0.59	0.49	20.4

Securities accounts, trades and assets under custody, broken down by B2C and B2B



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



B2C (business-to-consumer)

		2011	2010	Change in %
Securities accounts	No.	531,233	512,380	3.7
Germany	No.	485,691	470,051	3.3
Austria	No.	45,542	42,329	7.6
Trades executed	No.	4,398,677	3,836,364	14.7
Germany	No.	3,517,887	2,888,177	21.8
Austria	No.	880,790	948,187	-7.1
Volume of securities accounts and deposits	€ bn	11.08	12.04	-8.0
Germany	€ bn	8.93	9.73	-8.2
Austria	€ bn	2.15	2.31	-6.9
Volume of securities accounts	€ bn	9.06	10.23	-11.4
Germany	€ bn	7.41	8.32	-10.9
Austria	€ bn	1.65	1.91	-13.6
thereof in investment funds	€ bn	2.85	3.23	-11.8
Germany	€ bn	2.44	2.76	-11.6
Austria	€ bn	0.41	0.47	-12.8
Deposits	€ bn	2.02	1.81	11.6
Germany	€ bn	1.52	1.41	7.8
Austria	€ bn	0.50	0.40	25.0

B2B (business-to-business)

		2011	2010	Change in %
Financial intermediaries	No.	1,228	1,173	4.7
Germany	No.	968	923	4.9
Austria	No.	260	250	4.0
Securities accounts	No.	89,689	108,272	-13.5
Germany	No.	73,175	91,243	-15.5
Austria	No.	16,514	17,029	-3.0
Trades executed	No.	682,364	670,102	1.8
Germany	No.	515,471	476,708	8.1
Austria	No.	166,893	193,394	-13.7
Volume of securities accounts and deposits	€ bn	13.18	14.75	-5.8
Germany	€ bn	12.07	13.43	-4.7
Austria	€ bn	1.11	1.32	-15.9
Volume of securities accounts	€ bn	12.11	13.64	-6.0
Germany	€ bn	11.09	12.41	-4.8
Austria	€ bn	1.02	1.23	-17.1
thereof in investment funds	€ bn	8.84	9.53	-7.2
Germany	€ bn	8.18	8.74	-6.4
Austria	€ bn	0.66	0.79	-16.5
Deposits	€ bn	1.07	1.11	-3.6
Germany	€ bn	0.98	1.02	-3.9
Austria	€ bn	0.09	0.09	0.0

Operating results

Amid an environment characterized by persistent market turmoil and the debt crisis affecting European countries, the DAB bank Group generated a solid profit before taxes according to IFRS of €25,234 thousand in 2011. Adjusted for the sale of SRQ, the profit before taxes amounted to €25,728 thousand, less than the corresponding prior-year figure of €28,702 thousand. However, the prior-year profit before taxes was helped by unusually high net financial income, which could not be repeated in 2011 because the basic market conditions had changed in the meantime. The profit before taxes for 2011 was also weighed down by the mark-to-market valuation of the Greece exposure of our subsidiary direktanlage.at. Adjusted for this impairment loss, the profit before taxes is higher than the corresponding prior-year figure; and the adjusted figure is an appropriate reflection of the DAB bank Group's operating profitability. This performance highlights our operating strength and our ability to generate a very good profit even amid a difficult environment.

Effective December 31, 2011, SRQ FinanzPartner AG was removed from the consolidation group of the DAB bank Group. The operating profit/loss contributions attributable to SRQ in financial years 2011 and 2010 are presented separately in the consolidated financial statements and the effects arising from the deconsolidation are disclosed separately in the notes to the consolidated financial statements. For the sake of comparability, all the prior-year figures for continuing operations were adjusted accordingly.

The consolidated net profit after taxes amounted to €17,271 thousand (PY: €16,436 thousand), corresponding to earnings per share of €0.23 (PY: €0.22).

Dividend

The Management Board and Supervisory Board will propose to the annual shareholders' meeting to be held on May 24, 2011 that the company pay a dividend equal to the entire consolidated distributable profit according to IFRS for financial year 2011, in the amount of €16,541 thousand (PY: €15,037 thousand). That amount corresponds to a tax-exempt dividend of €0.22 per share (PY: €0.20 per share) and a dividend yield of 6.6% at December 31, 2011.

Net financial income

As expected, the net financial income of €53,299 thousand was less than the strong figure for 2010 (PY: €69,606 thousand), which had been buoyed by an outstanding trading profit. Due to the debt crisis affecting European countries and the associated significant widening of credit spreads, it was necessary in 2011 to recognize impairment losses in our investment portfolio, which is mainly composed of fixed-interest securities.

Thanks to the balanced strategy applied in managing our treasury portfolio, however, we generated solid net financial income also in 2011. At €53,223 thousand, net interest income in particular was very close to the corresponding prior-year figure of €55,688 thousand. As a result of the extremely difficult market conditions, the realized gains or losses and changes in measured value of our securities classified as held-for-trading and at-fair-value, which are components of the trading profit or loss, declined to €631 thousand (PY: €13,723 thousand). The realized gains or losses and the changes in measured value that are recognized as part of the profit/loss from investments amounted to €-555 thousand (PY: €195 thousand). The profit/loss from investments also includes a deconsolidation effect of €711 thousand arising from the sale of shares in SRQ. The effect of changes in measured value of available-for-sale securities, which is recognized in the equity item of Other Comprehensive Income (OCI), resulted also from impairment losses caused by the widening of credit spreads.

Net commission income

The Group-level net commission income amounted to €85,606 thousand, that being 3.3% higher than the prior-year figure of €82,892 thousand. A major factor contributing to the higher net commission income was the greater number of trades executed, thanks to the active trading behavior of our customers, which was reflected in a solid profit contribution from the securities clearing and settlement and custody account business. The brokerage of third-party products exhibited a stable development. Separately, commission income was slightly lower than the corresponding prior-year figure; this effect was more than offset, however, by a further decrease in commission expenses, thanks to cost savings, among other factors.

Administrative expenses

The administrative expenses incurred in connection with the business activity of the DAB bank Group in 2011 amounted to €113,088 thousand, reflecting a further reduction of 2% from the prior-year figure (PY: €115,278 thousand), which can be credited in part to the continued practice of strict cost discipline.

At €38,268 thousand, the personnel expenses incurred in 2011 were moderately higher than the corresponding prior-year figure of €36,515 thousand, mainly as a result of the investment in employee quality and greater number of employees working for the DAB bank Group. We continued to invest in the development of our employees in 2011, as an expression of our firm conviction that they are critically responsible for the quality of the services provided by DAB bank.

The other administrative expenses of €64,670 thousand were 2.2% less than the prior year figure (PY: €66,111 thousand). This decrease is a reflection of our ongoing efforts to make our cost structures as flexible as possible and practice strict cost discipline at all times.

At €10,150 thousand, the depreciation, amortization and impairments of property, plant and equipment and intangible assets were less than the corresponding prior-year figure (PY: €12,651 thousand), mainly as a result of the impairment losses recognized in software, after having reviewed their value-in-use and made appropriate adjustments in the preceding year. Although we keep a close eye on all kinds of expenses, DAB bank continues to invest in the further development of its technologies in all market phases, for the benefit of its customers.

Appropriations to provisions

The DAB bank Group incurred expenses of €1,058 thousand for appropriating new funds to provisions in financial year 2011 (PY: €1,908 thousand), mainly to provisions recognized in respect of possible claims for damages. Reversals of provisions amounted to €2,608 thousand (PY: €205 thousand).

Credit risk provisions

An appropriation to the credit risk provisions of €340 thousand (PY: €900 thousand) was partially offset by a reversal of €287 thousand (PY: €274 thousand), so that the net increase in credit risk provisions came to €53 thousand (PY: €626 thousand). Recoveries on receivables charged off in earlier periods totaled €8 thousand (PY: €30 thousand).

Impairment of goodwill

Effective September 30, 2011, SRQ FinanzPartner AG was classified as discontinued operations and an impairment loss of €741 thousand was recognized in the goodwill attributable to this investment because the net fair value was less than the carrying amount of the investment at the time when it was reclassified as discontinued operations. As of the reporting date for financial year 2010, we conducted an impairment test of the goodwill attributable to SRQ and recognized an impairment loss of €3,410 thousand. (See Note 33 and 45 in the notes to the consolidated financial statements).

Profit before taxes

The total profit before taxes for financial year 2011 amounted to €25,728 thousand (PY: €28,702 thousand). This figure reflects the extremely difficult operating conditions for banks and a market environment characterized by great uncertainty in the capital markets. DAB bank AG contributed €19,975 thousand (PY: €19,647 thousand) and direktanlage.at AG contributed €5,042 thousand (PY: €9,055 thousand) to the consolidated profit before taxes. The total deconsolidation effect resulting from the removal of SRQ from the consolidation group amounts to €711 thousand.

Net profit after taxes

After consideration of income taxes, the DAB bank Group generated a consolidated net profit after taxes of €17,271 thousand (PY: €16,436 thousand). After deducting the non-controlling interests in SRQ FinanzPartner AG, the net profit after taxes amounted to €17,325 thousand (PY: €16,448 thousand), corresponding to earnings per share of €0.23 (PY: €0.22).

Cost-income ratio

We define the cost-income ratio as the ratio of administrative expenses (including restructuring expenses and impairments of goodwill) to the sum of net interest income, net commission income, the profit/loss from investments, the trading profit/loss, net other operating income/expenses, appropriations to provisions and credit provisions.

At 81.6%, the cost-income ratio for financial year 2011 was slightly higher than the prior-year cost-income ratio of 80.5%.

On a Groupwide basis, the total income applied in calculating the cost-income ratio amounted to €139,557 thousand (PY: €147,390 thousand) and the corresponding expenses amounted to €113,829 thousand (PY: €118,688 thousand).

Financial position and financing status

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

At December 31, 2011, the total assets of DAB bank amounted to €3,406,192 thousand (PY: €3,237,288 thousand). The increase over the prior-year figure resulted mainly from the higher amount of customer deposits. The total liabilities consisted predominantly of current liabilities due to customers, which are invested in securities as part of the bank's liquidity management program, because they represent an excess of liabilities over assets. As a long-term average, the duration of our securities portfolios is about one year. Due to the sufficient liquidity of these securities, DAB bank ensures that the liabilities can be repaid at all times, despite the maturity mismatch.

At €267,304 thousand, receivables due from customers were slightly less than the corresponding prior-year figure (PY: €281,661 thousand). The credit risk provisions of €2,526 thousand were nearly unchanged from the prior-year figure of €2,590 thousand. Receivables due from banks rose from €419,951 thousand in 2010 to €443,324 thousand in 2011. Furthermore, non-current financial assets rose from €2,341,199 thousand at December 31, 2010 to €2,422,085 thousand at the reporting date. This development was accompanied by an increase in liabilities due to customers, which amounted to €3,061,343 thousand at the reporting date (PY: €2,907,066 thousand). The subordinated capital that matured on December 13, 2011 was redeemed, so that no further subordinated capital existed at the end of 2011. Consolidated equity amounted to €185,436 thousand, as compared to €168,173 thousand at the prior-year reporting date. This increase resulted mainly from the DAB bank AG capital increase of €23,759 thousand conducted in the fourth quarter of 2011. The main reasons for conducting the capital increase were the company's plan to increase customer deposits further, as part of the "DAB one" corporate program, and the increase in intangible assets (IT investments). After deduction of the planned dividend, consolidated equity amounted to €168,895 thousand as of year-end 2011 (PY: €153,136 thousand).

Bank regulatory ratios

In connection with the “Regulation on the Adequate Capitalization of Banks, Banking Groups and Financial Holding Groups” (Bank Solvency Regulation, SolvV), DAB bank AG has opted since 2010 to apply the credit risk standard approach for determining the capital required to cover default risks, the standard approach for determining the capital required to cover market risks positions and the advanced measurement approach (AMA) for determining the capital required to cover operational risks.

As the parent company of DAB bank AG and the controlling company pursuant to Section 10a (1) (1) KWG, UniCredit Bank AG (UCB), Munich, monitors the Overall Ratio on the level of the UniCredit Bank AG banking group.

At DAB bank AG, regulatory capital is planned on the basis of available capital and the capital required to cover default risks and operational risks, as well as the capital required to cover market risk positions, in consideration of a minimum Overall Ratio of 8%.

Compliance with the Overall Ratio, which is monitored on a daily basis, was assured at all times in financial year 2011.

At December 31, 2011, the liable equity of DAB bank AG amounted to €119,633 thousand (PY: €96,685 thousand). This change resulted mainly from the capital increase for €23,759 thousand that was conducted in November 2011. By reason of the higher default risk positions in the category of receivables due from banks, which were only partially offset by lower default risk positions in the categories of receivables due from companies and investees, the capital charges for default risks rose from €48,292 thousand in the prior year to €50,092 thousand in financial year 2011. The capital charges for operational risk, which are calculated by way of the Advanced Measurement Approach (AMA), amounted to €12,498 thousand in 2011 (PY: €10,701 thousand). The capital charges for the market risk positions rose from €235 thousand in 2010 to €327 thousand in 2011.

Based on the foregoing, the Overall Ratio as per SolvV came to 15.21% at December 31, 2011, which was slightly higher than the Overall Ratio at the end of 2010 (13.06%). Thus, the Overall Ratio for DAB bank was significantly higher than the minimum required ratio of 8%. At December 31, 2011, the core capital ratio (tier-1 ratio) was 15.21%, as compared to 12.52% at the end of 2010. The changes in the Overall Ratio as per SolvV and the core capital ratio resulted primarily from the capital increase and from the payment of a subordinated loan that matured in 2011, which had been applied until that time as supplementary capital in the amount of €3,987 thousand.

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 4.46 at December 31, 2011 (PY: 6.95), significantly higher than the corresponding regulatory requirement. The change resulted from the reclassification of securities from cash and cash equivalents to non-current assets in 2011, in accordance with German commercial law. Please refer to the Risk Report for details on the change in the liquidity ratio.

In addition to the statutory compensation system known as Entschädigungseinrichtung deutscher Banken, DAB bank AG is also a voluntary member of the German deposit insurance fund of the German bankers' association Bundesverband deutscher Banken e.V., Cologne. The cash deposits of the customers of DAB bank AG are insured up to an amount of currently €32,399 thousand per customer under the deposit insurance fund and up to €100,000 thousand under the statutory compensation system.

Employees

As usual, our employees performed outstanding work in 2011. Compared to last year, the number of employees working in the DAB bank Group rose from 606 persons to 626 persons and the number of positions rose from 541 to 560. On a full-time equivalent basis, DAB bank had 441 employees in Germany (2010: 429) and 119 employees at direktanlage.at in Austria (2010: 112).

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 and to Section 69 in the notes to the consolidated financial statements. A similar system of salary components determined on the basis of results and performance is practiced at direktanlage.at in Austria.

Employees

		2011	2010	Change in %
Employees (headcount)	No.	626	606	3.3
Germany	No.	492	478	2.9
Austria	No.	134	128	4.7
Employees (full-time)*	No.	560	541	3.5
Germany	No.	441	429	2.8
Austria	No.	119	112	6.3

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

Events after the balance sheet 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 financial year 2011.

Report on relationships with related parties

At December 31, 2011, UniCredit S.p.A., Rome, Italy, indirectly held, through its majority interest in UniCredit Bank AG, Munich, and UniCredit Bank AG directly held 79.53% 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"), therefore, the Management Board of DAB bank prepared a report on the relations with affiliated companies (known as the Dependency Report) for the 2011 financial year, which closes with the following declaration:

"The Management Board of DAB bank AG declares that DAB bank AG received appropriate consideration in respect of every transaction and was not disadvantaged by the commission or omission of any act, based on the circumstances known at the time of effecting every such transaction or committing or omitting every such act."

Disclosures pursuant to Section 315 (4) HGB

1. The share capital of DAB bank AG amounts to €82,705,706. It is divided into 82,705,706 no-par bearer shares, all of which convey the same rights, with the exception of profit participation. With the consent of the Supervisory Board and the Executive Committee of the Executive Board of November 17, 2011, the Management Board in its meeting of November 17, 2011 resolved to increase the share capital through the partial utilization of Approved Capital and to issue 7,518,699 new shares, which qualify for dividends as of January 1, 2012. Each one of the 82,705,706 shares grants 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, 2011, UniCredit S.p.A., Rome, Italy, indirectly held and UniCredit Bank AG, Munich, directly held 79.53% of the shares of DAB bank AG. No further direct or indirect investments in capital that exceed 10% of voting rights exist, to the knowledge of the Management Board.

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 of May 20, 2010. DAB bank AG purchased company shares in 2011 for the purpose of correcting errors and to process customer orders. Overall, transactions in the period listed above involved 1,000 shares; this corresponds to a share of €1,000 or 0.00001 percent of the share capital. Of this amount, 1,000 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 exist 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.

Risk Report

Risk monitoring and management system of DAB bank group

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.

The DAB bank Group maintains a clearly defined risk management and risk controlling system, which is integrated with the Groupwide management system 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 risk controlling system. As part of the Risk Refresh project, extensive improvements were made to the risk management system in financial year 2011. These measures related particularly to the manner of calculating the risk absorption capacity and the conduct of stress tests.

The risk controlling system and risk management of the DAB bank Group are based on the following 12 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 and direktanlage.at AG). The adopted risk strategy is meant to ensure fulfillment of the DAB bank Group's goal of generating sustainable growth and increasing the company's value, while also controlling risks. The risk strategy also forms the basis for the risk absorption capacity 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 Committee and ALM Board. The risk strategy is regularly reviewed and adjusted, when necessary, during the course of the financial year.

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 AG 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 Group 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

The bank has established an appropriate organizational structure and regularly takes 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 Group 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 risk absorption capacity calculation of DAB bank Group. 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.

Strict, clearly defined escalation procedures have been implemented to promptly rectify any limit overruns that arise.

Non-quantifiable risks are analyzed and monitored continuously on the basis of various qualitative criteria. As part of the risk management system, suitable measures are taken to counteract any undesirable developments.

▸ 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 of DAB bank Group. 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 Group 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 Group.

▸ 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.

▸ Principle XI: Verifying the functional effectiveness of risk monitoring

Appropriate 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 assure the functionality and effectiveness of the entire risk management and controlling system, as well as related procedures. Furthermore, 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.

▸ Principle XII: Contingency planning

All significant areas of DAB bank Group 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 Group, 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 risk capital management is to optimize the full allocation of available capital on the basis of risk-return considerations, with due consideration given to the defined buffer reserves, and to ensure the risk absorption capacity of the DAB bank Group 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 capital is composed of profit and capital components that are always available to the bank for the purpose of covering the losses resulting from actualized risks.

For risk management purposes, the bank identifies two scenarios, the going-concern scenario and the liquidation scenario. The going-concern scenario involves the continuation of the bank's business activities. In this case, enough capital must remain also after absorbing unexpected losses to continue operating the bank's business. For the going-concern scenario, the risk-covering potential is calculated on the basis of regulatory capital (liable capital). Under the liquidation scenario, lenders must be satisfied. For this scenario, the risk-covering potential is calculated on the basis of capital components defined in accordance with IFRS.

The methods employed in the DAB bank Group 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 the DAB bank Group and within the UCG Group:

- Risk limits are set with reference to the available risk-covering 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.

- The employees of Risk Controlling work closely together, each contributing his or her specialized knowledge to the further development of bank-wide standards for the quantification of risks.

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 the DAB bank Group are responsible for identifying risks. A clearly defined NPP process has been instituted to adequately model the risks of new products or markets.

Risk measurement

The comprehensive and correct identification of risks forms the basis for managing risks. Quantitative and qualitative methods are employed to ensure the adequate determination of the risk profile of DAB bank Group. Non-quantifiable risks are analyzed and monitored with the aid of various qualitative criteria. The methods employed to assess risks are subject to Groupwide risk standards, in order to ensure consistency and suitability within the DAB bank Group. In addition to the assessed risk values, a flat-rate 10% mark-up is added to the overall risk, so as to account for modeling risks. In addition to pure risk assessments, risk concentrations are analyzed and global stress test analyses encompassing all risk types are conducted for the most important risk types and on that basis a stress test analysis is conducted for the overall risk, the results of which are actively applied for risk management purposes. These stress tests are supplemented with inverse stress tests on the basis of the relevant risk drivers. 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 risks, 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 absorption 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. By resolution of the Management Board of October 18, 2011, the risk limits were adapted to reflect the adjusted methods for calculating the bank's risk-covering potential and risk appetite, in connection with the Risk Refresh project.

