Annual Report. | 2012

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Highlights of 2012

DAB Bank reports a solid profit before taxes
DAB Bank earned a solid profit before taxes of €28.03 million in financial year 2012.

Dividend proposal
The Management Board and Supervisory Board will propose to the annual shareholders' meeting that the company again distribute a dividend equal to the entire distributable profit according to IFRS in 2013. Once the proposal is approved, a tax-exempt dividend of €0.21 per share will be paid to the shareholders.

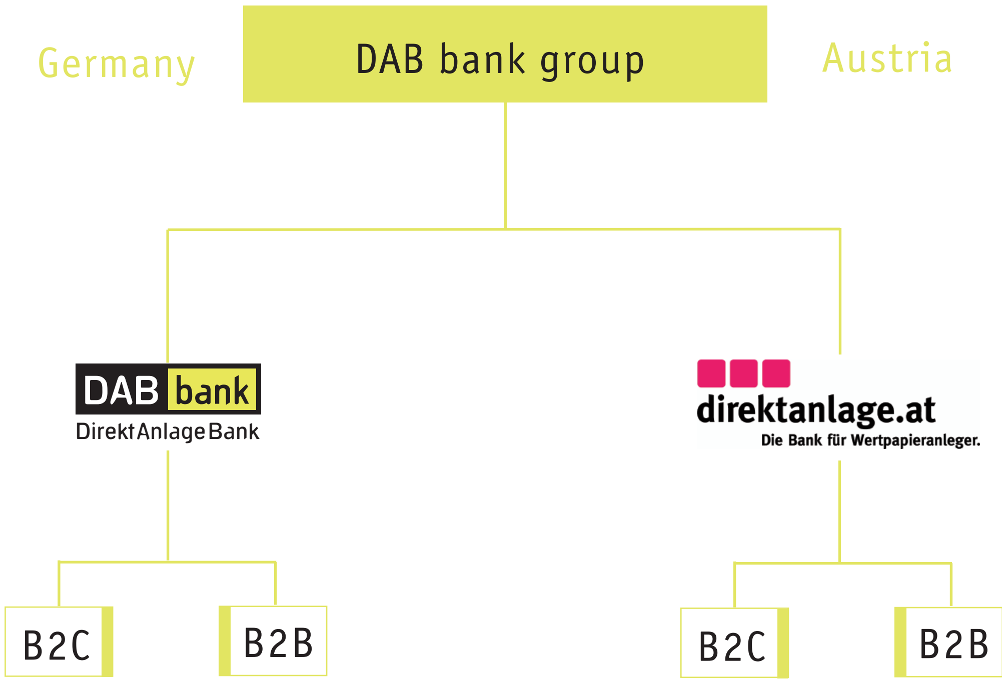
Numerous products and service innovations
As in prior years, DAB Bank introduced numerous new products and services for its customers in 2012.

Even more attractive fee structure
DAB Bank lowered its trade fees for derivatives. Accordingly, the certificates, warrants and reverse convertible bonds of five selected "Star Partners" can now be traded for a low flat fee of €4.95.

IT infrastructure modernized
DAB Bank installed a new core banking system, so that it can continue to provide modern and secure banking services to its customers.

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

Customers affirm the good accessibility and service of DAB Bank
The individual investors and business customers of DAB Bank regularly affirm their high level of satisfaction in the regular customer satisfaction surveys conducted by an independent institution.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Die Bank für Wertpapieranleger.
B2C
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Key Figures of DAB Bank Group (IFRS)

		2012	2011	Change	Page
Results					
Net commission income	k€	74,181	85,606	-13.3%	44, 92, 110
Net financial income	k€	65,265	53,299	22.5%	44, 92, 109, 110
Administrative expenses	k€	111,346	113,088	-1.5%	44, 45, 92, 111
Result before taxes	k€	28,032	25,728	9.0%	45, 92
Net profit	k€	18,125	17,271	4.9%	46, 92
Cost-income ratio	in %	79.9	81.6	-2.1%	46, 131
Return on equity before taxes	in %	13.6	14.6	-6.8%	
Balance sheet					
Total assets	€ mn	4,389.4	3,406.2	28.9%	46, 47, 93
Shareholders' equity	€ mn	226.1	185.4	22.0%	46, 47, 93, 124
Overall ratio per SolvV	in %	12.4	15.2	-18.4%	47, 134
Share					
Earnings per share	€	0.22	0.23	-4.3%	46, 92, 114
Dividend per share	€	0.21	0.22	-4.5%	44, 114
End-of-year share price (Xetra)	€	3.65	3.32	9.9%	19
Book value per share	€	2.51	2.23	12.6%	19
Dividend yield	in %	5.8	6.6	-12.1%	19
Total shareholder return	in %	16.6	-17.7	n/a	19
Market capitalization	€ mn	301.9	274.6	9.9%	19
Key operating figures					
Customers	number	597,128	593,435	0.6%	40, 41, 43
Securities accounts	number	615,288	620,922	-0.9%	40, 41, 43
Bank accounts	number	155,381	156,873	-1.0%	40, 41, 43
Volume of securities accounts and deposits	€ bn	28.38	24.26	17.0%	41, 42, 43
Trades executed	number	4,198,272	5,081,041	-17.4%	40, 42, 43
Trades per securities account per year	number	6.79	8.22	-17.4%	40
Employees					
Employees (headcount)	number	611	607	0.7%	48
Employees (full-time basis)	number	558	549	1.6%	48

Dear shareholders, customers and business partners,

The capital markets performed better in 2012 than many had expected at the beginning of the year. Despite several years of uncertainty, the basic facts are rather positive: The euro is still here, inflation is limited and most leading stock indexes have risen, despite the difficult environment. The DAX reached new highs of more than 7,500 points in December and rose by up to 29.02% at the end of the year. And the U.S. economy is also in good shape, particularly considering the fact that the recent elections established certainty as to the country's future political course.

Ernst Huber

The days of record profits in the financial industry are over. These days, investors are often satisfied with corporate profits on the level of the respective prior-year figures. In view of that fact, we are all the more pleased to report to you that DAB Bank's profit before taxes of €28.03 million in 2012 was 8.96% higher than the prior-year figure. Furthermore, this positive performance will be reflected in the dividend, as the Management Board and Supervisory Board of DAB Bank will propose to the annual shareholders' meeting that the company distribute a dividend equal to the entire distributable profit, as in prior years. Therefore, shareholders can count on a dividend of 21 cents per share, which will be paid on a tax-exempt basis once again.

All in all, however, the basic operating conditions were not easy for DAB Bank in 2012. The uncertainty and indecisiveness of capital market participants in the face of the lingering sovereign debt and currency crisis obviously contributed to the subdued trading activity of our customers, which resulted in lower net commission income for 2012, compared to the prior year. Due to the difficult situation of interest rates, moreover, the profit before taxes was hardly helped by the bank's net interest income in 2012. On the other hand, the bank's profit was positively influenced by the outstanding profit from investments of €14.95 million, in particular, and by active cost management.

The goals that will guide our decisions in 2013 are to generate growth geared to long-term stability, and to ensure the strong satisfaction and loyalty of our customers and business partners. We also want to make our revenues even more independent of our customers' trading behavior. The strategy of DAB Bank is still to be the best bank for investors, traders and independent asset managers. We grant our customers direct, low-cost access to the capital markets and bring to bear our tremendous expertise related to securities accounts in the service of our customers. In our retail business, we will increasingly seek to acquire customers who do not yet have extensive experience with securities trading. For that purpose, we will broaden our line-up of products and services and place greater emphasis on traditional banking products such as current accounts and bank cards.

Innovation leader for investors, traders and asset managers

Also in 2012, we implemented numerous measures to further bolster our claim to be the best bank for investors, traders and asset managers. For example, our customers were able to conduct securities trades with DAB Bank at an even lower cost in 2012, as the flat fee for trading the derivatives of selected "Star Partners" was lowered to €4.95. Furthermore, DAB Bank customers could purchase exchange-traded index funds with DAB Bank for a flat fee of €4.95 via the "ETF Star Partners" Lyxor and ETFlab. In addition, order change fees and order cancellation fees were eliminated entirely, so that investors and traders can now change their limits any time at no cost. Since October 2012, DAB Bank customers have been able to trade approximately 2,500 bonds over-the-counter in the expanded DAB Bond Market. Buy and sell prices are quoted in real time and customers can also place limit orders. Numerous corporate bonds, bank bonds and sovereign bonds are available on this platform.

Once again, we introduced a number of innovations and product highlights. In the summer of 2012, DAB Bank introduced LOGOS, an easy, transparent and simplified way to conduct leveraged trades. This innovative and easy-to-use new trading interface gives opportunity-oriented traders the chance to bet on rising or falling prices of more than 20 underlying securities, with about 100-times leverage. Besides the DAX und EuroStoxx 50 stock indexes, other underlying securities that can be traded on a leveraged basis include the shares of major corporations like BMW, Daimler, Deutsche Bank and Siemens. The customer chooses one of the underlying securities and sets the investment amount, which can range from €25 to €250, as well as the direction which he expects the underlying security to take. When the target price is reached, or for the sake of avoiding losses, the position can be closed again with the click of the mouse. An auto-stop function ensures that the trader's risk is limited to the investment amount, so that he will not be subject to margin calls.

Furthermore, DAB Bank customers can now take advantage of the new trading application DAB Trader. In developing this new, transparent trading interface, particular care was taken to ensure intuitive operability, so that even beginners can place their orders without a problem. All relevant information for a given order, including price data, fees and alternative trading centers, are displayed in a single window. In addition, experienced heavy traders can continue to use the high-end functions of the DAB Profi Trader.

DAB Bank always has its finger on the pulse of the market and continuously adapts its products to satisfy the changing needs of its customers. In response to the uncertainties surrounding the euro, DAB Bank considerably broadened its offering of foreign currency accounts in the summer of 2012. Besides the option of opening accounts in U.S. dollars, Swiss francs, British pounds and Japanese yen, which the bank has long offered, DAB Bank's customers can now also maintain accounts in Australian dollars, Canadian dollars, Norwegian kroner, Turkish lira and Singapore dollars.

At the beginning of January 2012, DAB Bank entered into a cooperation arrangement with ADAC, Europe's biggest automobile club, under which its members can purchase savings products from DAB Bank. Under the ADAC Traum-Sparen ("Dream Savings") and the ADAC Führerschein-Sparen ("Driver's License Savings") plans, members can save money at fixed interest rates, for the purpose of financing a trip, an automobile or a driver's license, for example. And the ADAC Flex-Sparen ("Flexible Savings") plan is a savings account with a three-month notice period and an optional Savings Card, with which customers can withdraw money free of charge from the more than 9,000 ATMs of the Cash-Group. Since October, basketball fans can use the FC Bayern Basketball Savings Card, the first savings card for basketball fans in Germany. This card, featuring an attractive design with the team's colors, offers the holder numerous advantages.

We expanded our social media communications with customers and prospective customers further in 2012. Having been present on Twitter and Youtube already since 2010, we launched our own Facebook page in February of 2012. Besides innovative interaction options, suggestions, tips and tricks, visitors will also find exciting and surprising special offers on DAB Bank's Facebook page.
By the end of 2012, we already had around 6,000 "fans" on Facebook.