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, the DAB bank Group 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 the DAB bank Group.

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 Group, 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 Group 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 Group. 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 Group, 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.

In the interest of comprehensive supervision, the Internal Audit Departments of the DAB bank Group (DAB bank AG and direktanlage.at AG) operate under the functional coordination or leadership of the Internal Audit Department of DAB bank AG. The Internal Audit Department of DAB bank AG, as the parent company, ensures compliance with the rules of Groupwide risk management relative to internal auditing activities.

Adjustments and further developments to 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 standards and to fulfill the statutory and especially the regulatory requirements. Driven by the Risk Refresh project, in particular, we made the following further developments in financial year 2011:

▸ 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 actualized risks. In a departure from the previous practice of calculating the risk-covering potential for the two planning scenarios on the basis of defined coverage rankings, the two scenarios are now calculated separately in all respects. The going-concern scenario pertains to DAB bank AG and the liquidation scenario pertains to the DAB bank Group.

▸ For the going-concern scenario, the assets to be applied as the basis for the risk-covering potential are defined as the available regulatory capital, minus the minimum capital required by regulations to maintain the Solvency Ratio. To this base risk-covering potential is added the economic profit accrued as of the reporting date, as additional risk-covering potential. This figure is calculated on the basis of the regulatory figures of DAB bank AG.

▸ For the liquidation scenario, the available risk-covering potential is calculated on the basis of IFRS figures as of the reporting date. The capital was converted and risk provisions will not be applied for this purpose, as in the past.

▸ For purposes of the liquidation scenario, the risk-covering potential is managed on a Groupwide basis, meaning risk limits are established for the DAB bank Group and even the individual risks are managed on the Group level. For purposes of the going-concern scenario, the risk-covering potential is managed on the basis of DAB bank AG. direktanlage.at handles the supervision related to the going-concern scenario for itself.

▸ Risk-mitigating correlation effects (intercorrelations) are calculated for all individual risks and integrated into the risk absorption capacity calculation. For purposes of the Group-level liquidation scenario, the risk values of the individual risk types are calculated on the Group level and then aggregated to arrive at an overall risk value by means of a Groupwide correlation matrix.

▸ To arrive at the overall risk value for the DAB bank Group, only the individual value for the operational risk of direktanlage.at is included in the calculation. For that purpose, the aggregated overall risk position arising from the operational risks of the separate companies is applied in the risk absorption capacity calculation. All other individual risks are included by way of an integrated Group risk calculation.

▸ Extensive further developments were made to the Groupwide stress tests in financial year 2011. Two global stress tests encompassing all risk types were implemented, including an historical stress test and a hypothetical stress test, which is also designed to model the regulatory requirements associated with a severe economic downturn. In addition, a procedure was introduced for a global inverse stress test encompassing all risk types, by means of which the sensitivity to critical external parameters can be calculated and monitored.

▸ The method of managing liquidity risk that was introduced in financial year 2010 was refined in 2011. In addition, the liquidity risk concentrations were likewise measured and managed, so as to ensure adequate diversification of liquidity sources. Furthermore, scenarios were developed for the stress tests and monitoring models to be applied in managing the bank's funding risk. These models are still in the process of being implemented.

- The internal methods employed to calculate the risk-covering potential and risk capital will be improved further in financial year 2012, with respect to both methodology and quality. Also in this case, further improvements will be made to the risk measurement of certain risk types, including liquidity risk in particular.

Risk monitoring and management system of the DAB bank Group in financial year 2011

By reason of 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 2010.

Overall risk situation and risk-covering potential

At year-end 2011, the risk-covering potential for the going-concern scenario amounted to €80.88 million. By reason of the extensive changes made to the method of calculating the risk-covering potential for the going-concern scenario and the associated conversion to the regulatory capital of DAB bank AG (as opposed to the DAB bank Group according to IFRS in the prior year), a direct comparison with the preceding year is not possible. The capital increase of approximately €23.759 million effected through the issuance of new shares resulted in a significant increase in the risk-covering potential under both scenarios.

As of year-end 2011, the risk-covering potential for the liquidation scenario amounted to €163.49 million (PY: €164.66 million (according to the old method)). The change in the risk-covering potential resulted mainly from the fact that risk provisions are no longer included in the calculation of the risk-covering potential, but also from the different profit before taxes and the different available-for-sale reserve compared to the prior year. These effects were offset by the issuance of new shares mentioned in the preceding paragraph.

In consideration of diversification effects, the maximum assignable limit for the liquidation scenario was €127.04 million. Compared with the aggregated risk capital requirement of €112.71 million (PY: €81.52 million), the rate of utilization of the risk limits for the DAB bank Group was 88.72% and the rate of utilization of the risk-covering potential was 68.94%. For the going-concern scenario, the aggregated risk capital requirement was 35.15% for an overall risk limit of 55.74%, yielding a limit utilization rate of 63.07% and a risk-covering potential utilization rate of 43.47%. The change in the risk capital requirement resulted from the business strategy adopted in 2011; it was determined by application of the calculation method to be described in more detail in the sections on the various risk types.

The risk capital required for each business unit or Group entity is determined as part of the annual planning process, in consideration of the minimally available risk-covering potential during the following financial year, as per the budget, as well as the identified risk potential and the currently applicable risk policy. The calculation is performed in close cooperation between 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 absorption capacity analysis, under 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 the DAB bank Group on a quarterly basis.

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

Component under the liquidation scenario (confidence level 99.9%, holding period 250 days)	2011	2010*
Subscribed capital	82.705	75.19
Hybrid capital as per BIS	-	10.01
Software and licenses	-30.385	-31.36
Additional paid-in capital	76.009	59.77
Retained earnings	23.514	22.46
Reserves of securities (AfS reserve)	-14.085	-6.04
Profit before taxes, current year	25.728	28.57
Profit after taxes, prior year	-	-
Risk-covering potential for the liquidation scenario	163.49	158.60

Risk-covering potential for the going-concern scenario (regulatory components) (confidence level 95.0%, holding period 250 days)	2011	2010*
Subscribed capital	82.706	75.187
Reserves	73.243	56.359
Intangible assets	-36.316	-38.848
Supplementary capital	-	3.987
Profit before taxes	24.159	26.844
Profit after taxes, prior year	-	-
Required capital	-62.917	-59.228
Risk-covering potential for the going-concern scenario	80.88	64.301

* Adjusted to the methodology for 2011, for the sake of comparability.

Risk absorption capacity as of December 31, 2011

Limit utilization, going-concern scenario	DAB AG VaR (250 days)	DAB AG limit	DAB AG limit utilization
Default risk	7.38	13.10	56.33%
Market price risk	17.06	21.84	78.10%
Business risk	14.03	26.06	53.82%
Operational risk	4.04	6.52	61.95%
Total risk, uncorrelated *	46.75	74.27	62.95%
Total risk, correlated*	35.15	55.74	63.07%

Limit utilization, liquidation scenario	DAB Group VaR (250 days)	DAB Group limit	DAB AG limit utilization
Default risk	56.45	61.38	91.96%
Market price risk	31.01	32.90	94.24%
Business risk	25.13	35.45	70.90%
Operational risk (09/30)**	16.03	17.21	93.13%
Total risk, uncorrelated*	141.47	161.63	87.53%
Total risk, correlated*	112.71	127.04	88.72%

Utilization of risk-covering potential	Going-concern scenario DAB AG	Liquidation scenario DAB Group
Risk-covering potential	80.88	163.49
Diversified total VaR	35.15	112.71
Correlation buffer	11.60	28.76
Utilization of risk-covering potential	43.47%	68.94%

Correlations applied (12/31/2011):

Risk type	Default risk	Market price risk	Business risk	Operational risk
Default risk	1	1	0.2	0.4
Market price risk	1	1	0.2	0.2
Business risk	0.2	0.2	1	0.2
Operational risk	0.4	0.2	0.2	1

* Including the modeling risk buffer 10%

**The op-risk numbers presented in the report are based on the risk absorption capacity calculation of December 31, 2011, with the AMA ratio of September 30, 2011.

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 the DAB bank Group, 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. 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 the credit risk provisions are reported to the full Management Board on a monthly basis. Compared to the loan portfolio of DAB bank AG, the credit risk provisions are relatively insignificant. The impairment rate for the overall bank is significantly less than one percent, which is 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 AG. 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 AG, 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 Group 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 risks are inherent only in the bank's investment activities. Accordingly, counterparty and issuer risks are managed by the ALM Board.

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).

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

We employ both quantitative indicators and qualitative factors for the purpose of identifying default risks. The default risks arising from the bank's bond portfolio (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 AG 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 Group. 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 limits 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 AG 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 risks, issuer risks and country risks are quantified with the aid of market values, notional values or flat-rate methods, depending on the risk category and product type.

For the monthly survey of default risks, the DAB bank Group employs a default risk model developed by the UCG Group, by means of which default-induced credit risks and counterparty risks can be measured and assessed on a Groupwide 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 and 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. The ratings of the leading rating agencies (Moody's, S&P, Fitch) are used for this purpose. The various ratings are mapped to Moody's ratings. The second-best of the three ratings mapped on the basis of Moody's ratings are applied for the ratings analysis.

The internal rating system is constantly monitored. The ratings are validated every year and recalibrated or completely overhauled, when necessary. Thus, all ratings procedures are reviewed on a regular basis. The comparability of external issuer ratings with the bank's 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 2011

Adjustments were made to refine the calculation of the credit value-at-risk (VaR) within the internal risk calculation process. At year-end 2011, the credit value-at-risk of the DAB bank Group amounted to €56.45 million.

The default risks inherent in the customer exposures and own-account trading positions of the DAB bank Group at December 31, 2011 are presented on an aggregated basis in the table below:

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

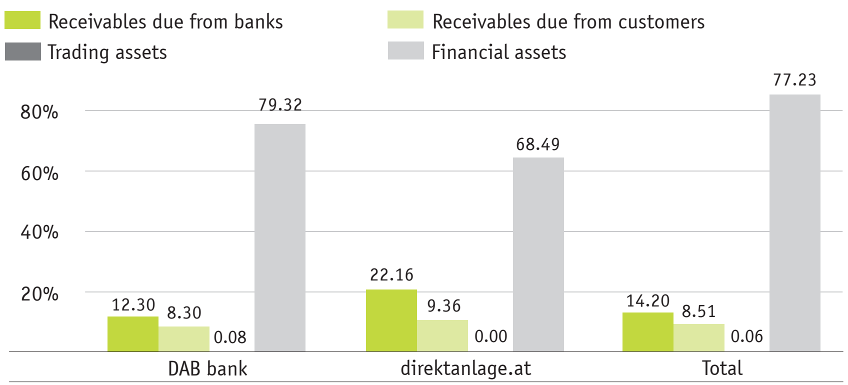
in € mn as of 12/31	2011	2010
Germany		
VaR	52.13	30.81
Austria		
VaR	14.2	9.32
Group		
VaR	56.45	36.67
Limit	61.38	49.00
Utilization	91.96%	74.84%

As a general rule, the only securities accepted as collateral for the bank's customer loan portfolio are securities that can be sold in the market at any time. As of December 31, 2011, the customer loan portfolio amounted to €216.7 million and was backed by loan collateral in the amount of €2,490 million. Thus, the loan portfolio would be secured by the furnished collateral up to a market decline of 91.3%. The furnished collateral, broken down by asset classes, is presented in the table below:

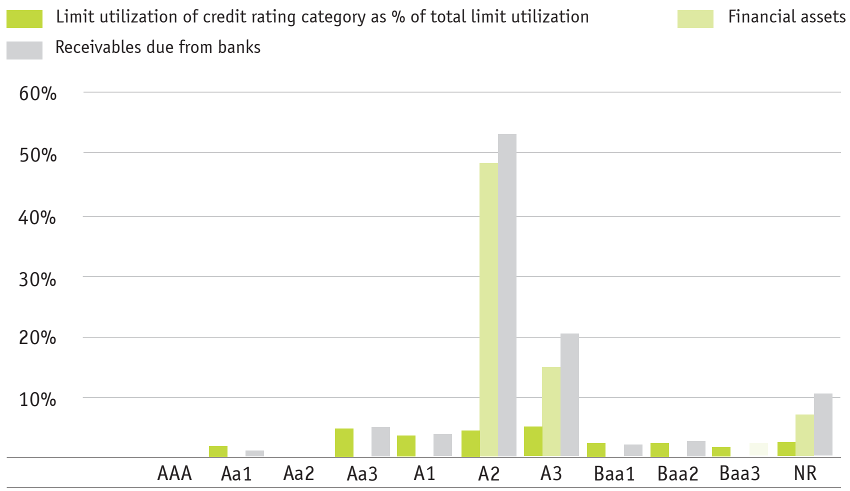
Loan collateral for the customer loan portfolio, broken down by asset

Shares	Bonds	Investment funds	Certificates	Other
876,995,293	252,885,132	1,256,634,215	66,237,078	36,762,267

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



Breakdown of total exposure by rating classes

Utilization of credit rating class,	AAA	Aa1	Aa2	Aa3	A1	A2
as % of total utilization	8.87	2.55	9.39	9.09	24.19	26.69
Non-current financial assets	173,936,495.20	60,006,521.60	221,120,785.36	186,999,783.76	569,490,358.39	465,766,430.99
Receivables due from banks	35,000,000	0	0	26,946,210.94	0	162,625,389.87

Utilization of credit rating class,	A3	Baa1	Baa2	Baa3	NR
as % of total utilization	6.51	1.81	6.46	1.62	2.83
Non-current financial assets	153,194,370.55	42,716,116.60	80,393,600.00	38,156,171.72	66,154,732.10
Receivables due from banks	0	0	71,631,358.81	0	415,488.42

Like issuer risks and counterparty risks, country risks are subjected to a daily monitoring process. For the purpose of managing the utilization of volume limits and risk-equivalent limits for countries on the basis of rating classes, DAB bank AG monitors the following country ceilings.

Rating ceilings	Description
Quality ceilings	Counterparties/issuers with solid finances and a Moody's rating of Aaa to Aa3. No quantified risk limits are set for these counterparties/issuers.
Medium ceilings	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.
Risk ceilings	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.
Default ceilings	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.

The limits are reviewed every year and approved by the full Management Board. The limit utilization rates as of December 31, 2011 were as follows:

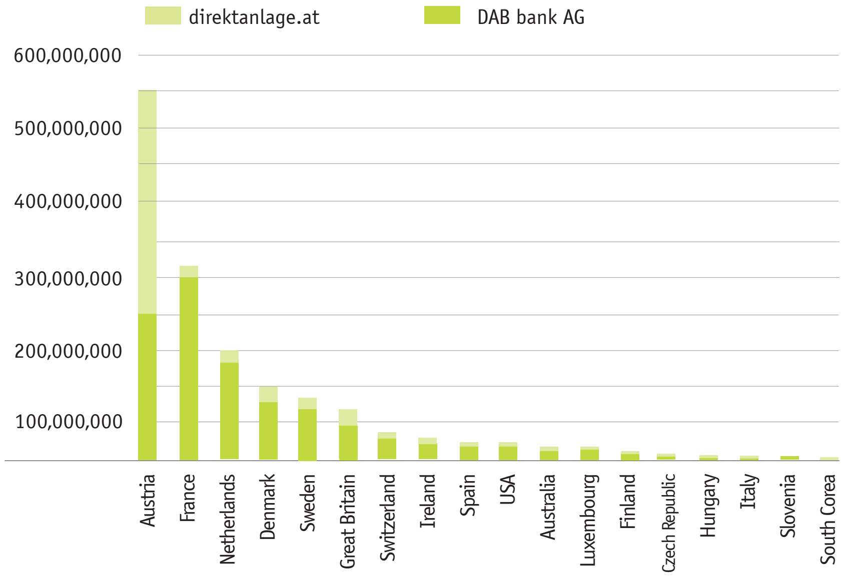
Rating ceiling	Ceiling limit, in € mn	Utilization, in € mn 12/31/2011
Quality	No limit	1,285
Medium	2,500	162
Risk	10	0
Default	0	2
Grand total:	-	1,449

Market developments in 2011 were generally characterized by a loss of confidence in the creditworthiness of some EU member states (especially Greece) and the survival of the euro zone as such. The monitoring procedures practiced by the bank enabled the DAB bank Group to detect and manage the associated country risks at an early stage.

Country risks are inherent both in the bank's lending business and investment activities and therefore they are managed by the bankers responsible for the respective portfolios. Through its treasury portfolio and loans to customers, direktanlage.at is invested predominantly in Germany and Austria, aside from some counterparties and customers that are domiciled mainly in Europe. Thus, it is exposed to manageable country risks because only small amounts are invested in countries outside of Germany and Austria. In the current financial year, da.at found it necessary to recognize impairments on those parts of its portfolio that are invested in Greece.

The country risks in effect at December 31, 2011 are summarized on the Group level in the table below:

Country Risks (market values)



DAB bank AG currently does not enter into derivative transactions for its own account. It only acts as a "non-clearing agent" for customer derivatives, which are hedged on a 1:1 basis. At December 31, 2011, such customer derivatives amounted to €60,554 thousand. Detailed information particularly on the notional values and market values of the entire derivative business of DAB bank AG is presented in the tables that follow.

Derivative instruments as of 12/31/2011

in € thousand	Nominalbetrag – Residual Term – Up to 1 Year	1 to 5 Years	> 5 Years	Total	Market Values – Positive	Negative
Interest-based derivatives	34,393	-	-	34,393	11,146	11,146
OTC products	-	-	-	-	-	-
Exchange-traded instruments						
Interest futures	34,393	-	-	34,393	11,146	11,146
Options on interest futures	-	-	-	-	-	-
Currency-based derivatives	240,607	9,289	-	249,895	7,019	6,934
OTC products						
Currency futures	240,607	9,289	-	249,895	7,019	6,934
Currency options						
-Purchases	-	-	-	-	-	-
-Sales	-	-	-	-	-	-
Other currency contracts	-	-	-	-	-	-
Exchange-traded instruments						
Currency futures	-	-	-	-	-	-
Currency options	-	-	-	-	-	-
Stock/ index-based instruments	59,266	1,525	-	61,118	42,474	42,474
OTC products						
Stock/index swaps	-	-	-	-	-	-
Stock/index options						
-Purchases	-	-	-	-	-	-
-Sales	-	-	-	-	-	-
Other stock/ index contracts	-	-	-	-	-	-
Exchange-traded instruments						
Stock/index futures	52,321	1,447	327	54,095	38,964	38,964
Stock/index options	6,945	78	-	7,023	3,510	3,510
Total	334,266	10,814	327	345,407	60,639	60,554

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. In the DAB bank Group, market price risk encompasses interest rate risk, price risk and currency risk.

Both the ALM Board, which is composed of the full Management Board and the Head of Finance & Controlling, as well as the trading representative in the market unit and the risk controller, are responsible for managing market risk in accordance with the adopted strategy of the DAB bank Group. 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 the DAB bank Group 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 compliance with risk limits, also on an intraday basis, if necessary.

The DAB bank Group 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 risk on the level of individual transactions on a daily basis. For purposes of daily risk measurement and management, the bank calculates a value at-risk for the going-concern scenario (confidence level 95%) and a value at-risk for the liquidation scenario (confidence level 99.9%), with a holding period of 1 day for the trading book and a holding period of 10 days for the investment book.

Limits (in euro millions) are adopted as per the strategy of October 18, 2011. These limits are derived directly from the limits of the risk absorption capacity calculation.