In cooperation with BörseGo AG, moreover, we created a unique new community, the "traderlounge." In this traders' community, we present useful graphs based on the anonymized and aggregated trade data of our individual investors and traders, linked with current market data and events. Thus, our traders' community can also be used as a sentiment indicator and a very useful resource to help our investors make their investment decisions. We also provide editorial videos and commentary on the statistical data provided in the traderlounge community. Registered users can also comment on articles by the experts of GodmodeTrader.de and initiate discussions themselves. The interactive sharing and knowledge transfer among investors is the primary intended benefit of the traderlounge community.

Under the slogan "Trade Like the Pros," DAB Bank offered a comprehensive, eight-week series of professional trading courses, in collaboration with Citigroup and BörseGo, in May and June of 2012. The live webinars were very well received by customers and other interested parties. A live webinar on foreign exchange trading and the "Trader Evenings" that DAB Bank hosted in eleven German cities in May also met with great interest.

Asset managers benefited in 2012 from the many advantages of the DAB Monitor, a free new online tool that makes it easier for independent asset managers to convince prospective clients of the quality of their work and so acquire new clients. In December, DAB Bank surprised the market with two new indexes: the FIPOX-S (which stands for Financial Portfolio Manager Index "Safety") for security-oriented strategies, and the FIPOX-C (which stands for Financial Portfolio Manager Index "Chance") for opportunity-oriented investment strategies. These indexes track the main investment choices of the ten financial portfolio managers and customers of DAB Bank who have generated the best performance for their clients in the last three years. The strategic investment choices made by the ten best portfolio managers are contained in the indexes; security-oriented investments such as bonds and bond funds are reflected in the FIPOX-S, opportunity-oriented investments like stocks, certificates and hybrid funds in the FIPOX-C. The composition of these indexes is transparent at all times. For example, the current prices of the FIPOX-S and FIPOX-C are published online by the Stuttgart Stock Exchange, Reuters, Bloomberg and numerous other financial websites. In the future, financial products will be designed on the basis of these two indexes.

Customers affirm the quality of DAB Bank's services

As in prior years, DAB Bank's numerous product innovations and service quality were rewarded not only by positive customer feedback, but also by numerous awards in 2012. In the Reader Awards of the financial weekly Börse am Sonntag, DAB Bank received the special award for "Best Customer Communication." The newspaper's readers gave higher marks to our customer support, websites, publications and mobile communication than to any other bank. Publi-News, a French information portal for banking and insurance, awarded the "Trophées Publi-News des Cartes Innovantes" in the category of "Europe and International Loyalty" to the DAB TraderCard. These awards are given every year to distinguish innovative bank cards worldwide; they are awarded in a total of five categories for French bank card products and five categories for European and international bank card products.

At the individual investor conference "Invest" in Stuttgart, where DAB Bank was represented with its own stand, three awards were given to DAB Bank in this year's Broker Elections (www.brokerwahl.de). As in 2011, DAB Bank received the top rank in the categories of Investment Fund and ETF Broker, Certificate Broker and FOREX Broker. In the big online "Portfolio Test" survey conducted by Focus Money, DAB Bank finished in the top group, and in a detailed analysis of certificate brokers conducted by the financial weekly Euro am Sonntag, DAB Bank won first place in the overall evaluation. Furthermore, EXtra Magazine found DAB Bank to be the "Best Vendor of EFT-Linked Savings Plans," having received the highest grade of "very good."

We are pleased with these awards because they strengthen our resolve to offer only the best products and services to our customers. This aspiration is the foundation of our success and we will continue to pursue this ambition with all our passion and dedication in 2013.

Ernst Huber
(Management Board Speaker)

Dear shareholders,

DAB Bank AG can look back on a successful year in 2012. In particular, the volume of customer assets held in custody was increased significantly, not least of all as a result of substantial net inflows. Furthermore, DAB Bank AG further expanded its offering of products and services in the past year, in order to bolster its positioning as the best bank for investors, traders and asset managers. Thus, it laid the groundwork for continuing to operate successfully as one of the leading German direct banks.

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

In total, the Supervisory Board of DAB Bank AG held four regular meetings. When necessary, the Supervisory Board adopted resolutions by way of written circulation. In the 2012 financial year, the Supervisory Board adopted resolutions by written circulation on two occasions. In the time between Supervisory Board meetings, the Supervisory Board Chairman was in regular contact with the Management Board and was informed of current developments and significant transactions. In special strategy meetings, the Chairman of the Supervisory Board discussed the prospects and future orientation of individual transactions with the Management Board.

In the interest of exercising its duties efficiently, the Supervisory Board established an Executive Committee and an Audit Committee. These committees prepared draft resolutions and other topics to be voted on by the full Supervisory Board. Furthermore, certain decision-making authorities of the Supervisory Board were delegated to the committees. The committee chairmen report on the work of the committees to the Supervisory Board at the next meeting. The composition and tasks of the individual committees are outlined in the summary on page 14 ff. The Executive Committee met four times in financial year 2012. It adopted one resolution by way of written circulation. The Audit Committee also held four meetings. The Audit Committee adopted three resolutions by way of written circulation.

Dr. Theodor Weimer

Alessandro Foti

Werner Allwang

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 areas of B2C, B2B, IT, Operations and Personnel. At regular intervals, the Management Board provided us with detailed information on matters of business planning, strategic development, business developments and the current situation of DAB Bank AG, as well as developments in the areas of 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 24, 2012. 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 15, 2012. In the Supervisory Board meeting of July 25, 2012, the Supervisory Board updated the 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. Specifically, the Supervisory Board set the goal of increasing the percentage of women to such an extent that at least one third of the board’s members will be women by the year 2015, if possible. By resolution dated November 21, 2012, finally, the Supervisory Board adapted the goals for its composition to suit the new version of the recommendation set out in Section 5.4.1 para. 2 and para. 3 of the Corporate Governance Code and made them permanently available on the company’s website. Also on November 21, 2012, the Management Board and Supervisory Board deliberated on the requirements of the Corporate Governance Code, issued the annual Declaration of Conformity pursuant to Section 161 AktG on December 20, 2012 and made it permanently available to the shareholders also on the company’s website.

Additional information on corporate governance, the Declarations of Conformity and the goals for the composition of the Supervisory Board are provided on page 10 ff of the present Annual Report. A detailed report on the amount and structure of the compensation of the Supervisory Board and Management Board is provided on pages 48 to 54.

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 2012, 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 6, 2013 and informed the members of the Audit Committee about the results of the audit of the separate and consolidated financial statements. The resolution to be adopted by the Supervisory Board on the adoption of the separate financial statements of the parent company and the approval of the consolidated financial statements of the Group 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 6, 2013. 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 report of DAB Bank AG and the consolidated financial statements and Group management report and concurred with the results of the audit. Based on the final results of the review conducted by the Audit Committee and our own review, no objections were raised. The Management Board prepared the separate financial statements of the parent company and the consolidated financial statements of the Group. The Supervisory Board adopted the separate financial statements and approved the consolidated financial statements.

We concur with the proposal of the Management Board to ask the annual shareholders' meeting to utilize the distributable profit to pay a dividend of 21 cents per qualifying share for the 2012 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 6, 2013

For the Supervisory Board:

Theodor Weimer

Dr. Theodor Weimer
Chairman of the Supervisory Board

DAB bank

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

Declaration of Conformity of December 20, 2012
Declaration of Conformity 2012 with the German Corporate Governance Code 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 2010), the declaration is based on German Corporate Governance Code in the version of May 26, 2010. The latest Declaration of Conformity was issued on November 17, 2011. Since June 15, 2012 (publication in the Federal Gazette of the German Corporate Governance Code in the version of May 15, 2012), the declaration concerning the company's corporate governance practices is based on the recommendations of the German Corporate Governance Code in the version of May 15, 2012.

▸ Deductible in the D&O insurance for the Supervisory Board (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. The D&O insurance policy for the Management Board contains a deductible that fulfills the legal requirements. 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 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.

Munich, December 20, 2012

For the Supervisory Board:

Dr. Theodor Weimer
Chairman of the Supervisory Board

For the Management Board:

Ernst Huber Management Board Speaker	Dr. Niklas Dieterich Management Board Member	Dr. Josef Zellner Management Board Member

Management and supervision structure
Supervisory Board
DAB Bank AG 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 November 21, 2012, the Supervisory Board updated the goals relative to its composition, in consideration of Section 5.4.1 of the German Corporate Governance Code.

These goals are outlined on page 13 ff 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 reviews the separate financial statements and management report of the parent company and the profit utilization proposal, as well as the consolidated financial statements and the Group management report. It deals with the quarterly and semiannual financial reports, adopts the separate financial statements of DAB Bank AG, and approves the consolidated financial statements of the DAB Bank Group, 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 Chairwoman of the Audit Committee, Dr. Marita Kraemer, fulfills these legal requirements. The Audit Committee supervises the financial accounting process. It prepares the Supervisory Board's proposal to the annual shareholders' meeting concerning the election of the independent auditor and submits a corresponding recommendation to the Supervisory Board to be adopted as a resolution. The Audit Committee is responsible for reviewing the quarterly and semiannual financial statements prepared by the Management Board, as well as the company's annual financial statements, in addition to the audit conducted by the independent auditor. Based on the independent auditor's report on its audit of the financial statements, as well as its own preliminary review, the Audit Committee submits proposals to the Supervisory Board concerning the adoption of the separate financial statements of DAB Bank AG and the approval of the consolidated financial statements. 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).

Updated goals for the composition of the Supervisory Board
By resolution dated July 25, 2012, the Supervisory Board set itself the goal of increasing the percentage of women to such an extent that at least one third of the board's members will be women by the year 2015, if possible. By resolution dated November 21, 2012, the Supervisory Board also adapted its goals for its composition to suit the new version of the recommendation set out in Section 5.4.1 para. 2 and para. 3 of the Corporate Governance Code.

Goals for the Composition of the Supervisory Board of DAB Bank AG
At its meeting of November 21, 2012, 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 by virtue of their knowledge, abilities, and professional experience, and to preserve the good reputation of the DAB Bank in public.

The selection process should focus particularly on the personality, integrity, willingness to work, and professionalism 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 will strive to increase the percentage of women to such an extent that at least one third of the board's members will be women by the year 2015, if possible.

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, November 21, 2012

Dr. Theodor Weimer
Chairman of the Supervisory Board

Status of implementation of the goals for the composition 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. With regard to the independent Supervisory Board member, the four shareholder representatives to be elected to the Supervisory Board by the annual shareholders' meeting were deemed to be relevant. Thus, the ratio of the one independent member to the other shareholder representatives on the Supervisory Board roughly reflects the ratio of the minority shareholder to the majority shareholder UniCredit Bank AG, Munich.

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 already fulfilled in the Supervisory Board elections held in financial year 2011 and will also be pursued in future Supervisory Board elections, in order to achieve the goal that at least one third of the board members will be women by the year 2015, if possible. The Supervisory Board has also appropriately fulfilled the other goals it adopted.

Management Board
As the executive body of the DAB Bank Group, 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, as well the separate financial statements and management report of DAB Bank AG and the consolidated financial statements and Group management report. 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. There were no personnel changes on the Supervisory Board in financial year 2012. The Supervisory Board member Dr. Marita Kraemer is independent, possesses expertise in the areas of financial accounting and the auditing of financial statements in accordance with Section 100 (5) AktG and is also the Chairwoman of the Audit Committee of the Supervisory Board.

Members of the Supervisory Board:
- Dr. Theodor Weimer (Chairman)
- Alessandro Foti (Vice Chairman)
- Peter Buschbeck
- Dr. Marita Kraemer
- 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)
- Dr. Theodor Weimer (Vice Chairman)
- Alessandro Foti

Composition of the Management Board
The Management Board underwent personnel changes. Mr. Markus Gunter resigned from the Management Board of DAB Bank AG, effective July 31, 2012. Effective August 1, 2012, the Supervisory Board appointed Mr. Ernst Huber to the Management Board as a new member and named him Speaker of the Management Board. Also with effect as of August 1, 2012, the Supervisory Board appointed Dr. Josef Zellner to the Management Board as a new member.

Members of the Management Board:
- Ernst Huber (Speaker of the Management Board, as of August 1, 2012)
- Markus Gunter (Speaker of the Management Board, until July 31, 2012)
- Dr. Niklas Dieterich
- Dr. Josef Zellner (since August 1, 2012)

Purchase or sale of the company's shares
By virtue of Section 15a of the German Securities Trading Act (WpHG), members of the Management Board and Supervisory Board are legally obligated to disclose the purchase or sale of shares of DAB Bank AG or of financial instruments that are linked to the company's shares, when the value of such transactions conducted by the member and persons related to the member within a calendar year is equal to or greater than €5,000. The transactions notified to DAB Bank AG were duly published and can be found on the company's website at https://www.dab-bank.de/servicenavigation/investor-relations_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 2012.

The shareholdings of the individual members of the Supervisory Board and Management Board are presented in Note nr. 74 (page 143) of the present Annual Report.

Relations with shareholders
The company 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 AG 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 on the Internet at www.dab-bank.de/servicenavigation/investor-relations_en/corporate-governance.html.

Financial communication

DAB Bank AG share

Stock markets were highly volatile in 2012. Although the extent of price swings was relatively mild compared to the prior year, market participants were still subjected to an emotional roller-coaster ride. This circumstance was also reflected in the performance of the DAB Bank AG share. After reaching its high for the year of €4.14 in the first quarter, it sustained declines in the second quarter and ended the first half at €3.25. The DAB Bank AG share plumbed its low for the year in the third quarter, when it closed at €3.07 on July 25. After recovering somewhat in the fourth quarter, the share price remained very stable around the level of €3.50, before rising further in December to close the year at €3.65, reflecting a satisfactory gain of 10.27% for the full year 2012.

The DAB Bank AG share was among the stocks that were boosted by the positive developments in the financial markets in the first quarter of 2012. To begin with, it was lifted by the general stock market rally at the start of the year. Having started the year at €3.31 on January 2, the share price rose quickly in the first few trading days. In mid-January, the share price declined on low trading volumes, but resumed its rise only a few days later. In March, the DAB Bank AG share broke through the €4 mark and reached its high for the first quarter of €4.14 on March 14. Like the overall market, the development of the DAB Bank AG share stalled towards the end of the first quarter, moving sideways around the level of €4 before closing the first quarter at €3.97 on March 30. Thus, the DAB Bank AG share gained 20% in the first quarter, outperforming all stock market indexes.

In the second quarter, the elections in France, the new government in Greece and the financial assistance afforded to Spanish banks provoked considerable volatility in the stock and bond markets.

The DAB Bank AG share was also unusually volatile, after starting the second quarter at its highs for the year of around €4. Despite wide swings from mid-April to late May, the share price remained constantly above the level of €3.31 at which it started the year. After the annual shareholders' meeting on May 24, the share price declined due to the dividend payment of 22 cents per share. In early June, when the markets were increasingly preoccupied with rumors concerning financial assistance for Spain, the price of the DAB Bank AG share plumbed fresh lows for the year, falling as far as €3.16. By the end of the first six months, the share price recovered somewhat to €3.25 and moved closer to the price at which it started the year. Even though it lost 2% of its value in the first half of 2012, the DAB Bank AG share still performed better than the EuroStoxx Banks Index, which lost about 10% of its value in that time.

As a result of the uncertainties plaguing the European markets, investors were very reluctant to invest in bank stocks in the third quarter. This trend also affected the DAB Bank AG share, which elicited very little interest from stock market participants in the summer months. Thus, the share price moved sideways in the months of July and August. Only in September, when daily trading volumes increased, did the price of the DAB Bank AG share rise again, reaching quarterly highs of up to €3.56. In the last few days of September, however, the share retreated to a level around €3.40. The share closed the third quarter on September 30 at €3.38.

In the fourth quarter, the DAB Bank AG share traded in a relatively stable range of €3.36 to €3.78. Towards the end of the year, in particular, the DAB Bank AG share reached new highs for the second half of up to €3.78. It closed at €3.65 on the final trading day of the year, reflecting a total gain of 10.27% for 2012. By comparison, the EuroStoxx Banks Index rose by 12.05% and the DAX by 29.02%. Similar gains were posted by the MDAX (plus 34.00%) and the SDAX (plus 18.84%).

Key figures on the DAB Bank AG share

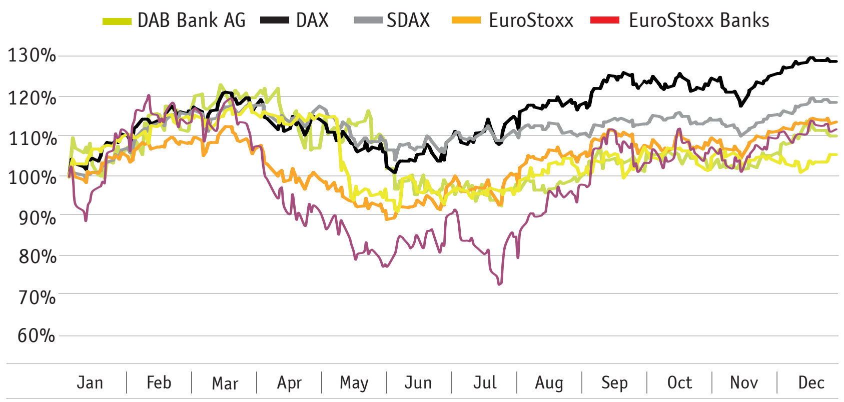
Opening price, Xetra (01/02/2012)	3.31 €
Highest price, Xetra (03/14/2012)	4.14 €
Lowest price, Xetra (07/25/2012)	3.08 €
Closing price, Xetra (12/30/2012)	3.65 €
Market capitalization (12/30/2012)	302 Mio. €
Earnings per share	**0.22 €**
Dividend yield	5.8%
Book value per share	2.51 €
Total shareholder return	16.6%
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

The trading volumes of the DAB Bank AG share were moderate in 2012. On average, about 14,475 shares were traded per day on the Frankfurt Stock Exchange and on the Xetra platform in 2012 (2011: about 19,608 shares per day). The best trading month was February, when a total of 499,745 shares were traded.

DAB Bank generated a profit before taxes of €28.03 million in 2012. Shareholders will benefit directly from this result, as the company plans to distribute a dividend equal to the entire distributable profit for 2012, as in prior years.

At the annual shareholders' meeting to be held later in the year, the Management Board and Supervisory Board will propose a dividend of 21 cents per share for 2012, after 20 cents per share for 2010 and 22 cents per share for 2011. The dividend will be paid without deduction of the investment income tax and the solidarity surtax.

Chart indexes, comparison of DAB Bank AG, DAX, SDAX, EuroStoxx, EuroStoxx Banks 2012



Investor relations

The strategy of DAB Bank AG is geared to profitable growth and the sustainable enhancement of shareholder value. In 2012, we continued our tradition of open, active communication in support of a trustful dialog with our shareholders, investors and other interested parties.

Even before the publication of our Annual Report on March 20, we presented our business results for the 2011 financial year and the goals of DAB Bank AG for 2012 to the financial community and to our stakeholders at the financial statements press conference in February. We also communicated our quarterly results to analysts, shareholders and journalists in two lengthy conferences calls each in April, July and October.

In addition, we informed our shareholders about the successes of fiscal year 2011 and our goals for the future at the annual shareholders' meeting of May 24. For the eighth year in a row, our shareholders voted to approve the proposed dividend payment representing the entire distributable profit for 2011. Thus, the shareholders approved the proposal of the Management Board and Supervisory Board to pay a dividend of 22 cents per share.

Again in 2012, we held many one-on-one meetings with institutional investors and kept them apprised of the business strategy and performance of DAB Bank AG. The Management Board also presented DAB Bank AG at the German Investment Conference in Munich and at the German Equity Capital Forum in Frankfurt.

In order to ensure the necessary liquidity for the ongoing trading of its shares, DAB Bank AG 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 AG.

DAB Bank AG was actively covered by six analysts in 2012.

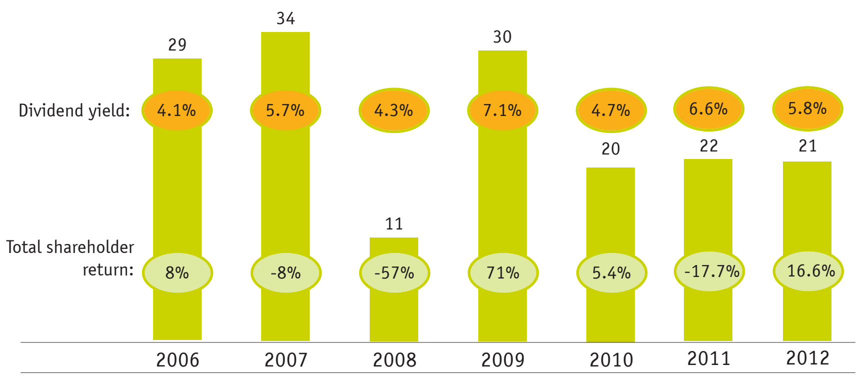
The latest information on DAB Bank AG, its business performance and its share is continuously made available to all interested stakeholders in the Investor Relations section of our website. Our Annual Report and quarterly financial reports are available for download in German and English. By using our 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.

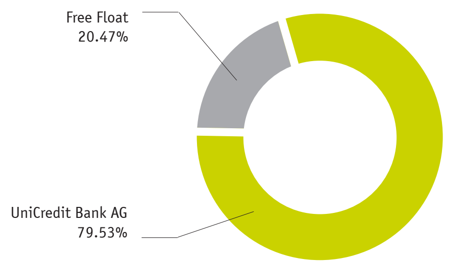
We intend to continue our policy of open, active financial communication in 2013. Again this year, we will answer investors' questions at the Equity Capital Forum of Deutsche Börse. We are also planning further corporate presentations and are always available for one-on-one talks.

At the end of financial year 2012, 20.47% of DAB Bank AG's shares were widely held. The 79.53% majority interest held by UniCredit Bank AG, Munich, is ascribed to the Group of UniCredit S.p.A., Rome, Italy.

Dividend per share (€ cent)



Shareholder structure at 12/31/2012



Corporate Social Responsibility at DAB Bank

DAB Bank is an integral member of the society in which it conducts business. It exercises responsibility within its social environment, both through its business activities and by other means.