For purposes of the risk absorption capacity calculation, the market risk value-at-risk is calculated with a confidence level of 99.9% for the liquidation scenario and 95% for the going-concern scenario, and a holding period of one year. The VaR for the investment book is calculated using the Pia+ system; the VaR for the trading book is calculated by means of a flat-rate mark-up. This method is validated by regular back-testing. The aggregated overall risk contribution from the trading and investment book is applied as an input to the risk absorption capacity calculation. Compared to the prior year, the limits were converted from limits for interest rate risk, price risk and currency risk to limits for the trading book and investment book.

Going-concern scenario	In € mn
Annual limit	21.84
Trading book limit (1 day)	0.28
Investment book limit (10 days)	3.49
Liquidation scenario	In € mn
Annual limit	32.9
Trading book limit (1 day)	0.42
Investment book limit (10 days)	5.26

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 the DAB bank Group, on a quarterly basis.

Development of market risk in 2011

Thanks to the continued application of a conservative investment strategy and the actively managed, well diversified investment portfolio, the development of the market risk of DAB bank AG was relatively stable. To better reflect external conditions, DAB bank changed its method of calculating market risk in financial year 2011, which led to an increased market risk value-at-risk at December 31, 2011.

The market risks inherent in the positions of the DAB bank Group at December 31, 2011 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	2011	2010
Germany		
VaR	28.29	20.25
Austria		
VaR	3.21	2.43
Group		
VaR	31.01	21.3
Limit	32.9	27.5
Utilization	94.24%	77.44%

DAB Bank Group (12/31/2011)	Value at Risk in € mn
Interest rate risk	23.087
Price risk	1.771
Currency risk	1.305

On the level of DAB bank AG, only one negative excess over the forecast value was determined by means of back-testing in 2011.

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 Group. 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 the liquidation scenario, 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). The Risk Controlling Department of DAB bank AG is responsible for ensuring that all relevant factors are promptly imported from the internal op-risk database to the UniCredit system. For the going-concern scenario, DAB bank AG calculates the risk value as the sum of the two highest losses arising from operational risks in the last 10 years.

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 AG, 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 2011

The risk indicators for operational risk at December 31, 2011 are presented in the table below.

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

in € mn	2011	2010
Germany		
VaR	12.48	2.03
Austria		
VaR	3.55	1.04
Group		
VaR	16.03	2.07
Limit	17.21	3.50
Utilization	93.13%	82.78%

At December 31, 2011, as in the prior year, DAB bank Group was exposed 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

The latter category also comprises risks associated with SRQ FinanzPartner AG, which could affect the bank as part of its continuing liability.

The 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 fraud caused by external phishing attacks, which is common in the financial sector, DAB bank AG introduced a new, more secure authorization procedure (mTAN), which is still being rolled out to all customers at the present time. Generally speaking, we expect this measure to reduce the number of phishing incidents.

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 competition 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 numbers are surveyed on the level of the operating units and then condensed, with consideration given to correlation and volatility effects, to arrive at a value-at-risk on the basis of the confidence level defined for the specific cases. The numbers applied as the income and cost values are adjusted for the risks contributed by other risk types, so as to arrive at a residual value for business risk. The risk measurement results are reported to the Management Board on a regular basis.

Development of business risk in 2011

The business risks of DAB bank Group at December 31, 2011 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	2011	2010
Germany		
VaR	20.94	17.55
Austria		
VaR	4.19	1.49
Group		
VaR	25.13	18.16
Limit	35.45	22.50
Utilization	70.90%	80.72%

The results parameters applied as inputs for calculating the business risk were fundamentally revised in 2011. In connection with these changes, the method of calculating the volatility values was also changed. Solely as a result of these changes made to the measurement model, the measured risk value for business risk was substantially higher in 2011.

Investment risk

The investment in SRQ FinanzPartner AG was sold during the course of 2011. As of December 31, 2011, therefore, the DAB bank Group is no longer exposed to investment risk.

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 illiquid or would be able to raise sufficient liquidity only at increased costs.

The ALM Board 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 ALM Board 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 ALM Board also discusses the development of net financial income, which is composed of the net interest income or loss, 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 ALM Board is responsible for ensuring that DAB bank AG 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 ALM Board, after first checking back with the head of the affected operating unit, so that liquidity assurance measures can be promptly initiated.

The liquidity planning statement plays an important role in the internal monitoring of the liquidity situation of DAB bank AG. 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 AG in the short term (within three months). For purposes of the liquidity overview, deterministic cash flows are applied on the basis of their contractual maturities, while stochastic cash flows are applied with the aid of a non-parametric forecast approach, known as "historical simulation," at a confidence level of 95% (holding period analogous to the time window). By reason of the negligible materiality of foreign currency positions, the liquidity overview is presented in euros, as the reporting currency. The currency risks arising from this fact are accounted for within the model by means of applying a foreign exchange risk margin. 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 bank's solvency.

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

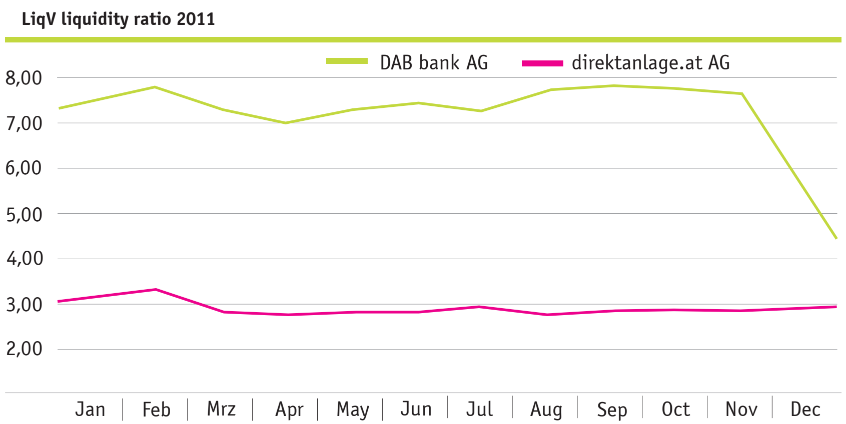
Additional risk monitoring steps are conducted in connection with the periodic analyses of liquidatability and diversification. The Management Board and the weekly meeting of the ALM Board are kept apprised of the liquidity situation of DAB bank AG by means of regular reports.

Furthermore, liquidity is also monitored by means of and in accordance with the regulatory requirements of the Liquidity Regulation (LiqV).

Development of liquidity risk in 2011

DAB bank AG continues to follow a conservative investment strategy, so that no heightened liquidity risk for DAB bank AG could be discerned at any time during the past year (see the Liquidity Summary at December 31, 2011). 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, DAB bank AG's Liquidity Regulation Ratio in Maturity Band I has averaged 7.34, which is significantly higher than the minimum value of one that would have to be reported to the regulatory authority under the Liquidity Regulation. At year-end 2011, this ratio was 4.45 (PY: 6.9). The change in the liquidity ratio from 6.9 to 4.45 resulted from the reclassification of a portion of the investment portfolio, which meant that the corresponding assets could no longer be applied for purposes of the liquidity ratio. Overall, the liquidity of DAB bank AG remains on a very high level.

Liquidity Summary at December 31, 2011



Short-term liquidity overview

All amounts in € mn	t+1 01/03/2012	t+2 01/04/2012	t+3 01/05/2012	t+4 01/06/2012	t+5 01/09/2012	1 month 02/02/2012	2 month 03/03/2012	3 month 04/02/2012
CASH FLOW ANALYSIS								
Contractual cash inflows (iso.)	0.0000	5.0000	0.0000	0.0000	0.0000	5.9000	183.8625	139.7625
Contractual cash outflows (iso.)	-0.0100	-0.2549	-1.1345	-0.6054	-1.6615	-4.4459	-7.9647	-6.6625
Cumulative contractual cash flows for DAB bank (1)	-0.0100	4.7351	3.6006	2.9952	1.3336	69.8939	245.7916	378.8916
Cumulative estimated cash flows (2)	-85.2630	-114.0920	-131.1262	-140.2840	-153.7183	-188.3410	-231.9193	-210.9842
Cumulative cash flows (1) + (2)	-85.2730	-109.3568	-127.5255	-137.2888	-152.3847	-118.4472	13.8723	167.9074
LIQUIDITY COVERAGE POTENTIAL								
First-class cash and cash equivalents	311.9965	311.9965	311.9965	311.9965	311.9965	311.9965	223.1418	211.3142
Other ECB-capable securities	1,066.6531	1,066.6531	1,066.6531	1,066.6531	1,066.6531	1,039.1876	977.0266	912.8667
Liquidity coverage potential (3)	1,378.6496	1,378.6496	1,378.6496	1,378.6496	1,378.6496	1,351.1841	1,200.1684	1,124.1809
GAP ANALYSIS								
Cumulative potential liquidity surplus/ deficit (1)+(2)+(3)	1,293.3766	1,269.2928	1,251.1241	1,241.3608	1,226.2650	1,232.7369	1,214.0407	1,292.0883

Other risks

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

Modeling risk is the only other risk that is directly included in the calculation of the risk absorption capacity. For that purpose, all specific risks arising from modeling errors are calculated, also by means of back-testing, and the resulting overall risk error is determined by means of Gaussian error propagation.

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 AG is part of the management responsibility of the Management Board of DAB bank AG. At DAB bank AG, 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 Group 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 Group, 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.

Stress-testing

The stress-testing concept was revised in financial year 2011. Stress-testing is performed on the basis of a bottom-up approach and is performed on the institution level and on the Group level. For that purpose, the bank defines global scenarios encompassing all risk types and risk drivers for the individual risk types. The results of the individual risk types are then aggregated for each scenario to arrive at the stress test result.

The following global stress tests encompassing all risk types have been defined:

- Historical scenario ("financial crisis"):

The financial crisis that began in 2008 triggered massive turmoil in the capital markets and adversely affected the value of banks' securities (particularly including bonds). Due to the structure of the investment portfolio of the DAB bank Group, which is highly concentrated in the banking sector (accounting for approximately 60% of the CVaR), this development is extremely relevant to the DAB bank Group. The financial crisis undermined investors' confidence in the financial industry generally, which was reflected in the reduction of customer cash deposits with DAB bank AG. Because the reduced volume of customer cash deposits and the associated reduction of customer trading activity have a significant impact on the financial performance of the DAB bank Group, the impact of this historical event on the bank's total risk position is particularly relevant.

- Hypothetical scenario:

As the extreme scenario, we have defined a "widespread contagion" in the financial sector, triggered by the default of a country of the European Union, causing the sovereign debt crisis to spread to the financial sector. A default on the part of Euro-countries would have a direct impact on the banking sector in the European Union, leading to a contagion effect and widening sector spreads. Such a development would have wide-ranging effects on the operating results of the DAB bank Group. The dual effect of rising spreads in the largest positions of the exposure of the DAB bank Group, on the one hand, and falling interest rates, on the other hand, would have a significant, direct impact on the bank's risk absorption capacity.

For the purpose of expanding the models, inverse stress tests were conducted for the first time in 2011. They will be developed further in 2012.

In the global scenarios encompassing all risk types, appropriate risk drivers are identified and calculated for every risk type. The scenarios are designed to anticipate changes in the risk value of individual risk types, based on the underlying assumptions. A stressed risk value (Stressed VaR) and a conditional loss are calculated for every risk type.

The historical scenario is calculated on the basis of the risk drivers for the individual risk types determined on the basis of historical developments:

- Default risk: PD
- Business risk: income/expenses and the associated volatilities and correlation.
- Market price risk: changes in value.
- Op-risk: Operational risk is accounted for by means of an unstressed risk value.

For the hypothetical scenario, the calculation is conducted on the basis of defined market parameters and macroeconomic data to determine what changes can be expected under the assumed scenario. Based on these defined parameter shifts, the individual risks are calculated in the following systems or based on the following methods:

- Default risk: Calculated in Aramis (credit risk model of UCB AG)
- Business risk: Multi-linear regression of risk drivers (income/expenses and associated volatilities and correlation)
- Market price risk: Calculated in Pia+
- Op-risk: Calculated by means of a shift in the standard variance in Argo (model employed by UCB AG to measure operational risks).

The calculation for the DAB bank Group is based 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 calculated as the sum of the individual results for the given scenario encompassing all risk types.
The aggregation of the stress value-at-risk is calculated by means of an intercorrelation matrix.

The stress test results are monitored on a quarterly basis in connection with the risk absorption capacity analysis. These results are checked against the risk-covering potential to ensure that it is adequate to cover both the individual risks and the overall risk.

The following further developments are planned for the year 2012:

- Hypothetical scenario: Validation of results and if necessary, development of measures to mitigate losses.
- Inverse stress tests: Extended use of inverse stress tests and institution of a program to monitor the relevant parameters so calculated.

Historical scenario (as of: 12/31/2011)

Risk-covering potential	Baseline scenario	Stress RDM after deduction of the delta conditional loss	Utilization rate under the stress scenario
Going concern	80.88	64.16	53.32%
Liquidation	163.49	151.55	75.64%

Hypothetical scenario 12/31/2011

Risk-covering potential	Baseline scenario	Stress RDM after deduction of the delta conditional loss	Utilization rate under the stress scenario
Going concern	80.88	70.81	57.01%
Liquidation	163.49	152.41	89.04%

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 financial statements of the Group. The computer systems needed 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. Niklas Dieterich exercises the responsibility 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 results 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. Momentarily, DAB bank is aiming strongly at increasing the headcount within the department of accounting.

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 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 2012, DAB bank AG plans to convert its core banking system from Flexcube to Core 24, which is produced by the company Kordoba.

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.

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 prepared 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. As important input systems, the FlexCube system on the money side and the GEOS/GEOS-NOSTRO 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 financial statements according to IFRS are derived from the financial statements according to the German Commercial Code by means of an offsetting and reconciliation process.

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.

Forecast Report

General economic conditions will be tougher in 2012. The rate of expansion in real gross domestic product will slow in China and in other fast-growing emerging-market countries. In Europe, both Greece and Portugal will remain in recession. Early indications point to a slowing of economic growth in Italy and France. Business conditions will also be less favorable in the countries of Central and Eastern Europe. The outlook for the United States is somewhat better, where real gross domestic product is expected to grow at a somewhat faster rate in 2012 than in 2011.

This global outlook does not bode well for such an export-oriented economy as that of Germany. On the other hand, German companies are well prepared for the tougher operating environment. They have reduced their inventories, made their production processes more flexible and have taken the right financial steps to prepare for the changed conditions. Therefore, a deep recession of the kind experienced in 2009 is not to be considered probable. Due to the intense competition pressure in the international markets and the low level of interest rates, business investment can be expected to rise again. Despite the positive development of personal incomes and the favorable state of the employment market, consumer sentiment can be expected to worsen over the course of the year.

Based on current projections, the real domestic product of Germany cannot be expected to expand by more than 1% in 2012. According to the current expectations, the second half of the year should be somewhat better than the first half. A recession could be expected only if the euro crisis would worsen substantially over the course of the year.

Development of stock markets and trading activity

The less favorable trend of general economic conditions will hold back the development of the stock markets in 2012. On a positive note, companies are well prepared for the economic slowdown. Therefore, corporate profits will rise again, despite the worsening economy. Thus, share prices could experience a relatively robust development.

The developments in the financial market will represent a major source of uncertainty. A deterioration of the euro crisis, accompanied by the exit of one or more countries from the euro and/or dramatic crisis meetings in Brussels, would have a negative impact on the risk propensity of investors and therefore put pressure on stock prices. A similar scenario could ensue if the situation of the United States and Great Britain, which are both heavily indebted countries, would deteriorate. Bond markets would benefit from such a crisis scenario.

Under these circumstances, stock prices can be expected to remain very much prone to considerable volatility. Therefore, we anticipate that trading volumes in the stock markets will remain on previous year level.

Interest rates

In view of the foreseeable development of general economic conditions, interest rates can be expected to remain low in 2012. The U.S. Federal Reserve has announced that it will not raise its key rates before 2014. The European Central Bank will inject so much liquidity into the markets that interest rate hikes are to be considered unlikely. It is even conceivable that it could lower key interest rates in Europe. Further interest rate reductions can be expected in the emerging-market countries, which have already tightened the monetary policy reins to combat inflation in the past.

Also on the long end of the market, chances are good that interest rates will not rise substantially. Inflationary pressures will presumably subside. Because of the economic slowdown, companies will need less new funding. Government budget deficits in Europe can be expected to decline, as a general trend. The substantial funding needs of banks and sovereign countries will be a continuing source of uncertainty during the course of the year, possibly leading to temporary blockages in the markets.

Outlook for 2012 and subsequent years

DAB bank has generated a positive net profit since financial year 2003. Thus, we expect a positive business development also in 2012 and 2013. We believe that DAB bank is in a position to continue on a path of sustainable growth in the subsequent years.

DAB bank AG is Germany’s and Austria’s most experienced Internet broker. Through our subsidiary direktanlage.at, we are the market leader among direct banks in Austria. We have the claim is to be the best bank for investors, traders and asset managers. We will strive to solidify and extend this position in the coming years. We intend to stick with our business model and therefore we do not anticipate any major changes to our business strategy in the future.

The qualitative forecasts of DAB bank AG concerning business developments in 2012 are based on assumptions concerning the development of general economic conditions and our business with customers. As described in the preceding sections, the future development of the economy and the euro crisis are great challenges. Thus, DAB bank will have to operate within an environment of tough macroeconomic conditions.

Developments in our business with customers

Continuous customer growth is the basis for the continued success of our business in the future. More customers generally mean more business in the form of trades executed and customer assets held in custody. Thanks to the numerous product innovations and improved services emanating from our program for the future, DAB one, as well as our marketing campaigns and cooperation arrangements with ADAC Finanzdienste GmbH and new B2B partners, DAB bank has created additional ways of winning new customers and generating inflows of funds. Accordingly, we expect to increase the number of securities accounts carried for customers and the value of customer assets held with DAB bank and with our Austrian subsidiary direktanlage.at in the coming year. As before, the securities business is still closely tied to developments in the capital markets, which can lead to wide fluctuations in the volume of securities held and the number of trades executed. Despite the very strong growth in trades executed in 2011, a development that was favored by non-recurring effects such as the worsening of the euro crisis, the creditors' "haircut" in Greece, fears of recession in the United States and the nuclear disaster in Japan, we nonetheless expect the number of trades executed for account of our customers to rise in 2012. The principal growth drivers will be a positive market environment accompanied by considerable volatility, as well as the acquisition of new customers, sustained customer retention and development and product innovations. With regard to 2013, we expect the trend of rising growth rates in the key performance indicators of securities accounts, trades executed and customer assets to continue.

Consolidated net profit

All in all, we expect the growth of key performance indicators to continue in financial year 2012. By reason of the prevailing uncertainties and questions concerning the future regulation of the banking market, including such proposals as the reform of the deposit insurance system, the introduction of a financial transaction tax and the tightening of capital requirements, it is generally difficult for a bank like DAB bank to issue a quantitative forecast of its operating results. However, we intend to publish such a forecast in connection with the semiannual report for the first six months of 2012. As of the time when the present report goes to print, we can say that we expect to increase the consolidated net profit in 2012 and in the subsequent years.

Net commission income

Based on the anticipated developments in our customer business and the development of external framework conditions, we will pursue the goal of increasing our net commission income in the next two years.

Net financial income

We tentatively expect to generate higher net interest income in 2012 than in 2011, mainly due to an increase in the volume of customer deposits, which will improve the bank's funding structure. The further development of the bank's trading profit and profit from investments depends to a very large extent on the events in the money markets and capital markets. If the sovereign debt crisis in the euro zone were to worsen further, credit risks could arise in some of the financial instruments held by DAB bank, which would have an adverse effect on our treasury income. DAB bank's treasury strategy is increasingly geared to generating constant interest income and therefore we anticipate modest, but nonetheless positive results from our trading and investment activities in financial years 2012 and 2013. The risk provisions set aside to account for risks in the bank's lending business will remain stable in the next two years.

Administrative expenses

As in prior years, the bank's administrative expenses will be influenced in 2012 by factors such as the continued practice of strict cost management and the investments to be made in our IT platform and new products, as well as the necessary costs of implementing the diverse array of regulatory changes. Based on the foregoing, we currently anticipate that the bank's administrative expenses in 2012 will be slightly higher than in 2011. Starting in 2013, we expect that the efficiency enhancement measures initiated in prior years will have the effect of lowering our administrative expenses even further.

Capital expenditures

In financial year 2012, we will aim to expend an amount in the lower double-digit millions for investments to expand the bank's offering of products and services. Aside from the continuous modernization of our IT platform, these capital expenditures will also be applied to modernize our core banking system and to develop product innovations related to trading and investment. Other capital expenditures will be devoted to efficiency enhancement and to ensuring compliance with the new statutory and regulatory requirements. Also in financial year 2013, we intend to pursue the same strategy of capital expenditures.

Dividend

DAB bank AG's dividend policy is geared to the bank's long-term financial performance. Subject to that condition, the dividend proposals to be made by the Management Board and Supervisory Board in the future will be based on distributing 100% of the consolidated distributable profit according to IFRS for financial year 2011. Therefore, the forecast development of the bank's consolidated net profit in financial years 2012 and 2013 should have a commensurate effect on the dividends to be paid in the future. Also in 2012 and 2013, we expect to pay the dividend without deduction of the investment income tax and solidarity surtax, as in prior years.

Taxes

We anticipate a tax rate of between 31.5% and 32% in financial years 2012 and 2013.

Core capital ratio

The capital increase conducted in financial year 2011 was a low-cost way for DAB bank to raise capital quickly. Although DAB bank's capital base was solid even before the capital increase, it would have been necessary to raise additional capital in the coming years to fulfill the heightened regulatory requirements associated with Basel III. Other factors contributing to the need for additional capital included the increase in the bank's intangible assets (IT investments) and the increase in customer deposits envisaged by our program for the future DAB one. Naturally, we follow the further development of new regulations and court decisions very closely and continuously analyze the effects on the bank. Already today, we are making preparations to fulfill the considerably stricter demands. With regard to financial years 2012 and 2013, we intend to keep the core capital ratio of DAB bank well above the minimum regulatory requirements. Thus, DAB bank AG will still have a solid capital base.

Employees

The number of employees working for the DAB bank Group will increase moderately over the next two years. This development will be driven mainly by the need to hire new staff to accommodate the growth in customer-driven business segments and to manage the new regulatory and statutory requirements.

We will continue to take advantage of growth opportunities as they arise and we are determined to further extend the strong position of DAB bank AG in the German and Austrian markets. Furthermore, we are confident that we will achieve our business objectives and that the DAB bank Group will continue to be successful also beyond 2012.

Risks

With regard to 2012 and subsequent years, we can identify the following potential risks, in particular:

The expectations for the further development of the overall economy may continue to have a dampening effect on the investment behavior of our customers and business partners. The continued negative development or stagnation of stock and bond markets could lead to fluctuations in the trading business of DAB bank, which could also decrease as a result of such developments, which would have a direct impact on the revenues generated in this business. Even though some of the revenue losses would be offset by cost savings in securities clearing and settlement and in commission expenses, such a development could nonetheless have a sustained negative impact on the company's profitability. Furthermore, falling stock market indexes could lead to a decrease in the portfolio commissions earned by DAB bank on the investment fund holdings of its customers. Finally, our net interest income could be reduced by an unexpected development of interest rates in the euro zone.

Consolidated Statement of Comprehensive Income (IFRS)

in k€	Notes	Quarterly Report 10/01/2011-12/31/2011	Quarterly Report 10/01/2010-12/31/2010	Full Year 01/01/2011-12/31/2011	Full Year 01/01/2010-12/31/2010
Interest and similar income	20, 25	20,014	17,970	74,854	70,211
Interest expenses	20, 26	6,344	4,081	21,631	14,523
Net interest income/expenses		13,670	13,889	53,223	55,688
Commission income	21, 27	31,207	37,414	136,872	141,218
Commission expenses	21, 27	12,051	14,948	51,266	58,326
Net commission income/expenses	27	19,156	22,466	85,606	82,892
Trading profit/loss	22, 28	395	6,024	631	13,723
Profit/loss from investments	23, 29	-2,011	753	-555	195
Net other operating income/ expenses	30	-1,287	-1,184	-853	-2,841
Non-interest-dependent income		16,253	28,059	84,829	93,969
OPERATING INCOME		29,923	41,948	138,052	149,657
Personnel expenses	31	9,879	9,036	38,268	36,515
Other administrative expenses	31	14,316	17,905	64,670	66,111
Depreciation, amortization and impairments of property, plant and equipment and intangible assets	31	3,038	6,013	10,150	12,652
Administrative expenses	31	27,233	32,954	113,088	115,278
OPERATING PROFIT/LOSS		2,690	8,994	24,964	34,379
Additions to provisions	32	-1,571	468	-1,550	1,671
Impairment of goodwill	33	-	3,410	741	3,410
Credit risk provisions	34	26	412	45	596
PROFIT/LOSS BEFORE TAXES		4,235	4,704	25,728	28,702
Income taxes	35	1,041	4,867	7,956	12,196
CONSOLIDATED NET PROFIT/ NET LOSS (DAB bank Group new)		3,194	-163	17,772	16,506
Operating profit/loss of SRQ		-272	137	-501	-70
CONSOLIDATED NET PROFIT/ NET LOSS (DAB bank Group total)		2,922	-26	17,271	16,436
Changes in value of AfS financial instruments recognized in equity	36	-1,509	-3,164	-8,042	-6,634
Other comprehensive income/ expenses (after taxes)		-1,509	-3,164	-8,042	-6,634
COMPREHENSIVE INCOME		1,413	-3,190	9,229	9,802
Attributable to shareholders of DAB bank AG		2,936	-51	17,325	16,448
Attributable to non-controlling interests		-14	25	-54	-12
CONSOLIDATED NET PROFIT/ NET LOSS (DAB bank Group total)		2,922	-26	17,271	16,436
Attributable to shareholders of DAB bank AG		1,427	-3,215	9,283	9,814
Attributable to non-controlling interests		-14	25	-54	-12
Comprehensive income		1,413	-3,190	9,229	9,802
Earnings per share (basic)	38	0,04	0,00	0,23	0,22
Earnings per share (diluted)	38	0,04	0,00	0,23	0,22
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 total number of shares outstanding at the reporting date is 82,705,706 after a capital increase in financial year 2011.
The new shares issued do not qualify for dividends before January 1, 2012, and therefore are not included in the determination of earnings per share.

Due to the sale, the financial year net profit/loss of SRQ FinanzPartner AG is presented separately, for the sake of enhanced comparability. The presentation required by IFRS 5, including all effects of the sale, is presented in the Notes (No. 4).

The shares attributable to non-controlling interests refer to the discontinued operation SRQ FinanzPartner AG.

The audit opinion of the independent auditor refers only to the full-year period.

Consolidated Statement of Financial Position (IFRS)

Assets

in k€	Notes	Annual Report 12/31/2011	Annual Report 12/31/2010
Cash reserve	39	102,849	68,251
Trading assets	10, 40	60,938	30,264
AFV financial instruments	11, 41	4,305	198,370
AfS financial instruments	11, 41	2,171,998	1,784,778
HtM financial instruments	11, 41	245,782	358,051
Receivables from banks	8, 42	443,324	419,951
Receivables from customers	8, 43	267,304	281,661
Property, plant and equipment	12, 44	12,864	12,488
Intangible assets	14, 45	48,522	50,941
Income tax assets (current)	19, 46	2,506	543
Income tax assets (deferred)	19, 46	33,627	21,554
Other assets	47	12,173	10,436
Total assets		3,406,192	3,237,288

Equity and liabilities

in k€	Notes	Annual Report 12/31/2011	Annual Report 12/31/2010
Liabilities to banks	15, 48	24,433	38,808
Liabilities to customers	15, 49	3,061,343	2,907,066
Trading liabilities	16, 50	60,554	29,989
Provisions	17, 51	6,243	8,079
Income tax liabilities (current)	19, 52	4,146	7,008
Income tax liabilities (deferred)	19, 52	23,578	13,471
Other liabilities	18, 53	40,459	54,684
Subordinated capital	54	-	10,010
Liabilities		3,220,756	3,069,115
Subscribed capital	55	82,706	75,187
Additional paid-in capital	55	76,009	59,769
Retained earnings	55	24,265	23,828
Changes in measured value of financial instruments	36, 55	-14,085	-6,043
Unappropriated net profit		16,541	15,037
Non-controlling interests		-	395
Equity	55	185,436	168,173
Total equity and liabilities		3,406,192	3,237,288

Consolidated Statement of Changes in Equity (IFRS)

in k€	Subscribed capital	Additional paid-in capital	Retained earnings	Changes in measured value of financial instruments	Consolidated unappropriated net profit	Non-controlling interests	Total shareholders' equity
As of 01/01/2010	75,187	59,769	22,491	591	22,556	566	181,160
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 by DAB bank AG	-	-	-	-	-22,556	-	-22,556
Changes in the scope of consolidation	-	-	-	-	-	-17	-17
Changes resulting from capital increase	-	-	-	-	-	-	-
Changes resulting from foreign currency effects and other changes	-	-	-31	-	-43	-142	-216
As of 12/31/2010	75,187	59,769	23,828	-6,043	15,037	395	168,173
As of 01/01/2011	75,187	59,769	23,828	-6,043	15,037	395	168,173
Changes in measured value of financial instruments not recognized in the income statement	-	-	-	-8,042	-	-	-8,042
Change due to net profit/loss for the year	-	-	784	-	16,541	-54	17,271
Distribution of DAB bank AG	-	-	-	-	-15,037	-	-15,037
Changes in the scope of consolidation	-	-	-	-	-	-341	-341
Changes resulting from capital increase	7,519	16,240	-	-	-	-	23,759
Changes resulting from foreign currency effects and other changes	-	-	-347	-	-	-	-347
As of 12/31/2011	82,706	76,009	24,265	-14,085	16,541	-	185,436

Additional information on the composition of equity is disclosed in the Notes (No. 55).

Consolidated Statement of Cash Flows (IFRS)

in k€ 01/01 - 12/31	2011	2010
Cash flow from operating activities		
Net profit/loss after taxes	17,271	16,436
Write-downs, valuation adjustments and write-ups of receivables	53	626
Depreciation and write-ups of non-current assets	14,346	17,352
Changes in other non-cash items	440	6,459
Profits/losses on sales of non-current assets	-2,690	-14,299
Other adjustments	-39,459	-49,381
Subtotal	-10,039	-22,807
Changes in operating assets and liabilities, adjusted for non-cash transactions		
Receivables from banks	-23,373	55,981
Receivables from customers	14,304	-56,604
Trading assets	-30,674	-9,633
Other assets from operating activities	-7,517	-325
Liabilities to banks	-14,375	1,978
Liabilities to customers	154,277	120,850
Trading liabilities	30,565	10,095
Other liabilities from operating activities	-17,522	-3,071
Income taxes paid	-13,764	-6,264
Interest and dividends received	74,854	70,220
Interest paid	-21,631	-14,575
Cash provided by/used in operating activities	135,105	145,845
Cash flow from investing activities		
Cash receipts from sales of non-current assets	311,443	1,081,216
Cash payments for acquisition of non-current assets	-401,942	-1,175,140
Effects from changes in the scope of consolidation	-514	-
Cash used in investing activities	-91,013	-93,924
Cash flow from financing activities		
Cash receipts from increases in subordinated capital	-10,000	-8,000
Dividend payments	-15,037	-22,599
Change in cash from other financing activities	15,543	-6,634
Effects from changes in the scope of consolidation	-	-49
Cash provided by/used in financing activities	-9,494	-37,282
Foreign exchange-induced changes in cash and cash equivalents	-	-
Increase/decrease in cash and cash equivalents	34,598	14,639
Cash and cash equivalents at January 1	68,251	53,612
Cash and cash equivalents at December 31	102,849	68,251

Additional information on the cash flow statement is provided in the Notes (No. 60).

Notes to the consolidated financial statements

Consolidated financial statements according to IFRS

The consolidated financial statements of DAB bank at December 31, 2011, 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 Section 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 financial year 2007 as a consequence of the implementation of the EU Transparency Directive (TUG).

Unlike the EU directives, the IFRS only prescribe certain minimum requirements concerning the classification scheme of the statement of financial position and the statement of comprehensive income. To achieve the required conformity with the EU directives, the items of the statement of financial position and the statement of comprehensive income 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 corporate governance pursuant to Section 289a HGB at February 27, 2012, 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://www.dab-bank.de/servicenavigation/investor-relations_en/corporate-governance.html and is available there for inspection.

All existing and currently applicable IFRS regulations at December 31, 2011 were observed.

In accordance with the respective transitional regulations, the following rules, which are expected to be relevant for the DAB bank Group on the basis of the information available today and the application of which is obligatory in financial year 2012 and in subsequent years, were not yet applied in financial year 2011:

- IAS 1: Introduction of new presentation rules for other comprehensive income (amended 2011)

In the future, other comprehensive income will be presented in a single section of the income statement according to IFRS, the so-called Statement of Profit or Loss and Other Comprehensive Income. The complete statement of comprehensive income will be divided into two sections, "profit or loss" and "other comprehensive income." In the future, other comprehensive income will be sub-divided according to whether or not the recognized expenses and income will be subsequently reclassified as profit or loss. Overall, the amendments result in a more transparent and comparable presentation of other comprehensive income.

▸ IAS 12: Limited amendment relative to the recovery of underlying assets (amended 2010)

The amendments to IAS 12 provide a solution to the question of whether the carrying amount of an asset will be recovered through use or by sale, by introducing a rebuttable presumption that the carrying amount will be recovered entirely by sale, as the standard case.

▸ IFRS 7: Extended presentation and disclosure obligations (amended 2011)

The amendments entail extended presentation obligations related to the transfer of financial instruments. They also entail extended disclosure obligations, under which the reporting entity must disclose the relationship between transferred financial assets that have not been derecognized, or not in their entirety, and the associated liabilities. The reporting entity will be required to disclose the nature of risks and rewards to which the company is exposed. The nature and risk of any continuing involvement in derecognized financial instruments must also be disclosed. Specifically, the maximum loss potential associated with the continuing involvement must be disclosed and a residual maturity analysis of future cash outflows must be presented.

DAB bank will apply the Standards in their new versions and present the corresponding information as of 2012. It is not expected that these amendments will have significant effects on the presentation of the financial position, financing status and financial performance.

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 profit or loss. 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 profit or loss.

▸ 3 Changes in recognition, valuation and presentation methods

Since financial year 2011, various amended and new IFRS Standards must be applied for the first time, as an obligatory requirement, although they had no practical effect on the present financial statements. Specifically, the customer acquisition campaigns of DAB bank do not meet the criteria of IFRC 13. Aside from the pronouncements that are first required to be applied for 2011, the same recognition and valuation methods applied for the 2010 consolidated financial statements were applied for the present consolidated financial statements. In connection with the sale of equity shares in SRQ FinanzPartner AG, the prior-year comparison figures presented in the statement of comprehensive income were adjusted accordingly, for the sake of comparability, in accordance with IFRS 5.34.

4 Consolidation group

The consolidation group of the DAB bank Group at December 31, 2011, was composed of DAB bank AG, Munich (the parent company), and the subsidiary direktanlage.at AG, Salzburg (share of equity 100%). direktanlage.at AG is included in the consolidated financial statements of DAB bank AG by way of full consolidation. All the companies in the consolidation group prepared their separate financial statements at the same reporting date of December 31, 2011.

Sale of equity shares in SRQ FinanzPartner AG and deconsolidation

On September 30, 2011, DAB bank AG entered into a contract for the sale of all its shares in SRQ FinanzPartner AG, Berlin, to Kronen tausend684 GmbH, Wiesbaden, an affiliated company of Aragon AG, Wiesbaden. As of the contract signing date, the profit/loss contributions, assets, liabilities and cash flows attributable to SRQ have been classified as discontinued operations in accordance with IFRS 5 and presented separately in the statement of comprehensive income, statement of financial position and cash flow statement; the separate presentation of the profit/loss contributions of SRQ is limited only to operating figures. For the sake of comparability required by IFRS 5.34, the prior-year comparison values have been adjusted accordingly, to the necessary extent (retrospective application). At the date as of SRQ was classified as discontinued operations, an impairment loss of €741 thousand was recognized in goodwill, because the net fair value was less than the carrying amount at the time of reclassification as discontinued operations.

By virtue of contractual agreements in effect with a non-controlling shareholder and with DAB bank AG concerning option rights, DAB bank AG purchased additional shares from the non-controlling shareholder in the amount of €512 thousand, in connection with the sale of equity shares to SRQ FinanzPartner AG. Transaction costs of €146 thousand were incurred on the sale of equity shares in SRQ FinanzPartner AG. In addition, provisions in the amount of €250 thousand were recognized to account for risks related to the sale.

The sale took effect on December 31, 2011, when the regulatory authorities issued their approval and other contractual conditions were fulfilled. Thus, SRQ FinanzPartner AG was removed from the consolidation group of the DAB bank Group as of the reporting date. The deconsolidation gave rise to a net overall profit/loss effect of €711 thousand, which was presented as part of the net profit/loss from investments.

The disclosures required by IFRS 5.33 (a) and (b) are presented below:

in k€	Cumulative 01/01/2011-12/31/2011	Cumulative 01/01/2010-12/31/2010
Operating income	2,837	3,616
Net interest income	-15	-43
Net commission income	2,825	3,330
Net other operating income/expenses	27	329
Operating expenses	3,331	3,751
Administrative expenses	3,232	3,719
Appropriation to provisions	99	32
Operating profit/loss before taxes	-494	-135
Income taxes	7	-65
Operating profit/loss after taxes	-501	-70
Effects of the sale		
Impairments of goodwill	-741	-
Risk provisions and incidental transaction costs	-396	-
Deconsolidation effect	711	-
Profit/loss before taxes of the sale	-426	-
Income taxes	-82	-
Profit/loss after taxes of the sale	-344	-
Profit/loss of discontinued operations	-845	-70

The impairments of goodwill are presented in a separate line item of the statement of comprehensive income. The provision for risks is part of the additions to provisions and the transaction costs incurred on the sale are presented within the line item of Other administrative expenses.

Please refer to Notes 29, 35, 44, 45, 60 and 61 for additional details concerning this transaction and the effects of the deconsolidation.

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 general rule, monetary assets and liabilities that are not denominated in euros, as well as cash transactions that have not yet been settled at the reporting date, are translated into euros (functional currency) at the market exchange rates on the reporting 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 general 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 functional currency of 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 statement of financial position. 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 39, 42, 43 and 47.

Held-for-trading financial instruments are measured at fair value and any fair value changes are recognized in profit or loss. These holdings appear in the items of Trading assets and Trading liabilities in the statement of financial position. 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 40.

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 measured at fair value in the statement of financial position. The changes in the fair values are recognized directly in the 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 was the decisive factor for the classification performed at the time of initial use of the fair-value option. The nature of the financial assets is explained in Note 41. No further AFV designations were applied in financial year 2011.

Investments in financial assets held to maturity (HtM) are non-derivative 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 quality deterioration. 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 41.

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 profit or loss 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 41.

Purchases and sales of financial instruments are recognized on the trade date, as a general 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 62: 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 estimated reliably. 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 HfT, 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 62 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 70 to 80 and 82 to 84. The credit quality of specific financial assets is presented on page 75.

8 Receivables

The receivables from banks and receivables from customers are carried at amortized cost, as a general 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 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 acute default 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 profit or loss.

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 profit or loss. In contrast, any changes in the value of AfS financial instruments are not recognized in profit or loss, as a general rule. Fair value changes in AfS financial instruments are not recognized in profit or loss 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 to account for decreases in value due to credit quality deterioration.

12 Property, plant and equipment

In accordance with IAS 16.73a, items of property, plant and equipment are measured at acquisition or production cost, less scheduled straight-line depreciation based on the expected useful lives of the assets in question, provided they are depletable. In the case of leasehold improvements, the lease term, including any renewal options, is applied as the useful life if that is shorter than the customary useful life. Impairment losses are recognized in cases where items of property, plant and equipment have sustained value losses within the meaning of IAS 16.63 that go beyond 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, plant and equipment are recognized in the comprehensive income statement under Net other operating income/expenses. Depreciation and impairment losses are presented within administrative expenses in the statement of comprehensive income. Costs incurred to preserve property, plant and equipment are recognized as expenses in the year in which they occur.