As a direct bank, it provides affordable, quality access to the capital markets. It is distinguished by its comprehensive and independent offering of products, its highly dedicated customer service and its fair pricing model. It also offers sustainable financial products designed to fulfill certain ecological, social and ethical criteria. DAB Bank is a member of Forum Nachhaltige Geldanlagen e.V. (FNG), an association that promotes sustainable investment products by means of continuously developing and refining standards of quality and transparency for such products.

Employee development

Only truly satisfied employees are motivated to deliver the highest level of service to their customers every day. Moreover, only those customers who feel that they are receiving optimal support are truly satisfied and will continue to place their trust and confidence in DAB Bank. Therefore, the bank supports its employees in a number of ways. It provides continuing education and supports the career development of its employees in one of two career tracks, managerial and expert. The bank's employees also have the chance to participate in the international career development programs of the UniCredit Group.

In 2012, DAB Bank stepped up its efforts in the area of health management, in particular. For example, we organized a Health Day for our employees, where they could obtain a wide range of useful information, including detailed instructions on relaxation and stress management techniques. DAB Bank maintains a permanent health portal on its intranet, where employees can find in-depth information on topics such as nutrition, prevention and psychological health. Furthermore, DAB Bank is increasingly offering free medical examinations.

More and more companies are providing "quiet rooms" for their employees, as a refuge from work-day stress. In 2012, DAB Bank too set up such a quiet room, where our colleagues can find peace and recover their strength in the midst of a hectic work day.

DAB Bank launched a project known as "Equal Opportunity and Family Support" in 2012, to help mothers and fathers balance the needs of work and familiy.

Among other benefits, employees of DAB Bank can utilize the services of a "Family Service" free of charge which seeks to provide relief to working parents struggling to balance work and family, also in the interest of protecting their health and working capacity over the long term. Our employees can utilize a wide range of support services designed for many different life situations, including child care and elderly care, a referral service for housekeepers and outdoor maintenance providers, and even debt counselling. All of these services fulfill uniform national quality standards.

DAB Bank provides extensive fringe benefits to its employees. Their compensation is composed of a fixed component and a variable component, which is measured also on the basis of customer satisfaction, as a key sustainability criterion.

Social responsibility

Through regular donations, DAB Bank permanently supports three organizations dedicated to the welfare of children.

The organization known as Ambulantes Kinderhospiz München (AKM) helps multiply handicapped and terminally ill children and youths remain in the midst of their families for as long as possible. Numerous professionals and volunteers assist these families in their effort to meet day-to-day challenges.

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.

The ADAC Foundation "Gelber Engel" provides assistance to accident victims and supports traffic accident research and prevention projects. In 2012, DAB Bank donated money to the project "Safety Vests for Schoolchildren," which provides reflective vests to 750,000 children every year, to make them more visible to drivers. DAB Bank also supports the traffic safety roadshow known as “ADAC Verkehrswelten,” a multimedia, interactive training program that aims to increase traffic safety for young people.

In addition, DAB Bank supports a new project every month with a donation of €2,000. Both employees and customers of the bank can propose organizations in which they are actively engaged or otherwise support. Under this program, DAB Bank supported the following organizations in 2012: Leonhard – Unternehmertum für Gefangene; the Oncology Station of the children’s hospital Haunersche Kinderklinik München; the children’s home Kinderheim St. Josef in Wartenberg; Lebenshilfe München; Caritas-Zentrum Garmisch-Partenkirchen; Josef-Breher-Mittelschule Pullach; FP Sozialfonds e.V.; the Scheuring Volunteer Fire Department; the Haus International in Landshut; the asociation lebensmut e.V.: the hospice association Hospizverein im Pfaffenwinkel e.V. and the elementary school Grundschule am Hedernfeld, in Munich.

DAB Bank promotes the charitable efforts of its employees through a corporate volunteering program. When the employees of a given department devote a day’s work (“Social Day”) to a good cause, the bank pays them for half a day’s work. In 2012, for example, our colleagues organized a summer festival for the organization Ambulantes Kinderhospiz München, helped to disassemble the model city “Mini-Munich” and renovated a room at Lebenshilfe München.

Business model that spares the environment

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. And since the beginning of 2012, DAB Bank purchases only “green” power.

By means of additional steps, such as a sustainable purchasing policy, 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.

DAB Bank participated in the Carbon Disclosure Project (CDP) for the first time in 2012. The goal of this non-profit organization is to establish more transparency concerning climate-damaging greenhouse gas emissions. As a service for investors, the CDP conducts an annual survey of participating companies, using standardized questionnaires to collect information about CO_2 emissions and climate risks and about the company’s reduction targets and strategies.

Milestones in 2012

January

ETFlab and Lyxor are signed up as **DAB ETF Star Partners.** Through these two partners, customers of DAB Bank can purchase strategy-based ETFs on leveraged and short indexes for a low flat fee of €4.95.

DAB Bank's **Portfolio Contest** is held for the 12th year in a row. Thirty asset managers are given the chance to prove their investment skills in one of three categories: "Security," "Balanced" and "Opportunity."

DAB Bank enters into a cooperation arrangement with **ADAC**, under which Europe's biggest automobile club offers its members the chance to purchase savings products through DAB Bank.

February

"Traderlounge" (www.traderlounge.de) goes live. It is the first community of its kind to provide detailed insights into the investment behavior of individual investors and the chance to discuss these insights with other community members.

Effective immediately, the Royal Bank of Scotland is a **"Derivatives Star Partner"** of DAB Bank, rounding out the program that already counted Citi, Commerzbank, HypoVereinsbank onemarkets and Lang & Schwarz as Star Partners.

Publi-News, a French information portal for banking and insurance, awards the "Trophées Publi-News 2011 des Cartes Innovantes" in the category of "Europe and International Loyalty" to DAB Bank for the **DAB TraderCard.**

March

DAB Bank reports a **profit before taxes** of €8.51 million for the first quarter of 2012, on the level of the corresponding year-ago figure.

April

The **DAB Bank After Work Challenge** is held for the fourth year in a row. Once again, DAB Bank is a principal sponsor of this innovative series of golf tournaments, for which it developed a special promotional campaign, accompanied by a new customer acquisition campaign aimed at golf enthusiasts.

May

The **annual shareholders' meeting** of DAB Bank AG resolves a dividend of 22 cents per share.

June

DAB Bank generates a **profit before taxes** of €16 million in the first six months of 2012, 8% higher than the corresponding figure for the first half of 2011. The second-quarter profit before taxes was likewise higher, by **20%**, than the corresponding year-ago figure.

DAB Bank gains useful insights and generates a strong media response from its **survey of the investment behavior** of German citizens.

July

The Supervisory Board of DAB Bank AG appoints **Ernst Huber** to succeed Markus Gunter as the **Management Board Speaker**. Markus Gunter resigns from DAB Bank. In addition, Dr. Josef Zellner, formerly Head of the Business Customers Division, is appointed to the Management Board of DAB Bank AG, effective August 1, 2012.

DAB Bank introduces **LOGOS**, as an easy, transparent and simplified way to conduct leveraged trades. The innovative, intuitive trading interface gives opportunity-oriented traders the chance to bet on rising or falling prices of more than 20 underlying securities, with about 100-times leverage.

August

The new **DAB Trader** is made available to all customers of DAB Bank, effective immediately. This new trading application makes it even easier to conduct online trades.

September

DAB Bank reports a **profit** of €21.43 million **for the first nine months** of 2012. At €5.44 million, the third-quarter profit before taxes is less than the corresponding year-ago figure.

DAB Bank sponsors the 15th Investment Congress. Attracting more than 1,000 visitors, the Investment Congress is the most important industry event for independent financial services providers and institutional investors.

DAB introduces the **FC Bayern Basketball Sparkarte**, the first savings card for basketball fans in Germany. This card, featuring an attractive design with the team's colors, offers the holder numerous advantages.

October

DAB Bank lowers its trade fees. Thus, the derivatives, certificates, warrants and reverse convertible bonds of five selected **"Star Partners"** can now be traded for a low flat fee of €4.95.

In the new, expanded **DAB Bond Market**, approximately 2,500 corporate bonds, bank bonds and sovereign bonds can be bought and sold on a transparent basis via the OTC trading partner Lang & Schwarz.

DAB Bank introduces the **DAB Monitor**, a new, free-of-charge online tool that makes it easier for independent asset managers to convince prospective clients of the quality of their work.

November

Effective immediately, all customers of DAB Bank can change or cancel their **trade orders** free of charge.

DAB Bank successfully changes its **core banking system**, so as to continue offering modern, secure banking services to its customers.

December

DAB Bank closes the financial year with a **profit before taxes** of €28.03 million, reflecting a 8.96% increase over the prior-year figure.

DAB Bank introduces new securities indexes to track the investment success of independent asset managers. The **FIPOX-S and FIPOX indexes published by DAB Bank** reflect the security-oriented and opportunity-oriented investment choices of the most successful financial portfolio managers among DAB Bank's group of customers.

DAB Bank AG

As an online brokerage pioneer, DAB Bank AG has been active in the German market since 1994 for its individual investors and business customers.

Individual investors

In its business for individual investors, DAB Bank AG offers a very attractive range of products and services to online-savvy customers. DAB Bank AG offers high-quality solutions at the best terms to satisfy all the needs of its retail customers, including money transfer, investment and trading services.

As in prior years, our customers were very satisfied with these products and services in 2012.

Successful promotional campaigns and cooperation arrangements

In 2012, DAB Bank AG launched an umbrella campaign under the name of "Traders Home," featuring attractive products and services tailored specifically to the needs of traders. It also conducted another campaign aimed specifically at new customers, rewarding them with high call-money interest rates for transferring their securities to a custody account with DAB Bank AG. DAB Bank AG acquired high-quality new customers through this campaign.

In January 2012, DAB Bank AG entered into a cooperation arrangement with ADAC, under which the members of Europe's biggest automobile club can purchase savings products from DAB Bank AG. This cooperation arrangement creates additional business opportunities for DAB Bank AG.

Innovative new products and services

DAB Bank AG made its offering of products and services even more attractive in 2012.

It introduced LOGOS, the first-of-its-kind platform in the German market for conducting leveraged trades on a CFD basis. LOGOS focuses the attention of traders on the essential factors. With this easy-to-use and transparent trading platform, opportunity-oriented traders can bet on rising or falling prices of more than 20 underlying securities, with about 100-times leverage. An auto-stop function ensures that the trader's risk is limited to the investment amount. An intuitive trading interface completes this innovative trading experience.

DAB Bank AG also optimized the possibilities afforded to customers in cooperation with its Star Partners, as customers can now trade derivatives for a low flat fee of only €4.95, even when the stock markets are closed. Furthermore, DAB Bank AG signed up two new Star Partners to provide its customers with extremely affordable access to the increasingly popular product segment of ETFs. In connection with the bank's promotional campaign for ETF-linked savings plans, customers can even purchase selected ETFs without paying any fee.

We also expanded the DAB Bank AG Bond Market further to better satisfy our customers' demand for low-risk investments. Our customers can trade approximately 2,500 bonds over-the-counter, so that they do not incur any of the specific fees and brokerage commissions payable for trading on stock exchanges. They can choose from among sovereign bonds, corporate bonds and bank bonds.

DAB Bank AG also expanded its offering of foreign-currency accounts. Therefore, customers who are worried about the state of financial markets can easily diversify the risk structure of their investments.

DAB Bank AG promotes interaction with and among its customers

As in prior years, DAB Bank AG presented its line-up of products and services to interested parties, customers and business partners at many different events, including the Invest Conference in Stuttgart and the World of Trading Conference in Frankfurt am Main. Furthermore, DAB Bank AG sponsored numerous information events on the subject of investment and trading. Whereas the bank's "Trader Evenings" and "Breakfast Trading" events are aimed at risk-oriented traders, the investor roadshows held in five large German cities were focused on the subject of diversified investments.

Customers who prefer to obtain their information online were given the chance to participate in numerous webinars. In addition, DAB Bank AG instituted an innovative new financial community known as the "traderlounge." In this community, it presents graphical displays of anonymized and aggregated trade data that provide detailed insights into the investment behavior of individual investors. Users also have the chance to discuss these insights with others. In addition, DAB Bank AG launched a Facebook page in 2012, as another way for customers and other interested parties to interact with DAB Bank AG.

For its customers, therefore, DAB Bank AG is more than just a bank, because it provides a wealth of useful information on the subject of investing.

DAB Bank AG receives numerous awards

The quality of our products and services and our close relationship to our customers were also reflected in the numerous awards that DAB Bank AG received in 2012, as in prior years. In the Reader Awards of the financial weekly Börse am Sonntag, DAB Bank AG received a special award for "Best Customer Communication." In this year's Broker Elections (www.brokerwahl.de), DAB Bank AG took first place in the categories of Investment Fund and ETF Broker, Certificate Broker and FOREX Broker. Furthermore, the magazine Euro am Sonntag named DAB Bank AG the "Best Online Certificate Broker" and EXtra Magazine recognized DAB Bank AG as the "Best Vendor of ETF-Linked Savings Plans," assigning it the highest grade of "very good."

These awards confirm the positive feedback that DAB Bank AG regularly receives from its customers. Also in 2012, customers' responses to the regular customer satisfaction surveys affirmed their very positive perception of DAB Bank AG. Encouraged by these positive results, DAB Bank AG will continue to focus on the satisfaction of its customers with great passion and unwavering commitment.

Business customers

DAB Bank AG is the first choice for independent asset managers, financial intermediaries and institutional investors. Besides the safekeeping, clearing and settlement of securities, DAB Bank AG offers a wide range of other services to its business customers, including IT solutions and regulatory reporting services. Furthermore, DAB Bank AG offers marketing and sales support to its business partners.

The cost-benefit ratio of the products and services offered to business customers is very good. The bank provides a professional trading platform with well-developed interfaces to external systems and excellent relationship management through its sales team and its customer support.

These products and services are well appreciated by customers.
DAB Bank AG is the German market leader in the segment of services for independent asset managers. More than two thirds of the independent financial portfolio managers licensed to practice by the German Federal Financial Supervisory Office (BaFin) work with DAB Bank AG. Thus, DAB Bank AG is a major player in this segment and is proud of the roughly €14 billion worth of assets currently held in custody for the clients of its business customers. This amount was increased by 18.89% in financial year 2012.

Satisfied customers are the key to success

The success of DAB Bank AG is no accident; on the contrary, it can be credited to the unwavering and uncompromising commitment of all our employees to ensuring the satisfaction of our customers. DAB Bank AG conducts an annual survey of its business customers, the results of which impressively confirm their strong satisfaction. In 2012, the overall satisfaction of DAB Bank AG's business customers rose for the fifth year in a row. Business customers are particularly impressed with the quality of the bank's services generally and with the quality of trade execution and settlement.

The satisfaction of the bank's top customers is especially high, as evidenced by the fact that 94% of them would recommend DAB Bank AG to others. Such results motivate DAB Bank AG to continue providing the very best service to its customers.

DAB Bank AG is a partner to its business customers

DAB Bank AG strives to provide the best possible support to its business customers in all respects. In addition to its regular services, DAB Bank AG introduced various innovative solutions for its business partners in 2012.

One example is the DAB Monitor, an online tool that helps DAB Bank AG's asset managers acquire new clients. Using the DAB Monitor, the investment portfolio of a prospective client can be analyzed quickly and efficiently. The results are presented in an easy-to-understand manner, broken down by investment type, region and economic sector. Based on this analysis, the asset manager can make an informed assessment of the portfolio's status and performance. In a second step, the asset manager can prepare a tailored portfolio for the prospective client, after which both portfolios can be tested under real conditions.

As a means of transparently tracking the main investment choices of asset managers for the benefit of prospective clients, DAB Bank AG also developed two new securities indexes, the FIPOX-S (which stands for Financial Portfolio Manager Index "Safety") for security-oriented securities, and the FIPOX-C (Financial Portfolio Manager Index "Chance") for opportunity-oriented investments. Because they reflect the main investment choices of the ten best financial portfolio managers who are regular business customers of DAB Bank AG, these indexes provide a convincing and transparent glimpse into the investment priorities of financial professionals.

Another service that DAB Bank AG offers to its business customers is the DAB Academy, where independent asset managers can further develop their skills and knowledge in a practical manner. As in prior years, DAB Bank AG hosted numerous interesting information events in 2012. In tune with recent developments, DAB Bank AG placed particular emphasis on regulatory issues, among other topics, in 2012. Once again, these information events met with strong interest, as reflected by the positive feedback of participants.

Personal interaction creates trust

How can you get to know an asset manager in whom you will place your trust and confidence in both financial and personal matters? As a possible answer to this important question, DAB Bank AG introduced a "financial speed dating" format and hosted the first such event in in Düsseldorf, in cooperation with the media partner Rheinische Post, in November of last year. Under the slogan "Your Wealth Has a Date," interested parties were given the chance to meet with several asset managers in a relaxed atmosphere, so as to gain a first impression. Due to the success of this format and the positive response, further events of this kind are planned for 2013.

Now in its 15th year, the annual Investment Conference has become established as widely regarded institution of DAB Bank AG. In September of last year, more than 1,000 financial professionals accepted the bank's invitation to attend this event in Munich. Again this year, more than 50 exhibiting investment companies and financial professionals informed visitors about the latest trends in the financial industry. As the main speakers, Prof. Dr. Hans-Werner Sinn delivered a presentation on the subject of "Europe in Crisis" and Dr. Eugen Drewermann spoke on "The Power of Money."

Our Austrian subsidiary direktanlage.at

direktanlage.at, Salzburg, is Austria's leading online broker. Since it was founded in 1995, this subsidiary of DAB Bank AG has been completely devoted to serving its customers in every way. It offers a first-class line-up of products and services, naturally at the best prices. As evidenced by the results of regular customer satisfaction surveys, the customers of direktanlage.at are very satisfied with their bank.

direktanlage.at continued to grow its business and extended its outstanding market position further in 2012. Impressed with the products and services of direktanlage.at, many Austrians became first-time customers, raising the bank's total number of customers to 64,097.

The customers' strong vote of confidence is also reflected in the development of assets held in custody, which rose again in 2012 to reach €3.67 billion at the end of the year. However, the prevailing uncertainties with regard to the further development of the European sovereign debt crisis and the Austria capital gains tax that took effect in 2011 permanently dampened the trading activity of investors. This development was also reflected in the number of trades executed for customers in 2012, which was 13.18% less than the prior-year figure.

As of January 1, 2013, direktanlage.at performs automatic loss netting for all securities accounts maintained with direktanlage.at as single-proprietor accounts with private assets. Initial losses are continuously netted with subsequent profits. Consequently, investors only need to pay capital gains tax on the positive difference and the withholding taxes already paid when the losses were incurred are promptly refunded. This simplification will make securities trading attractive for customers again.

Innovative additions to the offering of products and services

Also in 2012, direktanlage.at made a number of innovative additions to its offering of products and services.

LOGOS is a completely new kind of trading experience for the customers of direktanlage.at, one that simplifies the process by focusing on essential elements. For customers who use analytical tools in selecting their investments, the newly introduced Chart Analyzer makes it possible to quickly and easily analyze and monitor approximately 1,000 exchange-traded instruments like indexes, shares and currency pairs in real time. Chart patterns are checked automatically and graphically displayed.

direktanlage.at continues to play a leading role in making mobile applications available to customers. In 2012, it introduced an iPad app, which customers can use to view the status of their bank account and securities account, place trade orders and monitor market prices. In the autumn of 2012, direktanlage.at also introduced a mobile application for Android phones.

These innovations underscore direktanlage.at's pioneering role in providing innovative online brokerage solutions.

direktanlage.at remains in constant contact with its customers

Unlike DAB Bank AG in Germany, direktanlage.at maintains physical branches, in addition to its online presence. At its locations in eight state capitals of Austria, customers can also open current accounts, savings accounts and securities accounts. They can also make deposits and withdrawals at the teller window, sign an asset management agreement with direktanlage.at and obtain advice on different kinds of investments.

Customers can also attend in-person workshops and seminars of the direktanlage.at Academy to broaden their knowledge of topics related to investment and trading. In addition, the direktanlage.at Academy expanded its offering of webinars considerably in 2012.

Investment Evenings and seminar series of direktanlage.at

The presentation series of direktanlage.at have become extremely popular with customers and interested parties, and even employees of the bank.

At the Investment Evening in Linz in April 2012, the economist Dr. Martin Hüfner spoke to more than 250 guests about the current situation of the securities markets and the state of the economy in Europe. In cooperation with DJE Kapital AG, the bank also held a series of information events in several Austrian cities in May 2012. Numerous customers and other interested parties attended these information evenings to learn more about alternatives to traditional savings accounts.

Renowned speakers and interesting presentation topics brought large audiences to the B2B-Partner Academy. This event has become an established fixture, attracting a growing number of participants.

Naturally, direktanlage.at was represented this year at “Gewinn,” Austria’s leading financial industry trade fair, which was held in Vienna in October 2012. Interested parties could hear presentations by experts and also speak with employees of direktanlage.at at the bank’s information stand.

After a successful year in 2012, direktanlage.at is confident of being optimally prepared for the coming year.

Financial Report. | 2012

Group management report

Economic report

Operating results in 2012

DAB Bank successfully concluded the 2012 financial year amid an environment characterized by historically low interest rates and the debt crisis of the European countries. The profit before taxes according to IFRS amounted to €28,032 thousand, which demonstrates our operational profitability. Compared to the prior year, the results were burdened by the low trading activity of our customers. A total of 4,198,272 trades were executed, corresponding to a decline in trade orders of 17.4% year-on-year. We were able to successfully counter this trend with a very good profit from investments and strict cost management. Thanks to positive net fund inflows, we also recorded a year-on-year increase of 17.0% in customer assets, which amounted to €28.38 billion at year-end 2012.

Market developments

General economic developments in 2012

The global economy was influenced by several factors in 2012, among them weak demand, which crimped the earnings growth of companies, as well as the continued rise in investor liquidity, which benefited the financial markets, and the progress made in overcoming the euro crisis, which stimulated the risk appetite of investors.