Property, plant 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 substance of the agreements according to the provisions of IAS 17 in conjunction with IFRIC 4. For that purpose, the assessment of significant risks and rewards is performed on the basis of the criteria set forth in IAS 17.10 and 17.11.

In the case of finance leases under which DAB bank is deemed to be the lessee, we present an asset under Property, plant and equipment and an 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.

In the case of contracts classified as operating leases, under which DAB bank is deemed to be the lessee, we present the corresponding obligation within the item Other financial obligations. These obligations relate exclusively to computer hardware leases. The lease payments, which also include components that do not pertain to the lease, are recognized within administrative expenses on a straight-line basis over the lease term.

14 Intangible assets

The intangible assets consist of software, customer base and goodwill. As of September 30, 2011, the customer base attributable to SRQ FinanzPartner AG (carrying amount: €1,125 thousand) was no longer subjected to systematic amortization.

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, plant and equipment and intangible assets, under Administrative expenses. The useful life was reviewed either on a case-by-case basis or as of the reporting date. In relation to financial year 2011, the adjustment of the amortization period for software gave rise to an additional expense of €769 thousand.

The total goodwill in the 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. Until the date of deconsolidation of SRQ FinanzPartner AG, a goodwill item of €702 thousand had been recognized in connection with the majority shareholding in SRQ. Decreases in value are disclosed in the statement of comprehensive income within the item Impairments 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. A breakdown of carrying amounts by remaining terms to maturity is presented in the sections pertaining to the 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 statement of comprehensive income under Net trading profit or loss.

▸ 17 Provisions

Provisions are recognized to account for current legal or constructive obligations arising from a past event, when the future outflow of economic resources is probable and the amount can be estimated reliably. Provisions have been recognized 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 recognized 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, which require an 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 expected 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 in respect of 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 in respect of unutilized tax loss carry-forwards to the extent that future recovery 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. Dividend income is recognized upon creation of the legal claim for payment.

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. In this context, commission income and expenses are recognized pro rata temporis, in accordance with the 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 at fair value through profit or loss 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 judgment

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

Judgments are related to the following in particular:

- The classification of assets in relation to the valuation categories according to IAS 39, while adhering to the formal criteria set forth in the IFRS standards.

- The measurement of financial instruments in the event that no active market exists according to the definition of IAS 36.6. This also entails a discretionary judgment as to whether an active market exists.

Estimates relate in particular to the following:

- The useful lives of property, plant and equipment and intangible assets and the associated amounts of systematic depreciation and amortization and any adjustments of amortization periods (carrying amount: €43,249 thousand). Explanatory notes are provided in Notes 12, 14, 44, and 45.

- The valuation parameters applied for impairment tests of goodwill (carrying amount €18,137 thousand), and all assets for which there is an objective indication of a need to conduct an impairment test.

- 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 measuring the value of receivables from customers (carrying amount €3,115 thousand).

- The parameters applied for measuring pension provisions and the weighting with regard to the criteria for the recognition and reversal of provisions. Explanatory notes are provided in the Notes 17 and 51.

- Substantive value and utilization of deferred taxes recognized in respect of tax loss carry-forwards (carrying amount: €6,365 thousand).

Notes to the statement of comprehensive income

25 Interest income and similar income

in k€ 01/01 – 12/31	Stocks	Bonds	Loans and receivables	2011	2010
Receivables from banks	-	-	5,978	5,978	2,962
Receivables from customers	-	-	10,596	10,596	9,089
AFV financial assets	-	2,739	-	2,739	23,090
AfS financial assets	16	43,776	-	43,792	20,719
HtM financial assets	-	11,730	-	11,730	14,343
Other assets	-	-	19	19	8
Total	16	58,245	16,593	74,854	70,211

26 Interest expenses

in k€ 01/01 – 12/31	2011	2010
Liabilities to banks	86	118
Liabilities to customers	21,248	14,058
Subordinated liabilities	217	276
Other liabilities	80	71
Total	21,631	14,523

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

27 Net commission income

in k€ 01/01 - 12/31	2011	2010
Commission income from	136,872	141,217
securities and custodial services	77,164	77,592
brokerage of third-party products	52,939	56,745
foreign trade/payments	5,703	5,527
other service operations	1,066	1,353
Commission expenses for	51,266	58,325
securities and custodial services	13,985	16,556
brokerage of third-party products	36,311	40,127
foreign trade/payments	417	416
other service operations	553	1,226
Total	85,606	82,892

28 Trading profit/loss

in k€ 01/01 - 12/31	2011	2010
HfT financial instruments	223	501
Debt securities and other fixed-income securities	159	367
Equities and other non-fixed income securities	106	110
Derivative financial instruments	-42	24
AFV financial instruments	408	13,222
Debt securities and other fixed-income securities	659	13,114
Equities and other non-fixed income securities	-251	108
Total	631	13,723

As a general rule, the net profits of holdings measured at fair value through profit or loss only contain the fair value changes to be recognized in profit or loss. The net interest income earned on the trading portfolio is recognized in net interest income, as a general rule.

29 Profit/loss from investments

in k€ 01/01 - 12/31	2011	2010
AfS financial instruments	-555	195
Debt securities and other fixed-income securities	-1,298	17
Equities and other non-fixed income securities	32	178
Shares in consolidated subsidiaries	711	-
HtM financial instruments	-	-
Debt securities and other fixed-income securities	-	-
Total	-555	195

The net profits from sales of available-for-sale securities are composed only of realized profits and losses. Changes in measured value are recognized directly in equity until the asset is sold or written down. As a general rule, the net interest income earned on AfS and HtM financial instruments is presented as part of net interest income. The deconsolidation effect of €711 thousand arising from the sale of all the shares in SRQ FinanzPartner AG is presented in the line item of Shares in consolidated subsidiaries.

30 Net other operating income/expenses

in k€ 01/01 - 12/31	2011	2010
Other operating income	1,261	1,934
Income from product management	333	560
Income from defective handling of securities trades	290	956
Other	638	418
Other operating expenses	2,114	4,775
Losses from defective handling of securities trades or accommodation payments	2,094	3,698
Write-offs on receivables	9	1,029
Other	11	48
Total	-853	-2,841

Other operating income/expenses include an aggregate effect from currency translation differences in the amount of €32 thousand (PY: €49 thousand).

31 Administrative expenses

in k€ 01/01 - 12/31	2011	2010
Personnel expenses	38,268	36,515
Wages and salaries	31,817	30,303
Social security	5,393	5,322
Pension and other benefit costs	1,058	890
Other administrative expenses	64,670	66,112
Marketing expenses	16,254	13,815
Communication expenses	4,841	4,872
IT expenses	12,841	15,057
Securities clearing and settlement expenses	11,241	10,589
Remaining other administrative expenses	19,493	21,779
Depreciation and amortization	10,150	12,651
of equipment	1,899	1,578
of software and other intangible assets (excluding goodwill)	8,251	11,073
Total	113,088	115,278

Personnel expenses include severance payments for financial year 2011 in the amount of €413 thousand (PY: €24 thousand). The expenses resulting from lease payments in connection with the company's obligations under operating leases amounted to €4,763 thousand in 2011 (PY: €4,827 thousand). The item Amortization and impairments of software and other intangible assets also included an effect resulting from the adjustment of the amortization period, in the amount of €769 thousand. The prior-year figure included an impairment of software in the amount of €3,629 thousand, based on a review of the value-in-use at the end of 2010. In accordance with IFRS 8, the software is attributable to the DAB bank AG segment.

▸ 32 Appropriations to provisions

In 2011, the expenses incurred for appropriations to provisions amounted to €1,058 thousand (PY: €1,908 thousand), which related primarily to provisions for compensation of loss or damage. In those cases when the original reasons for recognizing provisions were no longer in effect, provisions were reversed in the amount of €2,608 thousand (PY: €205 thousand).

▸ 33 Impairment losses in goodwill

In accordance with IFRS 3, goodwill is no longer subjected to systematic amortization. Instead, an impairment test is conducted every year, or when circumstances warrant, to determine the existence of any impairments. At December 31, 2011, a goodwill item was recognized only in connection with direktanlage.at AG. Please refer to Note 45 Intangible Assets for information on the goodwill impairments recognized in connection with the sale of all equity shares in SRQ.

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 general 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 based initially on internal data. 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 assessing future income trends include the company's market position in relation to the general industry environment, the scalability of the business model, customer and employee satisfaction, and profit trends in past years.

As a general rule, we use a planning horizon of three years as a basis for determining the substantive value of the goodwill. As a general 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.

Moreover, the impairment test is based on the following parameters:

in %	12/31/2011	12/31/2010
Goodwill of direktanlage.at AG		
Average initial growth rate	16	15
Final growth rate	0	0
Risk-adjusted discount rate to determine present values	9	9

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.

Based on the foregoing, the goodwill was subjected to an impairment test at December 31, 2011. Based on the results of this impairment test, the carrying amount of the goodwill of direktanlage.at AG was confirmed in the full amount of €18,137 thousand.

34 Credit risk provisions

in k€ 01/01 - 12/31	2011	2010
Additions	340	900
Reversals	287	274
Amounts recovered on charged-off receivables	8	30
Total	45	596

35 Income taxes

The income taxes break down as follows:

in k€ 01/01 - 12/31	2011	2010
Current tax expenses	6,051	7,534
Deferred tax expenses	1,905	4,662
Total	7,956	12,196

The stated current tax expenses consisted of German local trade taxes, in the amount of €3,576 thousand (PY: €4,280 thousand), and corporate income taxes in Germany and abroad, in the amount of €2,475 thousand (PY: €3,254 thousand). In calculating the German corporate income taxes, the applicable rule limiting the deduction of losses (minimum taxation) had to be observed, as in the prior year. The deferred tax expenses resulted mostly from the utilization of tax loss carry-forwards from prior years.

The current income tax expenses included effects related to corporate income taxes and local trade taxes for prior years, in the amount of €203 thousand (PY: €1,423 thousand).

The total amount of corporate income tax loss carry-forwards amounted to €40,223 thousand at the reporting date (PY: €52,356 thousand). No impairment losses were recognized.

The differences between the calculated and actual income taxes are presented in the reconciliation statement below:

in k€ 01/01 - 12/31	2011	2010
Result before taxes	25,728	28,567
Applicable tax rate	32.98%	32.98%
Income taxes derived from applicable rate	8,484	9,420
Tax effects from		
previous years	-530	1,423
foreign income	-402	-722
tax-exempt income	-1	-1
differing legal norms	112	1,625
non-deductible expenses	391	48
impairment losses in goodwill	244	539
other differences	-3	-71
from discontinued operations (SRQ)	-339	-65
Effective income taxes	7,956	12,196

The domestic income tax rate applied for the reconciliation statement was composed of the corporate income tax rate of 15.0%, the solidarity surtax of 5.5% and the local trade tax rate of 17.15%. In the annual report for 2010, the local trade tax was not included in the income tax rate and was presented instead within Tax effects from differing legal norms. The figures presented in the prior-year column were adjusted to the reporting year, for the sake of comparability.

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

The effects arising from discontinued operations resulted from the deconsolidation of SRQ.

Deferred tax assets and deferred tax liabilities were attributed to the following line items, in accordance with IAS 12.81 (g):

in k€ at 12/31	2011 Deferred tax assets	2011 Deferred tax liabilities	2010 Deferred tax assets	2010 Deferred tax liabilities
Tax loss carryforwards	6,365	-	8,285	-
Credit risk provisions	-	83	-	76
Trading assets	-	19,996	-	9,931
Property and equipment	-	25	-	37
Intangible assets	-	214	-	661
AFV, AfS, and HtM financial instruments	6,583	3,260	3,099	2,279
Other assets	-	-	-	67
Trading liabilities	19,968	-	9,889	-
Provisions	711	-	122	420
Other liabilities	-	-	159	-
Total	33,627	23,578	21,554	13,471

The change in deferred taxes recognized in respect of temporary differences gave rise to expenses of €11,134 thousand (PY: €5,914 thousand) and income of €11,149 thousand (PY: €3,496 thousand). The application of deferred tax assets recognized in respect of tax loss carry-forwards gave rise to expenses in the amount of €1,920 thousand (PY: €2,179 thousand).

36 Decrease or increase in the value of AfS financial instruments recognized directly in equity

The net balance of deferred taxes recognized in equity and allocated to AfS financial instruments at the reporting date was €6,583 thousand (€6,583 thousand in deferred tax assets and €0 thousand in deferred tax liabilities). In the prior year, the net balance was €3,045 thousand (€3,099 thousand in deferred tax assets and €54 thousand in deferred tax liabilities).

37 Utilization of net profit (as per HGB/AktG)

The unappropriated net profit of DAB bank AG for financial year 2011, which is calculated in accordance with national laws, including in particular the provisions of the German Commercial Code (HGB) and the German Stock Corporations Act (AktG), amounted to €16,541 thousand. At the annual shareholders' meeting to be held on May 24, 2012, the Management Board and Supervisory Board of DAB bank AG will propose distributing a dividend of 0.22 euros per no-par bearer share. The consolidated unappropriated net profit of the DAB bank Group calculated in accordance with IFRS is likewise €16,541 thousand.

Dividend corresponding to the unappropriated net profit for 2010
The shareholders present and represented at the annual shareholders' meeting of DAB bank AG on May 19, 2011 approved a dividend of €0.20 per no-par bearer share for financial year 2010. The full amount of the dividend corresponds to the unappropriated net profit of DAB bank AG according to German commercial law and to the unappropriated profit of the Group according to IFRS. The total amount of €15,037 thousand computed on this basis was distributed to the shareholders as a dividend.

38 Earnings per share

01/01 - 12/31	2011	2010
Consolidated net income (attributable to shareholders of DAB bank AG) in k€	17,325	16,448
Average number of shares outstanding*	75,187,007	75,187,007
Earnings per share (basic) in €	0.23	0.22
Consolidated net income in k€	17,325	16,448
Number of potential shares	-	-
Adjusted average number of shares outstanding*	75,187,007	75,187,007
Earnings per share (diluted) in €	0.23	0.22

*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.

The consolidated net profit for 2010 was €16,436 thousand. In connection with the presentation required by IFRS 5, the prior-year comparison figure has been adjusted for the effects arising on the sale of SRQ, in the amount of €-12 thousand.

The dividend calculation is based on 75,187,007 shares outstanding. Due to the capital increase conducted in financial year 2011, the total number of shares outstanding was 82,705,706 at the reporting date. The new shares qualify for dividends only as of January 1, 2012 and therefore they were not included in the calculation of the dividend per share.

Notes to the Consolidated Statement of Financial Position

39 Cash reserve

in k€ at 12/31	2011	2010
Cash on hand	2,031	1,744
Balances with central banks	100,818	66,507
Total	102,849	68,251

40 Trading assets

in k€ 01/01 - 12/31	2011	2010
Trading assets (HfT)		
Bonds and other fixed-income securities	299	147
Stocks and other variable-yield securities	-	-
Derivative financial instruments	60,639	30,117
Total	60,938	30,264

Bonds by overdue status

in k€ at 12/31	2011	2010
Neither overdue nor written down	299	147
Overdue, but not yet written down	-	-
Total	299	147

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 reporting 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 k€ at 12/31	2011	2010
Due in		
up to 3 months	8	1
more than 3 months to 1 year	2	1
more than 1 year to 5 years	166	105
more than 5 years	123	40
Total	299	147

A breakdown of derivative financial instruments by residual maturities is presented on page 77 of the Management Report (Risk Report).

41 AFV, AfS, and HtM financial instruments

Breakdown of financial assets

in k€ at 12/31	2011	2010
AFV financial assets	4,305	198,370
Bonds and other fixed-income securities	2,681	197,140
thereof: long-term financial assets	-	-
Stocks and other variable-yield securities	1,624	1,230
thereof: long-term financial assets	-	-
AfS financial assets	2,171,998	1,784,778
Equity investments	20	20
Bonds and other fixed-income securities	2,171,609	1,784,211
thereof: long-term financial assets	45,159	-
Stocks and other variable-yield securities	369	547
thereof: long-term financial assets	-	-
HtM financial assets	245,782	358,051
Bonds and other fixed-income securities	245,782	358,051
including: long-term financial assets	55,784	-
Total	2,422,085	2,341,199

At the reporting 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 represented by the total carrying amount of €245,782 thousand. At the reporting date, the market value of all HtM holdings amounted to €254,908 thousand.

The carrying amounts at December 31, 2011 break down as follows:

in k€	Equity investments	Bonds and other fixed-income securities	Stocks and other variable-yield securities	Total
Marketable securities	-	2,420,072		2,422,065
Listed securities	-	2,420,072	1,993	2,421,224
Unlisted securities	-	-	1,152	841
Unmarketable securities	20	-	841	20
			-	

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:

in k€ at 12/31	2011	2010
Bonds and other fixed-income securities	2,420,072	2,339,402
Money market instruments	204,752	142,557
of public issuers	11,546	12,397
of other issuers	193,206	130,160
Bonds and debt issues	2,215,320	2,196,845
of public issuers	28,195	148,646
of other issuers	2,187,125	2,048,199
Stocks and other variable-yield securities	1,993	1,777
Stocks	154	135
Investment fund shares	1,839	1,642

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

in k€ at 12/31	2011	2010
Term to maturity		
up to 3 months	420,236	24,141
3 months to 1 year	280,186	65,070
1 year to 5 years	1,614,088	2,176,516
more than 5 years	105,562	73,675
Total	2,420,072	2,339,402

Bonds by overdue status

in k€ at 12/31	2011	2010
Neither overdue nor written down	2,420,072	2,339,402
Overdue, but not yet written down	-	-
Total	2,420,072	2,339,402

42 Receivables from banks

by maturity

in k€ at 12/31	2011	2010
Payable on demand	261,612	233,077
Due in	181,712	186,874
up to 3 months	95,127	40,321
more than 3 months to 1 year	83,569	143,537
more than 1 year to 5 years	3,016	3,016
more than 5 years	-	-
Total	443,324	419,951

by domestic and foreign

in k€ at 12/31	2011	2010
Domestic banks	322,483	344,203
Foreign banks	120,841	75,748
Total	443,324	419,951

to affiliated companies

in k€ at 12/31	2011	2010
Total	173,069	159,674

by overdue status

in k€ at 12/31	2011	2010
Neither overdue nor written down	443,324	419,951
Overdue but not yet written down	-	-
Total	443,324	419,951

As a general rule, value adjustments are charged against receivables due from banks on a case-by-case basis. There was no reason to charge such value adjustments in financial years 2011 and 2010.

43 Receivables from customers

by maturity

in k€ at 12/31	2011	2010
Payable on demand	267,304	279,980
Due in	-	1,681
up to 3 months	-	1,253
more than 3 months to 1 year	-	428
more than 1 year to 5 years	-	-
more than 5 years	-	-
Total	267,304	281,661
thereof, secured by mortgages	-	-

by domestic and foreign

in k€ at 12/31	2011	2010
Domestic	191,095	187,739
Foreign	76,209	93,922
Total	267,304	281,661

to affiliated companies

in k€ at 12/31	2011	2010
Total	-	220

by overdue status

in k€ at 12/31	2011	2010
Neither overdue nor written down	267,304	281,661
Overdue but not yet written down	-	-
Total	267,304	281,661

The receivables due at call consisted mainly of margin loans.

The stated amounts of receivables from customers are net of value adjustments on receivables (credit risk provisions). They break down as follows:

Changes in provisions

	Specific risks		Latent risks		Total	
in k€	2011	2010	2011	2010	2011	2010
at 01/01	2,590	2,290	-	-	2,590	2,290
Changes recognized in income						
Additions	340	900	-	-	340	900
Releases	287	274	-	-	287	274
Changes not recognized in income						
Utilization	117	326	-	-	117	326
at 12/31	2,526	2,590	-	-	2,526	2,590

In the DAB bank Group, receivables amounting to €50 thousand were completely charged off in 2011 (PY: €215 thousand). The amounts recovered on charged-off receivables in 2011 total €8 thousand (PY: €30 thousand).