According to estimates of the International Monetary Fund, global economic growth slowed from 3.9% in 2011 to 3.2% in 2012. However, the situation varied by region. The United States and Japan experienced a higher rate of in-crease in their gross domestic product compared to the preceding year. In the United States, this positive development was supported by the fact that home prices began to rise again, pointing to a recovery of the sector in which the worldwide financial and economic crisis originated. In Japan, economic growth was boosted by rebuilding after the earthquake and tsunami of March 2011.

The emerging-market and developing countries were influenced by slowing growth in China. China's economy expanded by only 7.8% in 2012, as compared to 9.2% in 2011. Reasons for this development included the long-expected normalization of domestic demand expansion and weaker export growth.

As in the prior year, the economic situation in Europe was two-tiered. The periphery countries of southern Europe were in recession, due to public-sector budget consolidation, measures to enhance competitiveness and the steps taken to reform the labor markets and goods markets. The countries of the European core (except the Netherlands) managed to avoid a decrease in their real domestic product. However, the expansion of total economic output slowed appreciably.

In Germany, real domestic product expanded by only 0.7% in 2012, as compared to 3.0% in 2011. Despite the weaker state of the global economy, however, exports performed surprisingly well, as German companies were able to offset the market weakness in Europe with additional exports to non-European countries. In addition, construction spending and private consumption continued to rise. A weak point was consumer spending on durable goods, which declined in real terms over four consecutive quarters.

Despite the slower rate of economic growth, the German labor market did not deteriorate, as the unemployment rate fell from 7.1% to 6.8%. There were 2.897 million unemployed jobseekers in 2012, as compared to 2.976 million in 2011. One of the reasons for this decrease was the lower number of young people entering the workforce, for demographic reasons.

Inflation was not much of a problem in 2012. It is true that the euro zone inflation rate of 2.5% was above the target set by the European Central Bank, of close to but less than 2%; on the other hand, the ECB managed to neutralize the adverse effects of temporarily higher food and gasoline prices. The faster rate of wage increases and the rise in import prices due to the temporary depreciation of the euro in the currency markets did not have such a strong effect on inflation, due to the weak economy.

In this situation, central banks were less concerned with prices and more concerned with the economy and with systemic risks in the financial markets. The central banks of the United States, Britain and Japan intervened heavily in the capital markets, in order to keep long-term interest rates on a low level. The European Central Bank lowered its main refinancing rate by one quarter of a percentage point to 0.75%. Under the three-year borrowing facility, it provided liquidity to banks in two steps, in the total amount of approximately €1 000 billion. However, the banks did not use this money to expand their lending to businesses and consumers; instead, they invested most of it in deposits with the ECB. Southern European banks used much of these funds to purchase the sovereign bonds of their respective countries.

The progress made towards overcoming the euro crisis was mostly achieved in the second half of 2012. The yield premium demanded of southern European bond issuers narrowed, in some cases considerably. From its low in July, the value of the euro appreciated 9.1% against the U.S. dollar. One reason for these improvements was that the periphery countries reduced their public-sector budget deficits and current account deficits. Unit wage costs declined in some countries, making companies more competitive. Some early progress was made in reducing structural deficiencies in the labor markets and goods markets. Furthermore, the European Stability Mechanism (ESM), under which loans totaling €500 billion can be extended to EMU member countries, took effect in 2012. Finally, the fact that the ECB demonstrated its unconditional willingness to save the euro had a beneficial effect. In the service of that goal, it established a new bond-buying program (Outright Monetary Transactions, OMT), although it was not yet utilized in 2012.

Developments in the financial markets

In many asset classes, 2012 was a good year for investors. Once again, the biggest surprise came from fixed-income securities. Although yields had already been relatively low at the start of the year (1.97% for 10-year government bonds), they fell considerably further (to 1.27% at the end of the year). The German bond market index (REX Performance Index) rose by 4.6%. Demand was especially high for corporate bonds yielding an even slightly higher return than government bonds. The bonds of emerging-market countries also performed well, yielding higher coupons, albeit at the cost of elevated currency and credit risks. In the second half of the year, the prices of southern European sovereign bonds also rose. The measures implemented by the ECB were among the factors contributing to the positive development of bonds in Europe. The interest rate on three-month deposits fell from 1.34% to 0.19% in 2012.

Share prices rose considerably in all of the world's stock markets, with a few exceptions. In Germany, the DAX gained 29%, with most of the increase occurring in the second half of the year, as the euro crisis subsided. In the United States, the Dow Jones Industrials rose by 7.2%. The Japanese Nikkei Index picked up 21.46% and the Chinese Shanghai Composite rose by 4.6%. In the summer, stock indexes in the peripheral countries of southern Europe rose, at times strongly, after ECB Chief Draghi stated that he will do everything it takes to save the euro. Despite the rise in share prices, investors remained suspicious of the markets. At slightly over 5%, the percentage of pri-vate household monetary assets invested in stocks in Germany was well be-low the average for the last ten years (6.1%).

After the soaring gains posted in the last few years, the price of gold did not rise as much in 2012. In U.S. dollar terms, it gained 4.7%, in euro terms 3.3%. One factor contributing to this development was the absence of major inflation concerns in 2012. Individual investors did not purchase quite as much gold for investment purposes. Instead, it was the central banks, and especially those of emerging-market and developing countries, that were active in the gold market. They sold less gold from their own reserves and used their U.S. dollar reserves to purchase the yellow metal, as they had less confidence in the U.S. currency.

Given the environment of weak global demand, the prices of other commodities exhibited mixed developments. The price of North Sea Brent Crude did not rise at all on a full-year basis. The price of copper rose slightly, while that of nickel fell. Prices of foodstuffs like wheat, corn and soya beans shot up during the summer due to a poor harvest caused by drought conditions.

Developments in the financial sector

Like the previous year, 2012 was a tough year for the financial sector. Profits were increasingly crimped by the low level of interest rates, particularly for lenders, who found it hard to profitably invest the funds loaned to them by the ECB at the rate of 1% through the long-term repo facility, without taking on undue risks. Accordingly, some banks chose to return these funds to the central bank ahead of maturity. Deposits with agreed notice terms decreased and overnight call-money deposits increased. As a result of weakening economic conditions, lending activity was sluggish. The credit risks associated with businesses and consumers increased; in the peripheral countries of southern Europe, such credit risks remained high for much of the year. Key investor groups refrained from trading securities, out of fear of serious market turmoil. There was much less trading activity in the stock markets than in the prior year. This circumstance was especially disadvantageous for those banks that specialize in securities trading. As a positive sign for the retail investor business, the number of shareholders in Germany rose again, according to a survey of Deutscher Aktieninstitut.

Regulatory burdens continued in 2012. Although the date of effect for the new Basel III rules was postponed, the banks are still under pressure to step up their preparations for the new capital adequacy and liquidity regulations. The banking sector also needs to restore the lost trust of investors and the public.

EU Finance Ministers began work to create a European banking union in the second half of 2012. They are supposed to harmonize the regulatory environment for banks in the European Union and enhance the effectiveness of bank regulation, particularly with respect to cross-border transactions. It is expected that the new regulatory authority will be set up within the European Central Bank. Care should be taken to avoid conflicts between banking regulation and monetary policy. The basic rules of the new European bank over-sight authority had mostly been formulated by the end of 2012 and the new institution is expected to be fully operational by the beginning of 2014. It will directly regulate all banks with balance sheets of more than €30 billion. Smaller banks will be regulated by the national regulatory bodies, as before. However, the ECB can always assume regulatory authority over these banks if it considers it necessary. It will take steps to ensure that all banks are regu-lated according to the same criteria.

The new European banking authority is an important step towards establishing a common banking market and will harmonize the rules of competition. It will bring relief to those banks that operate in more than one country, which have been regulated by more than one bank oversight authority in the past. It will also improve the stability of the financial system in Europe because it will be easier to identify risks in different countries.

Business environment for direct banks

The direct banking market has experienced steady customer growth for many years and this trend can be expected to continue. The changing needs of customers continue to favor the business model of direct banks. As the population becomes more open to technology and the Internet, their acceptance of online banking is growing continually. Thanks to modern technologies, people have less need for the services of traditional branch banks. Whether simple payments, standardized loans or securities trading, more and more banking transactions are being handled online. Direct banking on mobile devices is growing especially fast.

These trends support the business of direct banks, but they also entail certain challenges. For example, they need to keep up with the extremely fast pace of technological change, particularly in mobile banking; thus, they need to roll out new, customer-friendly services and open up new applications. That requires substantial investments. In the long term, only those banks that offer the most modern and user-friendly applications will be successful in the market. The fact that not all customers possess the same knowledge and ability with respect to technology poses a special problem.

There is a growing gap between the “digital natives” of the young generation and older customers who may wish to conduct their banking business online, but may not be adequately familiar with modern technologies. It is especially difficult for them to adapt to constant changes. Thus, direct banks need to configure their line-up of products and services in such a way that it suits all customer groups.

At the same time, direct banks are subject to growing cost pressure. Substantial amounts must be invested to install new technologies. On the other hand, customers justifiably expect that technological advancement will lead to lower costs and prices. It is not always easy to satisfy these demands.

Furthermore, competition is intensifying as more and more commercial banks are moving into the province of direct banks. Thus, the direct banks are losing their unique selling proposition. That also puts pressure on the terms and prices they can offer. The intense competition for higher-interest deposit accounts with direct banks did not relent in 2012.

The reduced level of trading activity was another challenge the industry had to contend with in 2012. Trading activity declined both among customers of DAB Bank and those of its most important competitors. In general, the trading activity of DAB Bank’s customers followed a similar trend as the overall market.

In general, DAB Bank benefits from its strong market position. Only three of its closest competitors carry more securities accounts for individual investors than DAB Bank. In the segment of independent asset managers, DAB Bank is the market leader in Germany.

Legal environment

The national and international efforts to make the banking industry and capital markets more stable and less crisis-prone continued in 2012. As in the prior year, important aspects of these efforts included the reform of capital adequacy and liquidity standards (Basel III) and the corresponding European and national standardizing directives. Heightened regulatory requirements could be felt across the board. The banking industry will be further affected in the coming years by the revised Markets in Financial Instruments Directive (“MiFID II”) and the upcoming amendments to the Minimum Requirements for Risk Management (“MaRisk”).

Investor protection was further standardized in 2012. An especially important step in this direction was the “Employee Notification Regulation under the Securities Trading Act” (WpHGMaAnzV), which sets out new requirements to be met by employees providing investment advice, as well as sales people and compliance officers. In addition, the Investment Act established a regulatory framework for investments, based on the existing standards applicable to securities trading, for the most part.

Strategy

Positioning to remain unchanged in the market segments of DAB Bank AG and direktanlage.at

DAB Bank AG, Munich, was founded in 1994 as Germany’s first online broker. Since that time, DAB Bank has offered financial services to its customers in the two regional markets of Germany and Austria.

DAB Bank possesses extensive expertise in all matters pertaining to securities accounts and the clearing and settlement of securities trades. It gives its customers direct, affordable access to the capital markets. The core products of DAB Bank are online brokerage services, an independent offering of investment solutions and online banking solutions.

In addition to its activities in Germany, DAB Bank also operates in the Austrian market through its Austrian subsidiary direktanlage.at. In both regional markets, DAB Bank serves both individual investors and business customers.

Aside from the traditional products and services of an online broker, DAB Bank also offers attractive solutions tailored to the specific needs of its individual investors. DAB Bank supports opportunity-oriented customers with instruments like LOGOS, FOREX and futures margin trading, with which they can use to leverage their exposure to market movements. DAB Bank also supports customers seeking to implement long-term investment strategies, by providing a wide range of advisory services to help them select suitable products and design their portfolios.

DAB Bank wants to be perceived by its customers as an all-round partner in financial matters. Therefore, it also offers them a wide range of banking and credit services, including various kinds of bank cards, savings products and loans. Thus, DAB Bank is an alternative to traditional branch banks. The bank’s website is an easy and direct way to utilize its services. Focusing on the Internet as the primary sales channel enables DAB Bank to offer its products and services at attractive prices.

The business customers of DAB Bank consist of independent asset managers, financial intermediaries and institutional investors. DAB Bank handles the safekeeping and administration of securities and the clearing and settlement of securities trades for these customers. DAB Bank also offers a wide range of IT services and regulatory reporting services and provides marketing and sales support. The combination of a competitive cost-benefit ratio, a professional trading platform, well developed interfaces to external systems and excellent relationship management is an important unique selling proposition for DAB Bank. Accordingly, DAB Bank is the German market leader in the segment of independent asset managers.

Strategic goals of DAB Bank

DAB Bank was very successful in achieving its strategic goals in 2012.

Despite challenging conditions in the financial markets and operating environment, DAB Bank managed to improve various key performance indicators. Besides increasing the volume of customer assets held in custody, mainly on the strength of strong net inflows, DAB Bank also generated a solid profit before taxes.

DAB Bank enhanced its competiveness considerably by introducing numerous new products and services over the last few years. The bank's program for the future, known as "DAB one," was successfully completed in 2012. In the past year, DAB Bank placed a particularly strong emphasis on improving quality and efficiency. Among other measures, it increased capital spending on IT systems, so as to enhance the bank's speed and flexibility. These activities culminated in the successful migration to a new core banking system in the autumn of 2012. Besides lowering costs in the medium and long term, this project also bolstered the bank's ability to operate successfully in the future.

Satisfied customers are always the key to success in business. That requires a strong, emotional brand, as well as innovative products and highly motivated employees to sell them to customers. DAB Bank's heightened focus on this subject in the past year was successful, as evidenced by the strong satisfaction of its customers and employees. These two aspects are closely related, because it takes highly motivated employees to create highly satisfied customers.

On this basis, DAB Bank will seek to add another chapter to its success story in 2013. DAB Bank continues to pursue the strategy of being the best bank for investors, traders and independent asset managers. It gives its customers direct, affordable access to the capital markets and possesses extensive expertise in all matters pertaining to securities accounts. In its business with individual investors, DAB Bank will increasingly seek to acquire customers who do not yet have much experience with securities trading. To that end, DAB Bank will focus more on its offering of traditional banking products such as current accounts and credit cards.

Also in 2013, DAB Bank will be guided by five main business objectives:

- Enthusiastic customers: DAB Bank will strive to increase customer satisfaction further by focusing on their needs and delivering the highest-quality services in its day-to-day business.

- Highly motivated, service-oriented employees: Our employees actively practice the values of DAB Bank; and we will continue to promote that goal in 2013. Long-term career development will be provided to all employees and new employees will be optimally integrated into the organization.

- Strong competitiveness: Competitive products and terms form the basis of DAB Bank's business success.

- Increased customer convenience: DAB Bank strives for simplicity and transparency in everything it does. This principle is especially relevant to the bank's interaction with customers and prospective customers. DAB Bank will strive to make its online and mobile solutions even more customer-friendly in 2013.

- Profitable growth: DAB Bank's chief goal in 2013 is to extend its market position on a profitable basis. In pursuit of that goal, we will devote heightened attention to customer growth and efficiency improvements.

DAB Bank is convinced that this is the right strategy for making its products and services even more attractive to its target groups and therefore considers itself well prepared for the challenges of financial year 2013.

Business developments and key indicators

The following key indicators on trades executed, customer securities accounts and customer assets held in custody are central elements of the bank's internal management system.

Trades executed

The lingering sovereign debt and currency crisis has provoked uncertainty and restraint among many market participants, as reflected in the subdued trading activity of our customers. In financial year 2012, DAB Bank Group executed a total of 4,198,272 trades for its customers, reflecting a decrease of 17.4% from the corresponding prior-year figure (2011: 5,081,041).

In Germany, our customers placed orders for a total of 3,288,641 trades (2011: 4,033,358), that being approximately 18.5% fewer than in 2011. In Austria, customer trade orders amounted to 909,631, or roughly 13.2% fewer than the prior-year figure (2011: 1,047,683). On a Groupwide basis, the number of trades executed per securities account per year fell from 8.22 to 6.79. In Germany, our customers placed 5.93 trade orders per securities account per year (2011: 7.23); in Austria, they placed 14.42 trade orders per securities account per year (2011: 17.26).

Within the DAB Bank Group, our individual investors placed 3,527,888 trade orders, reflecting a decrease of 19.8% from the prior-year figure (2011: 4,398,677). Of that total, 2,769,027 trades were executed in Germany (2011: 3,517,887) and 758,861 in Austria (2011: 880,790). The business customers of the DAB Bank Group placed 670,384 trade orders, only slightly fewer (by 1.8%) than the corresponding prior-year figure (2011: 682,364). The number of trade orders executed in Germany rose by 0.8% to 519,614 (2011: 515,471), while the number of trade orders executed in Austria fell by 9.7% to 150,770 (2011: 166,893).

Securities trades

		2012	2011	Change in %
Securities trades	No.	4,198,272	5,081,041	-17.4
Germany	No.	3,288,641	4,033,358	-18.5
Austria	No.	909,631	1,047,683	-13.2

Customers, securities accounts and bank accounts

At year-end 2012, the DAB Bank Group served 597,128 customers (2011: 593,435), reflecting an increase of 3,693 over the prior-year figure. In Germany, we had 533,031 customers as of December 31, 2012 (2011: 531,379). In Austria, our subsidiary direktanlage.at added 2,041 net customers, bringing the total customer count to 64,097. At 77,117, the number of business customers was 1,392 fewer than the prior-year figure (2011: 78,509), while the number of retail customers rose by 5,085 to 520,011 (2011: 514,926).

As of December 31, 2012, the DAB Bank Group administered 615,288 securities accounts, reflecting a decrease of 5,634 from the prior-year figure (December 31, 2011: 620,922).

As of December 31, 2012, we administered 551,191 securities accounts in Germany (December 31, 2011: 558,866). In Austria, this number was 64,097 (2011: 62,056).

As of December 31, 2012, the DAB Bank Group administered 155,381 bank accounts (2011: 156,873).

Customers, securities accounts and bank accounts

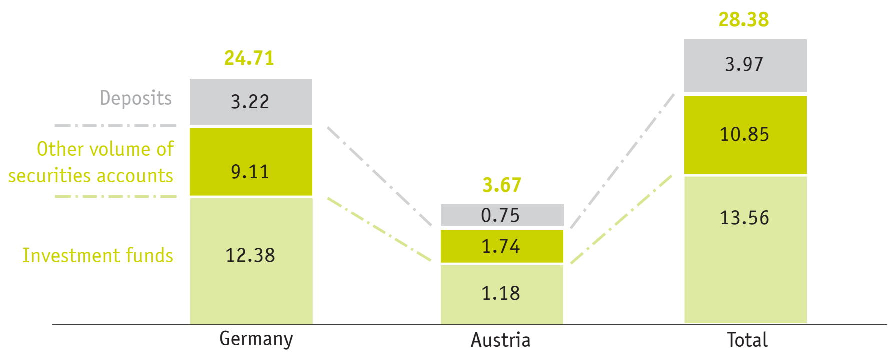
		2012	2011	Change in %
Customers	No.	597,128	593,435	0.6
Germany	No.	533,031	531,379	0.3
Austria	No.	64,097	62,056	3.3
Securities accounts	No.	615,288	620,922	-0.9
Germany	No.	551,191	558,866	-1.4
Austria	No.	64,097	62,056	3.3
Bank accounts	No.	155,381	156,873	-1.0
Germany	No.	139,433	143,618	-2.9
Austria	No.	15,948	13,255	20.3

Customer assets held in custody

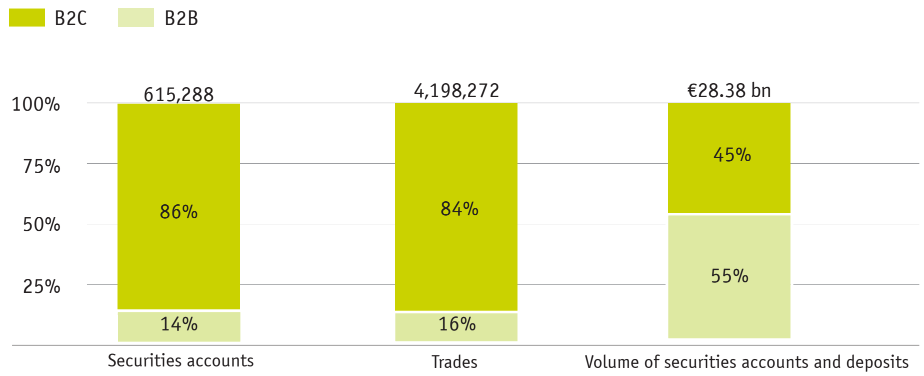
Thanks to the high level of net inflows from our customers and the higher prices reflected in most leading stock indexes, the volume of customer assets held in custody with DAB Bank rose substantially in 2012.
At €28.38 billion, customer assets held in custody at year-end 2012 were 17.0% or €4.12 billion higher than the prior-year figure. On a Groupwide basis, the volume of customer assets held in securities accounts rose by €3.24 billion to €24.41 billion. At €13.56 billion, the volume of customer assets held in investment funds was €1.87 billion higher than the prior-year figure. The volume of customer deposits rose from €3.09 billion to €3.97 billion. In Germany, we administered customer assets worth €24.71 billion at the end of 2012 (+17.7%); in Austria, this figure came to €3.67 billion.

On a Groupwide basis, we held assets worth €12.79 billion for our individual investors (+15.4% over 2011); of this amount, €10.36 billion was held in Germany (+16.0%) and €2.43 billion (+13.0%) was held in Austria. We also registered a substantial increase in the volume of assets held for our business customers, which rose by 18.3% to €15.59 billion. For Germany, this number came to €14.35 billion (+18.9%) and for Austria it was €1.24 billion (+11.7%).