The bank's credit business consists mainly of margin loans. The apparent risks of such loans are adequately accounted for through the recognition of specific value adjustments. The amount of value-adjusted customer receivables backed by security amounted to €589 thousand (PY: €322 thousand).

44 Property, plant and equipment

Changes in property and equipment

in k€	Hardware	Facilities	Miscellaneous
Acquisition/production cost			
Balance at 01/01/2009	6,689	4,742	12,327
Additions	1,546	20	280
Disposals	526	19	3
Balance at 12/31/2010	7,708	4,743	12,604
Depreciation and impairments			
Balance at 12/31/2010	2,892	1,622	6,743
Scheduled depreciation	675	384	565
Disposals	280	24	9
Balance at 12/31/2010	3,287	1,982	7,299
Carrying amounts			
Balance at 12/31/2010	4,421	2,762	5,305
Acquisition/production cost			
Balance at 01/01/2010	7,708	4,743	12,604
Additions	2,085	217	201
Disposals	102	2	63
Changes in scope of consolidation	-226	-113	-
Balance at 12/31/2011	9,465	4,845	12,742
Depreciation and impairments			
Balance at 01/01/2011	3,287	1,982	7,299
Additions	1,028	399	541
Disposals	102	2	43
Changes in scope of consolidation	-133	-67	-
Balance at 12/31/2011	4,080	2,312	7,797
Carrying amounts			
Balance at 12/31/2011	5,385	2,534	4,945

Depreciation, amortization and impairments include effects attributable to SRQ in the amount of €69 thousand, including €56 thousand attributable to hardware and €13 thousand attributable to facilities.

45 Intangible assets

Changes in intangible assets

in k€	Software	Customer base	Goodwill
Acquisition/production cost			
Balance at 01/01/2010	64,575	1,620	28,538
Additions	9,726	-	-
Disposals	5,231	-	-
Balance at 12/31/2010	69,070	1,620	28,538
Depreciation and impairments			
Balance at 12/31/2010	32,698	306	5,548
Scheduled depreciation	7,699	108	-
Unscheduled depreciation	3,629	-	3,410
Disposals	5,112	-	-
Balance at 12/31/2010	38,915	414	8,958
Carrying amounts			
Balance at 12/31/2011	30,155	1,206	19,580
Acquisition/production cost			
Balance at 01/01/2011	69,070	1,620	28,538
Additions	8,941	-	-
Disposals	1,207	-	-
Changes in scope of consolidation	-306	-1,620	-10,401
Balance at 12/31/2011	76,498	-	18,137
Depreciation and impairments			
Balance at 01/01/2011	38,915	414	8,958
Scheduled depreciation	8,312	81	-
Unscheduled depreciation	-	-	741
Disposals	916	-	-
Changes in scope of consolidation	-198	-495	-9,699
Balance at 12/31/2011	46,113	-	-
Carrying amounts			
Balance at 12/31/2011	30,385	-	18,137

The changes to the consolidation group pertain exclusively to SRQ FinanzPartner AG.

The depreciation and amortization include effects attributable to SRQ in the amount of €142 thousand, including €61 thousand attributable to software and €81 thousand attributable to the customer base. The acquisition cost of the customer base recognized in connection with the initial consolidation of SRQ is equal to the presented amount of €1,620 thousand. The goodwill impairment loss of €741 thousand was related to the sale of all equity shares in SRQ in financial year 2011.

The software contains advance payments of €3,470 thousand (PY: €608 thousand) for IT projects that were not yet completed on the reporting date. The item of software includes adjustments to the amortization period in the amount of €769 thousand, which are presented within the item of systematic amortization.

In connection with the sale of SRQ FinanzPartner AG and the associated removal from the consolidation group of the DAB bank Group, the removal of the customer base attributable to SRQ, in the amount of €1,125 thousand, is presented under the line item of Changes to the consolidation group.

The total goodwill in the amount of €18,137 thousand is attributable to direktanlage.at AG at December 2011, 31. The goodwill impairments recognized in connection with the sale of all the equity shares in SRQ are presented within the line item of Impairment losses. The total accumulated impairments of the goodwill of SRQ amount to €6,074 thousand.

46 Income tax assets

in k€ at 12/31	2011	2010
Tax refund claims	2,506	543
Deferred tax assets from tax loss carryforwards	6,365	8,285
Deferred tax assets from temporary differences	27,262	13,269
Total	36,133	22,097

47 Other assets

in k€ at 12/31	2011	2010
Prepaid expenses	2,390	2,259
Trade receivables	2,410	4,081
Receivables due from public-sector entities	3,776	1,373
Other assets	3,597	2,723
Total	12,173	10,436

by overdue status (Trade receivables)

in k€ at 12/31	2011	2010
Neither overdue nor written down	1,316	3,084
Overdue, but not yet written down	1,019	834
up to 3 months	878	484
more than 3 months up to 6 months	42	17
more than 6 months up to 1 year	9	92
more than 1 year up to 5 years	90	241
Total	2,335	3,918

The value adjustments charged against various trade receivables at the reporting date amounted to €75 thousand (PY: €163 thousand). Value adjustments are charged against receivables when they have been effectively past-due for than one year and no further payments are expected to be collected.

The Other assets are composed entirely of assets without fixed maturities or fixed-interest periods.

48 Liabilities to banks

by maturity

in k€ at 12/31	2011	2010
Payable on demand	24,433	38,808
Due in	-	-
up to 3 months	-	-
more than 3 months to 1 year	-	-
more than 1 year to 5 years	-	-
more than 5 years	-	-
Total	24,433	38,808

by domestic and foreign

in k€ at 12/31	2011	2010
Domestic banks	13,582	18,474
Foreign banks	10,851	20,334
Total	24,433	38,808

to affiliated companies

in k€ at 12/31	2011	2010
Total	267	5,869

49 Liabilities to customers

by maturity

in k€ at 12/31	2011	2010
Payable on demand	2,759,923	2,670,357
Due in	301,421	236,709
up to 3 months	110,308	153,238
more than 3 months to 1 year	175,972	80,165
more than 1 year to 5 years	15,141	3,296
more than 5 years	-	10
Total	3,061,344	2,907,066

by domestic and foreign

in k€ at 12/31	2011	2010
Domestic	2,386,564	2,320,797
Foreign	674,780	586,269
Total	3,061,344	2,907,066

In addition to the statutory compensation system known as Entschädigungseinrichtung deutscher Banken, DAB bank AG is a voluntary member of the German deposit insurance fund of the German bankers' association, Einlagensicherungsfonds des Bundesverbands deutscher Banken e.V., Cologne. The cash deposits of every customer of DAB bank AG are insured up to an amount of currently €32,399 thousand under the deposit insurance fund and up to €100,000 under the statutory compensation system.

50 Trading liabilities

The trading liabilities consisted of the negative fair values of derivatives traded with customers or counterparties. A breakdown by terms to maturity is presented on page 77 of the Management Report (Risk Report).

51 Provisions

Changes in provisions

in k€	2011	2010
at 01/01	8,079	6,434
Changes recognized in income		
Additions	1,379	2,102
Reversals	2,844	240
Changes not recognized in income		
Changes in the scope of consolidation	-199	-
Utilizations	172	217
at 12/31	6,243	8,079

The changes recognized in profit or loss include the appropriations attributable to SRQ, in the amount of €99 thousand.

The provisions consisted of provisions for compensation of loss or damage in the amount of €4,214 thousand (PY: €5,887 thousand), provisions for long-term obligations toward employees in the amount of €49 thousand (PY: €45 thousand), provisions for litigation expenses in the amount of €38 thousand (PY: €38 thousand), and other provisions in the amount of €0 thousand (PY: €100 thousand).

All provisions referred to current liabilities, except for obligations toward employees. With regard to the provisions for compensation of loss or damage, we anticipate reimbursements in the amount of €491 thousand.

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

Changes in pension provisions

in k€	2011	2010
Present value of pension obligations at 01/01	2,009	1,877
Changes recognized in income		
Present value of the pension claims earned in the fiscal year	52	100
Interest expense	97	95
Amortized amount of actuarial gains and losses	-163	-36
Changes not recognized in income		
Payments affecting liquidity	-53	-27
Present value of pension obligations at 12/31	1,942	2,009

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

in %	12/31/2011 - 01/01/2012	12/31/2010 - 01/01/2011
Discount rate (p.a.)	5.25	5.00
Pension adjustment (p.a.)	1.70	1.70
Income increase (p.a.)	2.00	2.00

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 reporting date corresponds to the value of provisions in the statement of financial position. In this respect, the company exercised the option allowed in the revised IAS 19.93 of fully recognizing unamortized actuarial gains and losses in profit or loss for the period.

The defined benefit plans relate to the employees of FSB FondsServiceBank GmbH, which was merged into DAB bank AG in financial year 2005, and to the employees of direktanlage.at AG. The total number of entitled persons at the reporting date is 27 (PY: 27), while at the reporting 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.

DAB bank AG accounted for €519 thousand and direktanlage.at AG accounted for €1,458 thousand of the total present value at December 2011, 31.

The total expected pension expenses for 2012 are €103 thousand.

Provisions that are no longer needed are reversed and the corresponding amounts are recognized in profit or loss.

Please see Note 69 for information on the amounts paid to defined contribution benefit plans for members of management.

52 Income tax liabilities

in k€ **at 12/31**	2011	2010
Income tax provisions	4,146	7,008
Deferred tax liabilities from temporary differences	23,578	13,471
Total	27,724	20,479

53 Other liabilities

in k€ **at 12/31**	2011	2010
Accruals	30,674	36,111
Trade payables	4,416	4,806
Receivables due from public-sector entities	4,320	12,384
Other liabilities	1,049	1,383
Total	40,459	54,684

to affiliated companies

in k€ **at 12/31**	2011	2010
Total	109	31

The deferred accruals relate mainly to short-term liabilities due to employees and trade payables in connection with outstanding invoices. The remaining Other liabilities are exclusively composed of items without fixed maturities or fixed-interest periods.

54 Subordinated capital

In financial years 2010 and 2011, the securitized liabilities consisted exclusively of debt instruments in the form of subordinated capital. A subordinated loan to Volkswohl Bund Lebensversicherung a.G. in the amount of €10,000 thousand was due for payment on December 13, 2011 and therefore no further subordinated loans were presented in the statement of financial position at December 31, 2011.

Until December 13, 2011, the subordinated liabilities fulfilled the regulatory requirements of Section 10 (5a) KWG (German Banking Act).

The prior-year figure contained subordinated liabilities and accrued interest of €10 thousand, as well as a loan discount of €6 thousand, which was recognized as a prepaid expense. Interest expenses of €217 thousand (PY: €275 thousand) were incurred on subordinated liabilities in 2011.

55 Equity

Subscribed capital
The share capital of DAB bank AG now amounts to €82,705,706.00. It is divided into 82,705,706 (issued and fully paid-up) no-par bearer shares, each of which grants the same rights. Effective November 17, 2011, the subscribed capital was increased by €7,518,699.00 in connection with a cash capital increase.

As of January 1, 2011, the total number of shares outstanding was 75,187,007. As of December 31, 2011, that number was 82,705,706 and all issued shares were fully paid-up within the meaning of IAS 1.79.

The issuance of new shares is possible particularly within the framework of the authorizations granted in connection with the Authorized Capital I and II and the 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 share premium from the IPO of DAB bank AG in financial year 1999. Effective November 17, 2011, the additional paid-in capital was increased by €16,240,389.84, corresponding to share premium for the cash capital increase.

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 profit or loss until the asset is sold or an impairment loss is recognized.

Authorized capital

1.) Authorized Capital:
By resolution of the annual shareholders' meeting of May 19, 2011, the Management Board was authorized to increase the company's share capital, with the consent of the Supervisory Board, by a total amount of up to €22,500,000.00, through issuing new bearer shares in exchange for cash or in-kind capital contributions on one or more occasions in the time until May 19, 2016 (Authorized Capital I/Authorized Capital 2011/I). If the new shares are issued in exchange for in-kind capital contributions, the Management Board is authorized to exclude the subscription right of shareholders, with the consent of the Supervisory Board. In case of capital increases in exchange for cash capital deposits, moreover, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the subscription right of shareholders if the issue price is not significantly less than the stock market price; however, this authorization may be exercised only when the shares issued under exclusion of subscription rights in accordance with or by analogous application of Section 186 (3) (4) AktG do not exceed in total

10 % of the share capital, either at the time when it takes effect or when the present authorization is exercised.

The Authorized Capital I was recorded in the Commercial Register on May 26, 2011.

At December 31, 2011, the Authorized Capital I existed still in the full amount of €22,500,000.

2.) Authorized Capital II:
By resolution of the annual shareholders' meeting of May 10, 2007, the Management Board was authorized to increase the company's share capital, with the consent of the Supervisory Board, by a total amount of up to €15,000,000.00, through issuing new bearer shares in exchange for cash or in-kind capital contributions on one or more occasions in the time until May 10, 2012 (Authorized Capital II/Authorized Capital 2007/I). If the new shares are issued in exchange for in-kind capital contributions, the Management Board is authorized to exclude the subscription right of shareholders, with the consent of the Supervisory Board. In case of capital increases in exchange for cash capital deposits, moreover, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the subscription right of shareholders if the issue price is not significantly less than the stock market price; however, this authorization may be exercised only when the shares issued under exclusion of subscription rights in accordance with or by analogous application of Section 186 (3) (4) AktG do not exceed in total 10 % of the share capital, either at the time when it takes effect or when the present authorization is exercised.

The Authorized Capital II was recorded in the Commercial Register on May 21, 2007.

At December 31, 2011, the Authorized Capital II existed still in the amount of €7,481,301. The company's share capital of €75,187,007, which had previously been divided into 75,187,007 common shares in the form of bearer shares, was increased by €7,518,699 to €82,705,706 through the issuance of 7,518,699 bearer shares for an issue price of €3.16 per share, in exchange for a cash capital contribution. The new shares qualify for dividends as of January 1, 2012. The subscription right of shareholders was excluded. UniCredit Bank AG, with its registered head office in Munich, Kardinal-Faulhaber-Straße 1, 80333 Munich (registered in the Commercial Register of the Munich Local Court under HRB 42148) was allowed to subscribe and purchase the new shares in exchange for cash capital contributions. The capital increase was recorded in the Commercial Register on November 22, 2011.

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 company's share capital was conditionally increased by an amount of up to €3,500,000 through the issuance of up to 3,500,000 bearer shares (Conditional Capital I). The conditional capital increase will only be conducted for the purpose of redeeming stock options in connection with the Stock Option Plan, and only to the extent that the beneficiaries of the stock options exercise their options and shares are issued for that purpose from the Conditional Capital. The subscription shares will qualify for dividends from the beginning of the financial year when they are issued.

At the reporting date of December 31, 2011, no stock options existed in connection with the Stock Option Plan 1999 of DAB bank AG for the members of the Management Board and the employees of DAB bank AG. No stock options were granted in 2011.

2.) The annual shareholders' meeting of May 17, 2001 resolved to increase the share capital conditionally by an amount of up to €3,300,000 through the issuance of up to 3,300,000 bearer shares (Conditional Capital II).

The conditional capital increase will only be conducted for the purpose of redeeming stock options in connection with the International Stock Option Plan and only to the extent that the beneficiaries of the stock options exercise their options and shares are issued for that purpose from the Conditional Capital. The subscription shares will qualify for dividends from the beginning of the financial year when they are issued.

At December 31, 2011, no further stock options existed in connection with the International Stock Option Plan 2001 of DAB bank AG for Group employees. No stock options were granted in 2011.

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

	Subscribed capital k€	Authorized capital k€	thereof: exclusive of subscription rights k€	Conditional capital k€
at 01/01/2011	75,187	37,500	37,500	6,800
Increase in subscribed capital effective November 17, 2011	7,519	-7,519	-7,519	
at 12/31/2011	82,706	29,981	29,981	6,800

Authorized capital

Decision year	Original amount k€	Still available k€	Limited in time until
2011	22,500	22,500	05/19/16
2007	15,000	7,481	05/10/12
at 12/31/2011	37,500	29,981	

Conditional capital

Decision year	Original amount k€	Still available k€	Limited in time until
1999	3,500	3,500	-
2001	3,300	3,300	-
at 12/31/2011	6,800	6,800	

56 Treasury shares

In accordance with Section 71 (1) (7) AktG, the company is authorized to buy and sell its own shares for trading purposes to May 19, 2015, by resolution of the annual shareholders' meeting from May 20, 2010. 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 Sections 71 ff. AktG, may not exceed 10% of the company's share capital at any time.

DAB bank AG purchased treasury shares in 2011 for the purpose of correcting errors and to process customer orders. Overall, transactions in the period listed above involved 1,000 shares; this corresponds to a share of € 1,000 or 0.00001 percent of the capital stock. Of this amount, 1,000 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 €4.37 / €4.19 per share, a loss of €184.49 was incurred on these transactions.

No company shares were held by the DAB bank Group at December 31, 2011.

57 Trust transactions

The trust assets in the amount of €203,882 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. 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 line items of Financial assets and Liabilities to customers.

▸ 58 Assets and liabilities in foreign currency

The euro equivalent of assets denominated in a foreign currency at the reporting date amounted to €127,962 thousand (PY: €131,441 thousand), and that of liabilities denominated in a foreign currency €126,551 thousand (PY: €132,608 thousand). Foreign currency transactions were effected primarily in U.S. dollars.

▸ 59 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. The agreements associated with the transfer of security are based on standardized contracts, which do not contain any special clauses.

Notes to the Statement of Cash Flows

▸ 60 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 statement of financial position. 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 cash and cash equivalents arising from the sale of equity shares in SRQ FinanzPartner AG was basically aggregated and presented in a separate line item of the cash flow statement. The shares were sold in exchange for cash payment. A fixed amount achieved on the sale and a variable component to be achieved in connection with the expansion of business cooperation in the future will be presented only in future periods, when the corresponding cash flows are generated.

The assets and liabilities of the sold, deconsolidated company SRQ FinanzPartner AG break down as follows:

in T€	12/31/2011
Assets	
Cash reserve	-
Receivables from banks	1,064
Receivables from customers	1,407
Property, plant and equipment	139
Intangible assets (non-current)	1,231
Other assets	108
Income tax assets	57
Liabilities	
Liabilities to banks	120
Liabilities to customers	648
Provisions	199
Other liabilities	1,384
Income tax liabilities	395

Notes to the segment report

▸ 61 Segment report

The DAB bank Group is managed exclusively on the basis of the companies included in the DAB bank Group. DAB bank AG and direktanlage.at AG represent the operating segments according to IFRS 8.2 ff. Until it was deconsolidated, SRQ FinanzPartner AG was also treated as a separate operating segment. At the reporting date, SRQ is presented as discontinued operations, and is therefore no longer part of the DAB bank Group, although the profit/loss contributions attributable to SRQ in 2011 are still presented in full.

The business segments are defined in accordance with the management approach, according to which a segment is determined on the basis of the internal reports that are regularly reviewed by managerial decision-makers in order to allocate resources to the individual segments and measure their 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 reportable 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 is 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 44 ff.

Cross-segment consolidation processes are presented in the consolidation column. The effects of the consolidation processes are mainly composed of internal Group revenues from interest-similar income (dividends) in the amount of €4,500 thousand (PY: €7,197 thousand) and commission income and expenses in the amount of €132 thousand (PY: €4,509 thousand).

▸ The interest-similar income arises from the phase-shifted collection of dividends by the parent company from the subsidiaries of DAB bank AG. The net interest income of DAB bank AG has already been reduced by this amount in the segment presentation. Thus, the amounts presented in Net interest income consist of revenues external to the Group.

▸ The net commission income of the companies included in the segment report contains part of internal Group revenues, in the amount of €132 thousand, which do appear in the Consolidation column due to the net presentation. Subtracting these effects yields the revenues external to the Group.

In the opinion of the DAB bank Group, there is no significant degree of dependency on customers that make a major contribution to the company's results.

The segment assets of DAB bank AG include a non-current asset in the amount of €2,500 thousand, which is not a financial instrument according to the definition of IFRS 7.

Consolidated Segment Report according to IFRS

Income Statement by Segments:

in k€	DAB bank AG	direktanlage.at AG	Consolidation	Group (new)	SRQ FinanzPartner AG	Consolidation	Group (total)
Net interest income							
01/01/2011-12/31/2011	44,342	8,881	-	53,223	-15	-	53,208
01/01/2010-12/31/2010	46,020	9,668	-	55,688	-43	-	55,645
Net comission income							
01/01/2011-12/31/2011	68,276	17,330	-	85,606	2,825	-	88,431
01/01/2010-12/31/2010	64,133	18,759	-	82,892	3,330	-	86,222
Trading profit/loss							
01/01/2011-12/31/2011	675	-44	-	631	-	-	631
01/01/2010-12/31/2010	13,729	-6	-	13,723	-	-	13,723
Profit/loss from investments							
01/01/2011-12/31/2011	976	-2,242	711	-555	-	-	-555
01/01/2010-12/31/2010	1,417	-1,222	-	195	-	-	195
Net other operating income/expenses							
01/01/2011-12/31/2011	-889	36	-	-853	27	-	-826
01/01/2010-12/31/2010	-2,610	-232	-	-2,842	329	-	-2,513
Non-interest-dependent income							
01/01/2011-12/31/2011	69,038	15,080	711	84,829	2,852	-	87,681
01/01/2010-12/31/2010	76,669	17,299	-11	93,957	3,659	-	97,616
OPERATING INCOME							
01/01/2011-12/31/2011	113,380	23,961	711	138,052	2,837	-	140,889
01/01/2010-12/31/2010	122,689	26,967	-11	149,645	3,616	-	153,261
Personnel expenses							
01/01/2011-12/31/2011	30,185	8,083	-	38,268	991	-	39,259
01/01/2010-12/31/2010	29,077	7,438	-	36,515	1,425	-	37,940
Other administrative expenses							
01/01/2011-12/31/2011	54,688	9,982	-	64,670	2,030	-	66,700
01/01/2010-12/31/2010	56,652	9,459	-	66,111	1,885	-	67,996
Depreciation, amortization and impairments of property, Plant and equipment and intangible assets							
01/01/2011-12/31/2011	9,257	893	-	10,150	211	-	10,361
01/01/2010-12/31/2010	11,822	829	-	12,651	409	-	13,060
Administrative expenses							
01/01/2011-12/31/2011	94,130	18,958	-	113,088	3,232	-	116,320
01/01/2010-12/31/2010	97,551	17,726	-11	115,266	3,719	-	118,985
OPERATING PROFIT/LOSS							
01/01/2011-12/31/2011	19,250	5,003	711	24,964	-395	-	24,569
01/01/2010-12/31/2010	25,138	9,241	-	34,379	-103	-	34,276

Income Statement by Segments:

in k€	DAB bank AG	direktanlage.at AG	Consolidation	Group (new)	SRQ FinanzPartner AG	Consolidation	Group (total)
Additions to provisions							
01/01/2011-12/31/2011	-1,552	2	-	-1,550	99	-	-1,451
01/01/2010-12/31/2010	1,605	66	-	1,671	32	-	1,703
Impairment of goodwill							
01/01/2011-12/31/2011	741	-	-	741	-	-	741
01/01/2010-12/31/2010	3,410	-	-	3,410	-	-	3,410
Credit risk provisions							
01/01/2011-12/31/2011	86	-41	-	45	-	-	45
01/01/2010-12/31/2010	476	120	-	596	-	-	596
PROFIT/LOSS BEFORE TAXES							
01/01/2011-12/31/2011	19,975	5,042	711	25,728	-494	-	25,234
01/01/2010-12/31/2010	19,647	9,055	-	28,702	-135	-	28,567
Income taxes							
01/01/2011-12/31/2011	6,682	1,274	-	7,956	7	-	7,963
01/01/2010-12/31/2010	10,082	2,114	-	12,196	-65	-	12,131
Net profit/loss after taxes							
01/01/2011-12/31/2011	13,293	3,768	711	17,772	-501	-	17,271
01/01/2010-12/31/2010	9,565	6,941	-	16,506	-70	-	16,436

Additional information by segments

	DAB bank AG	direktanlage.at AG	Consolidation	Group (new)	SRQ FinanzPartner AG*	Consolidation*	Group (total)*
Cost-income ratio (in %)							
01/01/2011-12/31/2011	82.6	79.0	-	81.6	118.0	-	82.3
01/01/2010-12/31/2010	83.7	66.2	-	80.5	103.8	-	81.1
Investments in property and equipment and intangible assets (in € thousand)							
01/01/2011-12/31/2011	10,130	1,215	-	11,345	99	-	11,444
01/01/2010-12/31/2010	9,829	931	-	10,760	812	-	11,572
Total carrying amount of segment assets (in k€)							
12/31/2011	2,801,709	622,767	-18,284	3,406,192	4,006	-	-
12/31/2010	2,695,371	565,538	-18,284	3,242,625	5,883	-11,220	3,237,288
Total carrying amount of segment liabilities (in k€)							
12/31/2011	2,626,153	594,603	-	3,220,756	2,746	-	-
12/31/2010	2,540,614	533,999	-8,010	3,066,603	4,122	-1,610	3,069,115
Cash flow from operating activities (in k€)							
01/01/2011-12/31/2011	81,914	53,191	-	135,105	-224	-	-
01/01/2010-12/31/2010	47,748	97,326	-	145,074	771	-	145,845
Cash flow from investing activities (in k€)							
01/01/2011-12/31/2011	-36.232	-54,781	-	-91,013	224	-	-
01/01/2010-12/31/2010	-18,198	-75,195	-	-93,393	-531	-	-93,924
Cash flow from financing activities (in k€)							
01/01/2011-12/31/2011	-2,351	-7,143	-	-9.494	-	-	-
01/01/2010-12/31/2010	-28,612	-8,430	-	-37,042	-240	-	-37,282
Employees (headcount)**							
12/31/2011	492	134	-	626	15	-	-
12/31/2010	478	128	-	606	15	-	621
Trades executed (number)**							
01/01/2011-12/31/2011	4,033,358	1,047,683		5,081,041	-	-	-
01/01/2010-12/31/2010	3,364,885	1,141,581	-	4,506,466	-	-	4,506,466
Securities accounts (number)**							
12/31/2011	558,866	62,056	-	620,922	5,190	-	-
12/31/2010	556,686	59,358	-	616,044	4,608	-	620,652

* The figures attributable to SRQ FinanzPartner AG are presented only on a pro forma basis. By reason of the deconsolidation of SRQ, all assets and liabilities were no longer held by the DAB bank at the reporting date.

** The figures for financial years 2010 and 2011 do not include the segment figures for SRQ, by reason of the deconsolidation at December 31, 2011.

Other disclosures

▸ 62 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 reporting 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 reporting 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 and those 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 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 €9,773 thousand (PY: €6,574 thousand) and the same difference in the case of liabilities was €-2,446 thousand (PY: €-164 thousand). The net balance of these values, to be understood as undisclosed reserves or undisclosed liabilities, was €12,219 thousand (PY: €6,738 thousand).

Financial instruments under IFRS 7

		2011		2010	
in k€ at 12/31	Valuation category per IAS 39	Fair value	Carrying amount	Fair value	Carrying amount
Cash reserve	LaR	102,849	102,849	68,251	68,251
Trading assets	HfT	60,938	60,938	30,264	30,264
AFV financial instruments	AFV	4,305	4,305	198,370	198,370
AfS financial instruments	AfS	2,171,998	2,171,998	1,784,778	1,784,778
HtM financial instruments	HtM	254,908	245,782	364,094	358,051
Receivables from banks	LaR	443,971	443,324	420,482	419,951
Receivables from customers	LaR	267,304	267,304	281,661	281,661
Other assets*	LaR	2,410	2,410	4,081	4,081
Assets (total)		3,308,683	3,298,910	3,151,981	3,145,407
Liabilities to banks	AC	24,433	24,433	38,808	38,808
Liabilities to customers	AC	3,058,897	3,061,343	2,906,873	2,907,066
Trading liabilities	HfT	60,554	60,554	29,989	29,989
Subordinated capital	AC	-	-	10,039	10,010
Other liabilities*	AC	4,416	4,416	4,806	4,806
Liabilities (total)		3,148,300	3,150,746	2,990,515	2,990,679

* Trade receivables or payables

Impairment losses of €3,455 thousand were recognized in the valuation category of available-for-sale (AfS) securities (PY: €882 thousand), mainly due to the mark-to-market valuation of the Greek exposure of direktanlage.at AG.

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 k€	12/31/2011 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)	12/31/2010 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	53,919	7,019	-	60,938	28,356	1,908	-	30,264
AFV financial instruments	1,655	-	2,650	4,305	198,370	-	-	198,370
AfS financial instruments	2,170,477	1,501	20	2,171,998	1,784,758	-	20	1,784,778
HtM financial instruments	254,908	-	-	254,908	345,222	18,872	-	364,094
Trading liabilities	53,620	6,934	-	60,554	28,208	1,781	-	29,989

The equity investments presented under Level 3 in the amount of €20 thousand, which are classified as available for sale, are attributable to our subsidiary direktanlage.at AG and are presented at amortized cost.

A carrying amount of €2,650 thousand was reclassified from Level 1 in 2010 to Level 3 in 2011 due to a significant decrease in trading volumes and the associated lack of liquidity. Thus, the fair value could no longer be determined reliably on the basis of quoted market prices. This item was measured on the basis of an indicative price quote of an outside counterparty and additionally on the basis of an internal DAB-bank valuation model. The reclassification gave rise to an AFV income of €150 thousand in 2011. There were no further reclassifications.

Net results by valuation categories

in k€ at 12/31	2011 Net results	2010 Net results	Notes
Loans and receivables (LaR)	16,548	11,463	25, 34
Financial assets and financial liabilities measured at fair value, recognized in income (HfT)	223	501	28
Financial assets measured at fair value recognized in income (AFV)	3,147	36,312	25, 28
Investments in financial assets held to maturity (HtM)	11,730	14,343	25, 29
Assets available for sale (AfS)	43,237	20,914	25, 29
Financial liabilities measured at amortized cost (AC)	-21,631	-14,523	26

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

UniCredit Bank AG (UCB), Munich, monitors the Overall Ratio on the level of the UniCredit Bank AG Group, as the parent company of DAB bank AG and as the controlling company according to Section 10a (1) (1) of the German Banking Act (KWG).

Fulfillment of the required minimum 8% value of the Overall Ratio is monitored on a daily basis and was assured at all times in financial year 2011.

At December 31, 2011, the liable capital of DAB bank AG amounted to €119,633 thousand (PY: €96,685 thousand). The change resulted mainly from the capital increase of €23,759 thousand conducted in November 2011. Due to the heightened default risk positions in the category of receivables due from banks, which were only partially offset by the lower default risk positions in the categories of receivables due from companies and investees, the capital charges for default risks rose from €48,292 thousand in 2010 to €50,092 thousand in 2011. The capital charges for operational risk, which are measured according to the Advanced Measurement Approach (AMA) in 2011, amounted to €12,498 thousand (PY: €10,701 thousand). The capital charges for market risk positions rose from €235 thousand in 2010 to €327 thousand in 2011.

Based on the foregoing, the Overall Ratio as per the Solvency Regulation (SolvV) rose to 15.21%, as compared to 13.06% in 2010. Thus, this ratio was well above the minimum required regulatory ratio of 8%. At December 31, 2011, the core capital ratio (tier-1 ratio) came to 15.21%, as compared to 12.52% in 2010. The changes in the Overall Ratio as per SolvV and the core capital ratio resulted mainly from the capital increased conducted in the past year and from the redemption during the year of a subordinated loan, which had been counted until that time as supplementary capital in the amount of €3,987 thousand.

Risk assets and market risk positions

at 12/31 in k€	2011	2010
Core capital	119,633	92,698
Supplementary capital	-	3,987
Eligible capital	119,633	96,685
Capital charges for default risk	50,092	48,292
Capital charges for market risk positions	327	235
Capital charges for operational risk	12,498	10,701
Surplus capital	56,716	37,457
Overall ratio per SolvV	15.2%	13.1%

For banking regulation purposes, the bank's liquidity is measured by means of the Liquidity Ratio prescribed by the Liquidity Regulation. This ratio is calculated as the ratio of cash available within one month to the payment obligations payable 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 4.46 at December 31, 2011 (PY: 6.95) and therefore this regulatory requirement was significantly over-fulfilled again in 2011. The change resulted mainly from the reclassification as non-current assets in 2011 of securities that had previously been presented as liquidity reserve, in accordance with German commercial law. Please refer to the Risk Report for details on the change in the Liquidity Ratio.

DAB bank AG fulfills the requirements of Sections 10, 10a KWG with respect to adequate capitalization. DAB bank AG does not hold unrealized reserves attributable to liable capital according to Section 10 (2b) (1) (6) or 7 KWG.

64 Significant concentrations of assets and liabilities

With respect to maturity matching, the average long-term duration of our securities portfolios is about one year. By virtue of the sufficient liquidity of the securities, DAB bank assures that the liabilities can be repaid at all times, despite the maturity mismatch. Additional information on risks arising from concentrations can be found on pages 72 ff. of the Risk Report, for the following financial instruments: receivables due from customers and banks, financial instruments classified as at fair value, available-for-sale and held-to-maturity, and derivative positions of the trading book (held for trading). Sector risks and country risks are described on pages 74 to 76.

65 Contingent liabilities and other financial obligations

in k€ at 12/31	2011	2010
Contingent liabilities		
from guarantees and warranty agreements	1,210	458
Other financial obligations		
from rental agreements	21,952	25,770
from lease agreements	6,666	10,669
Total	29,828	36,897

A loan guarantee for €500 thousand issued in favor of SRQ FinanzPartner AG expired and was returned to the bank in early 2012.

The stated loan guarantees are fully secured by suitable cash deposits or securities, except for an amount of €523 thousand (PY: €23 thousand). In consideration of available security and suitable credit ratings, the overall default probability is 1.9% (PY: 7.4%).

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

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

in k€ at 12/31	2011	2010
Maturity		
up to 1 year	4,171	4,215
more than one year to 5 years	2,495	6,454
more than 5 years	-	-
Total	6,666	10,669

▸ 66 Group affiliation

At December 31, 2011, 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 79.53% of the shares of DAB bank AG, Landsberger Str. 300, 80687 Munich, Germany. No further direct or indirect investments in capital that exceed 10% 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, 2011 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.

▸ 67 Letter of comfort

Political risks excluded, DAB bank AG, Munich, has undertaken to ensure that direktanlage.at AG, Salzburg, can meet its contractual obligations.

▸ 68 Events after the reporting date

Since December 31, 2011 no material events have occurred with regard to the financial and operational development of the DAB bank Group.

▸ 69 Related party disclosures

Compensation paid to members of the Supervisory Board and the Management Board of DAB bank AG*

	Fixed component		Performance-related components		Components with a long-termincentive effect		Pensions		Value of fringe benefits		Total	
in k€	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Management Board	595	600	401	244	58	69	99	92	19	30	1,172	1,035
Supervisory Board	107	75	-	21	-	-	-	-	-	-	107	96
Total	702	675	401	265	58	69	99	92	19	30	1,279	1,131

The compensation paid to the individual members of the Supervisory Board and the Management Board in 2011 is presented in the table below:

in k€	Fixed component	Performance - related components	Components with a long-term incentive effect	Pensions	Value of fringe benefits	Total
Members of the Management Board						
Dr. Niklas Dieterich	70	50	-	8	3	131
Markus Gunter	300	270	58	52	9	689
Dr. Markus Walch	225	81	-	39	7	352
Members of the Supervisory Board						
Werner Allwang	10	-	-	-	-	10
Nikolaus Barthold	10	-	-	-	-	10
Peter Buschbeck	13	-	-	-	-	13
Gunter Ernst	6	-	-	-	-	6
Alessandro Foti	25	-	-	-	-	25
Dr. Marita Kraemer	13	-	-	-	-	13
Dr Theoder Weimer	30	-	-	-	-	30
Total	702	401	58	99	19	1,279

The group of management members in key positions comprises all members of the Management Board and Supervisory Board. As a basic rule, their compensation consists of a fixed salary component in the form of a fixed monthly salary and a variable salary component in the form of a success-oriented component. To a lesser extent, the compensation also includes components in the form of long-term incentives, as well as a company pension and other fringe benefits. The success-oriented components and the components in the form of long-term incentives comprise stock options, "Performance Shares" and company shares, all of which pertaining to the shares of UniCredit S.p.A., Rome, as well as cash components. No further benefits according to the definition of IAS 24.16 were granted.

The following information on share-based compensation refers to the Management Board of DAB bank AG. A holder of commercial power of attorney (Prokurist) of DAB bank AG, who is the Chairman of the Supervisory Board of direktanlage.at AG, also participated in the Stock Option and Performance Share programs for 2011.

Information on stock options

Stock options:

Quantity (no.)	197,408
Average exercise price (€)	2.282
Exercisable as of 12/31/2011 (no.)	9,398
Granted in financial years	2007 / 2008 / 2011
Average end of the exercise period	August 2020

Each stock option entitles the beneficiary to purchase one share of UniCredit S.p.A., Rome, at a price that is established prior to issuance of the stock options. The stock options can only be exercised as of a previously established date. If the beneficiary will have left the UniCredit Group prior to that date, the stock options will be forfeited, as a general rule, meaning that they can no longer be exercised. In certain exceptional cases, such as occupational disability or retirement or the departure of the employer company from the UniCredit Group, the stock options will become vested on a pro-rated basis.

The fair values of the stock options at the reporting date are calculated by means of the trinomial model of Hull & White, based on the following parameters:

- Probability that the stock option will expire due to the departure from the company of the beneficiary after the expiration of the vesting period;
- Assumed exercise hurdle, meaning the stock options will be exercised prior to expiration of the exercise period only if the current price of the UniCredit share exceeds the exercise price by the multiplier for the exercise hurdle (usually 1.5 times);
- Dividend yield of the UniCredit share
- Average historical daily volatility over the vesting period.

The fair value of the stock options on the grant date is recognized as an expense on the basis of the expected number of stock options to be exercised during the exercise period. In this connection, an expense of €44 thousand (PY: €9 thousand) was incurred in financial year 2011; this amount will be reimbursed to UniCredit S.p.A. upon maturity. In 2011, 169,462 new Stock Options were granted, which are included in the total of 197,408.

Information on Performance Shares

Performance Shares:

Quantity (no.)	89,369
Granted in financial year	2011
Granted upon fulfillment of criteria	November 2013

A fixed number of shares of UniCredit (Performance Shares) will be transferred at no cost to the beneficiary if, upon the expiration of a three-year period, the respectively relevant targets are achieved and if the beneficiary is still working for the UniCredit Group. Otherwise, the Performance Shares will be forfeited, as a general rule. In certain exceptional cases, such as occupational disability or retirement or the departure of the employer company from the UniCredit Group, the stock options will become vested on a pro-rated basis. As of the reporting date, the criteria for the Performance Share Plan 2008 (6,113 Performance Shares) were not met.

The fair value of Performance Shares is calculated on the basis of the share price on the grant date, less a deduction for expected dividend payments until the grant date, provided that the criteria are met.

The fair value of Performance Shares on the grant date is recognized as an expense in the period that is determining with respect to the fulfillment of the respective criteria.

The expenses for Performance Shares amounted to €32 thousand in 2011 (PY: €0 thousand); this amount will be reimbursed to UniCredit S.p.A. upon maturity. In 2011, 89,369 new Performance Shares were granted.

Information on share-based and cash-based plans

Under the share-based and cash-based plans, different kinds of compensation are granted at different times: cash payments are made in the first two years and shares of UniCredit S.p.A. are granted in the third and fourth year. In financial year 2011, the related expenses amounted to €209 thousand (PY: €0 thousand).

Information on cash-based plans

The long-term incentive program dating from financial year 2009 is tied to certain criteria, according to which the amount of compensation is determined. When the relevant targets are achieved, a corresponding cash payment is made. In this connection, an expense of €46 thousand was incurred in financial year 2011 (PY: €60 thousand).

Further details on the compensation of the Management Board are provided in the Compensation Report, which is part of the Management Report.

Receivables from members of the Supervisory Board and the Management Board

in k€ at 12/31	2011	2010
Members of the Management Board	-	-
Members of the Supervisory Board	-	30
Total	-	30

At the reporting date, no amounts were owed by members of either the Management Board or the Supervisory Board in connection with margin loans granted to them. Furthermore, no other loans, advances or contingent liabilities were in effect.

In financial year 2011, DAB bank AG maintained business relationships with the following companies included in the consolidated financial statements of the highest-level parent company, UniCredit S.p.A.:

- FinecoBank S.p.A., Rome
- Food & More GmbH, Munich
- HVB Profil Gesellschaft für Personalmanagement mbH, Munich
- HVB Secur GmbH, Munich
- Mobility Concept GmbH, Unterhaching
- Pioneer Investments Austria GmbH, Vienna
- Pioneer Investments Kapitalanlagegesellschaft mbH, Unterföhring
- Planethome AG, Unterföhring
- Schoellerbank Aktiengesellschaft, Vienna
- Schoellerbank Invest AG, Salzburg
- Structured Invest S.A., Luxembourg
- UniCredit Bank AG, Munich
- UniCredit Bank Austria AG, Vienna
- UniCredit Business Integrated Solutions S.C.p.A., Milan
- UniCredit Direct Services GmbH, Munich
- UniCredit S.p.A., Rome
- Unimanagement S.R.L., Turin

The income from these business relationships total €5,882 thousand for financial year 2011 (PY: €3,989 thousand) and the expenses total €1,735 thousand (PY: €1,112 thousand). At the reporting date, receivables of €173,069 thousand (PY: €159,895 thousand) and payables of €267 thousand (PY: €5,900 thousand) existed vis-à-vis the specified companies.

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

in k€	Expenses 2011	Expenses 2010	Income 2011	Income 2010
Other companies of the UniCredit S.p.A. Group with significant influence				
UniCredit Bank AG	886	388	2,917	1,171
Other companies of the UniCredit S.p.A. Group with significant influence				
UniCredit Bank Austria AG	11	8	182	88
UniCredit Business Integrated Solutions S.C.p.A	200	550	-	-
Pioneer Investments Kapitalanlagegesellschaft mbH	-	-	478	319
Pioneer Asset Management SA	-	-	741	1,015
Schoellerbank Invest AG	161	127	769	638

in k€	Receivables 2011	Receivables 2010	Payables 2011	Payables 2010
Other companies of the UniCredit S.p.A. Group with significant influence				
UniCredit Bank AG	169,801	145,576	5	82
Other companies of the UniCredit S.p.A. Group with significant influence				
UniCredit Bank Austria AG	132	9,482	40	3,456
UniCredit Business Integrated Solutions S.C.p.A	-	-	-	-
Pioneer Investments Kapitalanlagegesellschaft mbH	-	-	-	-
Pioneer Asset Management SA	-	-	-	-
Schoellerbank Invest AG	508	133	154	-

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 €3,605 thousand (PY: €11,706 thousand) occurred in financial year 2011, and a total effect of €0 thousand (PY: €9,611 thousand) occurred at the reporting date arising from debt consolidation.

70 Employees

	2011	2010
Average number of employees (headcount)		
Managing Directors	4	4
Senior Vice President	0	0
Holders of commercial power of attorney	9	9
Other salaried employees	552	547
Parental leave/military service	18	21
Vocational trainees	14	17
Employees (total)	596	598

71 Members of the Supervisory Board, the Management Board

Members of the Supervisory Board of DAB bank AG:

Dr. Theodor Weimer (Chairman)

Management Board Speaker of UniCredit Bank AG, Munich, and member of the Management Committee of UniCredit S.p.A, Rome, Italy *)

At December 31, 2011, Dr. Theodor Weimer also served on the following other, legally prescribed Supervisory Boards of German companies:

- ERGO Versicherungsgruppe AG, member of the Supervisory Board
- Bayerische Börse AG, member of the Supervisory Board

At December 31, 2011, Dr. Theodor Weimer served on the following comparable oversight boards of German and foreign companies:

- UniCredit Luxembourg S.A., Chairman of the Board of Directors *)

Alessandro Foti (Vice Chairman)
Head of Business Line Asset Gathering of UniCredit S.p.A, Rome, Italy, and Chief Executive Officer of FinecoBank S.p.A., Milan, Italy *)

At December 31, 2011, Mr. Alessandro Foti did not serve on any other, legally prescribed Supervisory Boards of German companies.

At December 31, 2011, Mr. Alessandro Foti served on the following comparable oversight boards of German and foreign companies:
- direktanlage.at AG, Salzburg, member of the Supervisory Board *)

Peter Buschbeck
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, 2011, Mr. Peter Buschbeck served on the following other, legally prescribed Supervisory Boards of German companies:
- Bankhaus Neelmeyer AG, Bremen, Chairman of the Supervisory Board *)
- PlanetHome AG, Unterföhring, Chairman of the Supervisory Board *)
- UniCredit Direct Services GmbH, Munich, Chairman of the Supervisory Board *)

At December 31, 2011, Mr. Peter Buschbeck served on the following comparable oversight boards of German and foreign companies:
- UniCredit Global Business Services GmbH, Munich, member of the Supervisory Board *)
- Wealth Management Capital Holding GmbH, Munich, member of the Board of Directors *)

Gunter Ernst (until May 19, 2011)
Person of independent means

Dr. Marita Kraemer (since May 19, 2011)
Member of the Management Board of Zürich Beteiligungs-Aktiengesellschaft (Deutschland), Frankfurt am Main

At December 31, 2011, Dr. Kraemer did not serve on any other, legally prescribed Supervisory Boards of German companies and also did not serve on any comparable oversight boards of German or foreign companies.

Werner Allwang (employee representative)
Manager, B2B Own-Account Trading, DAB bank AG, Munich

At December 31, 2011, Mr. Werner Allwang did not serve on any other, legally prescribed Supervisory Boards of German companies and also did not serve on any comparable oversight boards of German or foreign companies.

Nikolaus Barthold (employee representative)
Senior Manager, B2B Trading, DAB bank AG, Munich

At December 31, 2011, Mr. Nikolaus Barthold did not serve on any other, legally prescribed Supervisory Boards of German companies and also did not serve on any comparable oversight boards of German or foreign companies.

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

Members of the Management Board of DAB bank AG:

Markus Gunter
(Spokesman of the Management Board since September 1, 2011)
Responsible for B2C, B2B, Products & Services and Human Resources & Corporate Affairs, as well as task area of Communications

In addition, he held the following other offices at December 31, 2011:

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

Dr. Niklas Dieterich
(since September 1, 2011)
Responsible for Finance & Controlling, IT and Operations, the departments of Internal Audit and Risk Controlling and the task area of Investor Relations

In addition, he held the following other offices at December 31, 2011:

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

Dr. Markus Walch
(until August 31, 2011)

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

72 Changes in the Management Board and Supervisory Board

After four years of service on the Management Board, Dr. Markus Walch resigned from DAB bank, effective August 31, 2011. Effective September 1, 2011, Dr. Niklas Dieterich assumed his responsibilities for the areas of Finance & Controlling, Operations and IT, and for the departments of Risk Controlling & Compliance, Internal Audit and Investor Relations. Effective September 1, 2011, the Supervisory Board appointed Markus Gunter the Spokesman of the Management Board.

At this year's annual shareholders' meeting of May 19, 2011, Dr. Marita Kraemer, member of the Management Board of Zürich Beteiligungs-Aktiengesellschaft (Deutschland), Frankfurt am Main, was elected as a new member to the Supervisory Board of DAB bank. She succeeded Gunter Ernst, person of independent means, who had served on the Supervisory Board of DAB bank since 2002.

73 Shareholdings of members of the Management Board and the Supervisory Board

at 12/31/2011	Shares	Options
Members of the Management Board		
Dr. Niklas Dieterich	-	-
Markus Gunter	-	-
Members of the Supervisory Board		
Werner Allwang	-	-
Nikolaus Barthold	-	-
Peter Buschbeck	-	-
Alessandro Foti	-	-
Dr. Marita Kraemer	-	-
Dr. Theodor Weimer	-	-
Treasury stock	-	-

74 Share purchases and sales

in k€	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	-	-
Derivatives on shares	-	-

75 Relationships between the independent auditor and DAB bank AG

in k€	2011	2010
Fees paid for:		
The audit	390	303
Other certification services	175	132
Other services (including valuation services)	57	72
Total	622	507

76 Timing of release for publication

The present consolidated financial statements will be submitted to the Supervisory Board for adoption and approval on March 7, 2012.

Munich, March 05, 2012

DAB bank AG

Markus Gunter
Spokesman of the Management Board

Dr. Niklas Dieterich
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 present a true and fair view of the financial position, financing status and financial performance 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 05, 2012

DAB bank AG

Markus Gunter Spokesman of the Management Board	Dr. Niklas Dieterich Member of the Management Board

Audit opinion*

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 report, together with the Group management report for the financial year from January 1 to December 31, 2011. 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 Section 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 Section 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 financial position, financing status and financial performance 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 Section 315a Abs. 1 HGB and give a true and fair view of the financial position, financing status and financial performance 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 07 , 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

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 k€	4th quarter 2010	1st quarter 2011	2nd quarter 2011	3rd quarter 2011	4th quarter 2011
Interest and similar income	17,970	16,974	18,178	19,688	20,014
Interest expenses	4,081	4,117	5,089	6,081	6,344
Net interest income/expenses	13,889	12,857	13,089	13,607	13,670
Commission income	37,414	37,919	31,771	35,975	31,207
Commission expenses	14,948	14,116	12,036	13,063	12,051
Net commission income/expenses	22,466	23,803	19,735	22,912	19,156
Trading profit/loss	6,024	794	769	-1,327	395
Profit/loss from investments	753	143	637	676	-2,011
Net other operating income/ expenses	-1,184	155	-186	465	-1,287
Non-interest-dependent income	28,059	24,895	20,955	22,726	16,253
OPERATING INCOME	41,948	37,752	34,044	36,333	29,923
Personnel expenses	9,036	9,667	9,608	9,114	9,879
Other administrative expenses	17,905	16,863	15,785	17,706	14,316
Depreciation, amortization and impairments of property, plant and equipment and intangible assets	6,013	2,397	2,308	2,407	3,038
Administrative expenses	32,954	28,927	27,701	29,227	27,233
OPERATING PROFIT/LOSS	8,994	8,825	6,343	7,106	2,690
Additions to provisions	468	309	33	-321	-1,571
Impairment of goodwill	3,410	-	-	741	-
Credit risk provisions	412	-78	71	26	26
PROFIT/LOSS BEFORE TAXES	4,704	8,594	6,239	6,660	4,235
Income taxes	4,867	2,768	1,894	2,253	1,041
NET PROFIT (DAB bank Group new)	-163	5,826	4,345	4,407	3,194
Net profit/loss from discounted operations	137	40	-115	-154	-272
NET PROFIT (DAB bank Group total)	-26	5,866	4,230	4,253	2,922
Changes in value of AfS financial instruments recognized in equity	-3,164	-2,905	1,281	-4,909	-1,509
Other comprehensive income/ expenses (after taxes)	-3,164	-2,905	1,281	-4,909	-1,509
COMPREHENSIVE INCOME	-3,190	2,961	5,511	-656	1,413
Attributable to shareholders of DAB bank AG	-51	5,859	4,250	4,280	2,936
Attributable to non-controlling interests	25	7	-20	-27	-14
Net profit/loss	-26	5,866	4,230	4,253	2,922
Attributable to shareholders of DAB bank AG	-3,215	2,954	5,531	-629	1,427
Attributable to non-controlling interests	25	7	-20	-27	-14
Comprehensive income	-3,190	2,961	5,511	-656	1,413

Five-year Summary Consolidated Statement of Comprehensive Income (IFRS)

01/01 - 12/31

in k€	2007	2008	2009	2010	2011
Interest and similar income	150,713	168,993	101,375	70,211	74,854
Interest expenses	107,832	114,444	36,643	14,523	21,631
Net interest income/expenses	42,881	54,549	64,732	55,688	53,223
Commission income	280,787	206,679	152,154	141,218	136,872
Commission expenses	137,807	98,260	69,242	58,326	51,266
Net commission income/expenses	142,980	108,419	82,912	82,892	85,606
Trading profit/loss	-6,087	-26,325	9,009	13,723	631
Profit/loss from investments	94	139	2,645	195	-555
Net other operating income/ expenses	6,641	4,637	12,942	-2,841	-853
Non-interest-dependent income	143,628	86,870	107,508	93,969	84,829
OPERATING INCOME	186,509	141,419	172,240	149,657	138,052
Personnel expenses	41,438	41,149	40,169	36,515	38,268
Other administrative expenses	90,999	78,316	69,958	66,111	64,670
Depreciation, amortization and impairments of property, plant and equipment and intangible assets	8,601	9,734	9,713	12,652	10,150
Administrative expenses	141,038	129,199	119,840	115,278	113,088
OPERATING PROFIT/LOSS	45,471	12,220	52,400	34,379	24,964
Additions to provisions	184	421	3,091	1,671	-1,550
Impairment of goodwill	-	-	1,923	3,410	741
Restructuring expenses	-	-	13,239	-	-
Credit risk provisions	-228	312	572	596	45
PROFIT/LOSS BEFORE TAXES	45,515	11,487	33,575	28,702	25,728
Income taxes	19,697	3,001	10,265	12,196	7,956
NET PROFIT (DAB bank Group new)	25,818	8,486	23,310	16,506	17,772
Net profit/loss from discounted operations	-	-	-	-70	-501
NET PROFIT (DAB bank Group total)	25,818	8,486	23,310	16,436	17,271
Changes in value of AfS financial instruments recognized in equity	-918	323	1,849	-6,634	-8,042
Other comprehensive income/ expenses (after taxes)	-918	323	1,849	-6,634	-8,042
COMPREHENSIVE INCOME	24,900	8,809	25,159	9,802	9,229
Attributable to shareholders of DAB bank AG	25,711	8,359	23,299	16,448	17,325
Attributable to non-controlling interests	107	127	11	-12	-54
Net profit/loss	25,818	8,486	23,310	16,436	17,271
Attributable to shareholders of DAB bank AG	24,793	8,682	25,148	9,814	9,283
Attributable to non-controlling interests	107	127	11	-12	-54
Comprehensive income	24,900	8,809	25,159	9,802	9,229

In connection with the sale of SRQ FinanzPartner AG, we have opted not to adjust the figures for financial years 2007 to 2009 (retrospective application), for materiality reasons.

Five-year Summary of key figures of the DAB bank Group per IFRS

		2007	2008	2009	2010	2011
Results						
Net commission income	k€	142,980	108,419	82,912	82,892	85,606
Net financial income	k€	36,888	28,363	76,386	69,606	53,299
Administrative expenses	k€	141,038	129,199	119,840	115,278	113,088
Result before taxes	k€	45,515	11,487	33,575	28,702	25,728
Net profit	k€	25,818	8,486	23,310	16,436	17,271
Cost-income ratio	in %	75.6	91.8	80.1	80.5	81.6
Return on equity before taxes	in %	25.3	6.6	19.4	16.4	14.6
Statement of financial position						
Total assets	€ mn	4,294.6	3,866.7	3,120.6	3,237.3	3,406.2
Shareholders' equity	€ mn	181.9	165.2	181.2	168.2	185.4
Overall ratio per SolvV	in %	9.3	10.8	14.5	13.1	15.2
Share						
Earnings per share	€	0.34	0.11	0.31	0.22	0.23
Dividend per share	€	0.34	0.11	0.30	0.20	0.22
Year-end closing price (Xetra)	€	6.03	2.57	4.24	4.27	3.32
Book value per share	€	2.12	1.90	2.10	1.98	2.23
Dividend yield	in %	5.7	4.3	7.1	4.7	6.6
Total shareholder return	in %	-8.3	-56.5	71.3	5.4	-17.7
Market capitalization	€ mn	453.4	193.2	318.8	321.0	274.6
Key operational indicators						
Securities accounts	number	601,360	619,714	623,753	616,044	620,922
Volume of securities accounts and deposits	€ bn	26.51	19.40	23.30	26.03	24.26
Trades executed	number	5,940,848	5,210,884	4,110,814	4,506,466	5,081,041
Trades executed per securities account per year	number	10.49	8.58	6.65	7.29	8.22
Employees						
Employees (head count)	number	704	712	663	606	626
Employees (full-time equivalents)	number	643	646	595	541	559

In connection with the sale of SRQ FinanzPartner AG, we have opted not to adjust the figures for financial years 2007 to 2009 (retrospective application), for materiality reasons.

The overall ratio according to SolvV refers exclusively to DAB bank AG.

Asset management:
(Fiduciary) management of assets for clients.

Assets:
Assets refer to all items on the assets side of the statement of financial position.

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.

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 distri-buted 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 be 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.

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(Spokesman of the Management Board)
Dr. Niklas Dieterich

Supervisory Board

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(Chairman)
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2 Banken unter 7,0% p.a.
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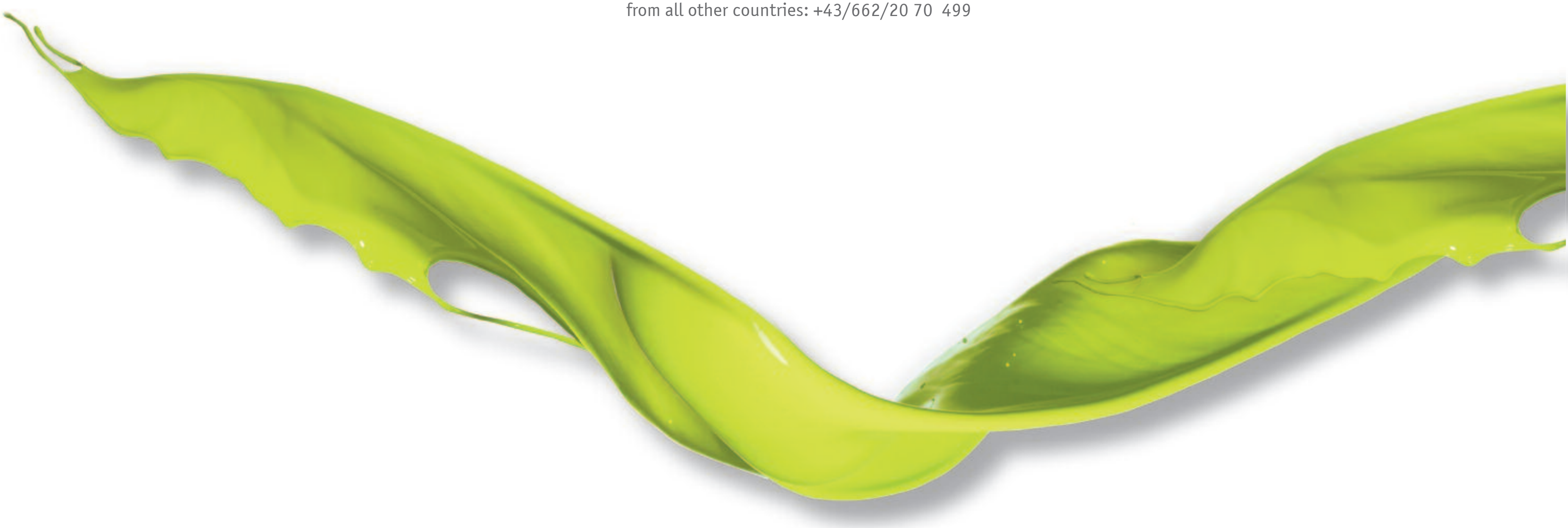

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