Volume of securities accounts and deposits in € bn



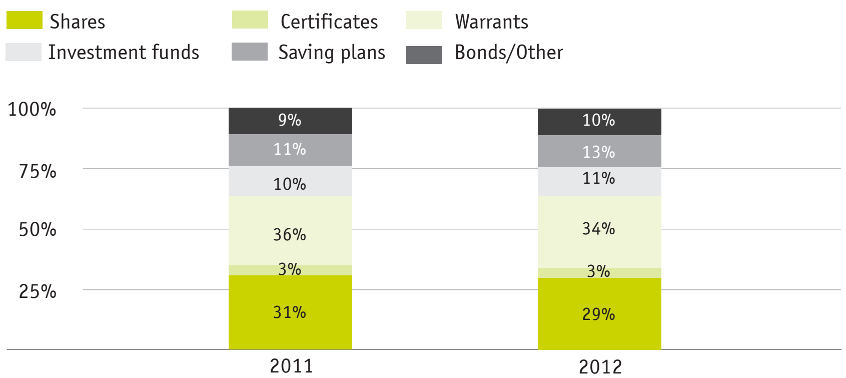
Securities accounts, trades and assets under custody, broken down by B2C and B2B



Volume of securities accounts and deposits

		2012	2011	Change in %
Volume of securities accounts and deposits	€ bn	28.38	24.26	17.0
Germany	€ bn	24.71	21.00	17.7
Austria	€ bn	3.67	3.26	12.6
Volume of securities accounts	€ bn	24.41	21.17	15.3
Germany	€ bn	21.49	18.50	16.2
Austria	€ bn	2.92	2.67	9.4
thereof in investment funds	€ bn	13.56	11.69	16.0
Germany	€ bn	12.38	10.62	16.6
Austria	€ bn	1.18	1.07	10.3
Deposits	€ bn	3.97	3.09	28.5
Germany	€ bn	3.22	2.50	28.8
Austria	€ bn	0.75	0.59	27.1

Trades by category of securities in %



B2C (business-to-consumer)

		2012	2011	Change in %
Customers	No.	520,011	514,926	1.0
Germany	No.	471,697	469,384	0.5
Austria	No.	48,314	45,542	6.1
Securities accounts	No.	527,521	531,233	-0.7
Germany	No.	479,207	485,691	-1.3
Austria	No.	48,314	45,542	6.1
Bank accounts	No.	155,381	156,873	-1.0
Germany	No.	139,433	143,618	-2.9
Austria	No.	15,948	13,255	20.3
Trades executed	No.	3,527,888	4,398,677	-19.8
Germany	No.	2,769,027	3,517,887	-21.3
Austria	No.	758,861	880,790	-13.8
Volume of securities accounts and deposits	€ bn	12.79	11.08	15.4
Germany	€ bn	10.36	8.93	16.0
Austria	€ bn	2.43	2.15	13.0
Volume of securities accounts	€ bn	10.22	9.06	12.8
Germany	€ bn	8.41	7.41	13.5
Austria	€ bn	1.81	1.65	9.7
thereof in investment funds	€ bn	3.17	2.85	11.2
Germany	€ bn	2.72	2.44	11.5
Austria	€ bn	0.45	0.41	9.8
Deposits	€ bn	2.57	2.02	27.2
Germany	€ bn	1.95	1.52	28.3
Austria	€ bn	0.62	0.50	24.0

B2B (business-to-business)

		2012	2011	Change in %
Financial intermediaries	No.	1,147	1,107	3.6
Germany	No.	1,007	968	4.0
Austria	No.	140	139	0.7
End customer	No.	77,117	78,509	-1.8
Germany	No.	61,334	61,995	-1.1
Austria	No.	15,783	16,514	-4.4
Securities accounts	No.	87,767	89,689	-2.1
Germany	No.	71,984	73,175	-1.6
Austria	No.	15,783	16,514	-4.4
Trades executed	No.	670,384	682,364	-1.8
Germany	No.	519,614	515,471	0.8
Austria	No.	150,770	166,893	-9.7
Volume of securities accounts and deposits	€ bn	15.59	13.18	18.3
Germany	€ bn	14.35	12.07	18.9
Austria	€ bn	1.24	1.11	11.7
Volume of securities accounts	€ bn	14.19	12.11	17.2
Germany	€ bn	13.08	11.09	17.9
Austria	€ bn	1.11	1.02	8.8
thereof in investment funds	€ bn	10.39	8.84	17.5
Germany	€ bn	9.66	8.18	18.1
Austria	€ bn	0.73	0.66	10.6
Deposits	€ bn	1.40	1.07	30.8
Germany	€ bn	1.27	0.98	29.6
Austria	€ bn	0.13	0.09	44.4

Operating results

Given the context of historically low interest rates and the debt crisis of the European countries, the profit earned in financial year 2012 was strongly influenced by the tendency of our customers to hold onto cash and cash equivalents and to be restrained in their trading activity. This tendency was reflected particularly in the net commission income. We were able to entirely offset the decline in net commission income by means of continued active cost management and the realization of capital gains in our treasury portfolio. We were thus able to earn a satisfactory profit before taxes of €28,032 thousand in 2012, significantly exceeding the profit before taxes of €25,728 thousand in the prior year. This shows our unchanged operational strength and confirms our ability to earn very good profits independently of the capital market environment. The consolidated net profit amounted to €18,125 thousand (PY: €17,772 thousand).

Dividend

For financial year 2012, the Management Board and the Supervisory Board will recommend to the annual shareholders' meeting to be held on May 16, 2013 that the entire consolidated unappropriated net profit under IFRS, in the amount of €17,368 thousand (PY: €16,541 thousand), be distributed to shareholders as a dividend. This corresponds to a tax-exempt dividend of €0.21 per share (PY: €0.22 per share) and thus a dividend yield of 5.8% at December 31, 2012 (PY: 6.6%).

Net financial income

The net financial income earned in 2012 was €65,265 thousand and thus higher than the prior-year figure (€53,299 thousand), as expected. The increasingly calm state of the markets in 2012, which was influenced by the persistently low level of interest rates, led to a narrowing of credit spreads.

Due to the flat yield curve, net interest income declined to €49,796 thousand, compared to the prior-year result of €53,223 thousand. Thanks to active treasury management and the consistent utilization of opportunities, the realization effects contained in the profit from investments result and the measurement effects recognized in profit or loss arising from securities classified as available for sale increased from €-555 thousand (PY) to €14,949 thousand. The measurement effect not recognized in profit or loss resulting from available-for-sale holdings, which is recognized in Other Comprehensive Income (OCI), is likewise primarily attributable to the increases in fair value caused by the general decline in credit spreads. The realization and measurement effects contained in the trading profit/loss of our securities portfolio classified as held for trading and at fair value declined slightly year-on-year, from €631 thousand to €520 thousand.

Net commission income

In financial year 2012, the Group's net commission income amounted to €74,181 thousand. We were unable to influence the general reluctance to execute trades and thus had to accept a decline from the prior-year result of €85,606 thousand. A major driver was our customers' pronounced trading restraint, which was reflected in declining revenues from the securities and securities account business. This was offset by revenues earned from securities lending transactions, enabling us to show slightly higher revenues in net commission income as a whole, despite our customers' weak trading activity.

Administrative expenses

The administrative expenses incurred in the operating activities of the DAB Bank Group amounted to €111,346 thousand in 2012; it was possible to reduce them by an additional 2% compared to the prior year (€113,088 thousand), also thanks to our continued practice of strict cost discipline.

Personnel expenses increased moderately in 2012 to €41,058 thousand compared to €38,268 in the prior year, which was attributable primarily to non-recurring effects (severance pay) and to investments in the quality of our employees. We are convinced that the quality of DAB Bank's services depends decisively on our employees; we also invested in their development in 2012.

The other administrative expenses of €56,642 thousand were 12% less than the corresponding prior-year figure (PY: €64,670 thousand). This decrease can be attributed mainly to lower marketing expenses, securities clearing and settlement expenses and consulting expenses.

The depreciation/amortization of property and equipment and intangible assets amounted to €13,646 thousand, thus increasing year-on-year (PY: €10,150 thousand). Due to technological enhancements (particularly the implementation of our new core banking system) and new requirements for the necessary data processing, we have adjusted the service potential of our software solutions accordingly, which led to additional amortization charges or impairments. DAB Bank invests in the enhancement of its technologies for its customers in all market phases.

Other operating income/expenses

Net other operating income and expenses amounted to €-659 thousand (PY: €-853 thousand), primarily due to accommodation and compensation payments caused by the incorrect processing of securities transactions.

Appropriations to provisions

In financial year 2012, €1,059 thousand (PY: €1,058 thousand) in expenses were incurred for appropriations to provisions, primarily for claims for damages. Reversals of provisions were applied in the amount of €1,641 thousand (PY: €2,608 thousand). This resulted in a net addition of €-582 thousand (PY: €-1,550 thousand).

Credit risk provisions

An appropriation to credit risk provisions of €292 thousand (PY: €340 thousand) was offset by a reversal in the amount of €183 thousand (PY: €287 thousand), resulting in a net increase of €109 thousand (PY: €53 thousand). Amounts recovered on charged-off receivables totaled €118 thousand (PY: €8 thousand).

Profit before taxes

Overall, we generated a profit before taxes of €28,032 thousand (PY: €25,728 thousand) for 2012. DAB Bank AG contributed €21,976 thousand (PY: €19,975 thousand), and direktanlage.at AG contributed €6,056 thousand (PY: €5,042 thousand) of the profit before taxes.

Net profit for the year

After income taxes, we generated a consolidated net profit of €18,125 thousand (PY: €17,772 thousand). This corresponds to earnings per share of €0.22 (PY: €0.23).

Cost-income ratio

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

In the past financial year, the cost-income ratio was at 79.9%, thus slightly lower than the prior-year figure of 81.6%.

The revenues used to calculate the cost-income ratio amounted to a Groupwide total of €139,378 thousand (PY: €139,557 thousand), while expenses amounted to €111,346 thousand (PY: €113,829 thousand).

Statement of financial position

Total assets and development of individual balance sheet items

The total assets of DAB Bank amounted to €4,389,448 thousand at December 31, 2012 (PY: €3,406,192 thousand). This is based primarily on a significant increase in customer deposits. The total liabilities consisted largely of short-term liabilities to customers that are invested in securities - as a net borrowing position - in the context of our liquidity management.

The long-term average duration of our securities portfolios is between one and two years. Due to the sufficient liquidity of the securities, DAB Bank ensures that repayment of liabilities is guaranteed at any given time, despite maturity mismatches.

Customer receivables in the amount of €291,393 thousand showed a slight increase year-on-year (PY: €267,304 thousand). The portfolio of credit risk provisions amounted to €2,216 thousand, which thus declined slightly compared to the prior-year portfolio of €2,526 thousand. Receivables from banks increased from €443,324 thousand in the prior year to €526,246 thousand in 2012. Financial investments showed an increase, rising from €2,422,085 thousand at December 31, 2011 to €3,210,701 thousand at the reporting date. Thus, liabilities to customers likewise increased significantly, amounting to €3,978,609 thousand at the reporting date (PY: €3,061,343 thousand).

Given the context of strong fund inflows, increased liquidity was maintained at year-end 2012 for the purpose of taking advantage of opportunities, which led to an increase in the cash reserve from €102,849 (prior year) to €218,435 thousand, and in the receivables from banks.

Provisions remained stable at €6,233 thousand (PY: €6,243 thousand), relating primarily to provisions for pension plans and claims for damages. The provisions for current income taxes increased from €4,146 thousand (prior year) to €8,176 thousand and contained income taxes withheld, but not yet paid. The increase in deferred tax liabilities from €23,578 thousand in the prior year to €27,124 thousand resulted primarily from the increase in positive measurement changes in the available-for-sale securities portfolio.

Group equity at the reporting date amounted to €226,102 thousand, following €185,436 thousand in the prior year. Of this increase, €39,082 thousand resulted from changes in the measurement of available-for-sale securities, which are recognized in Other Comprehensive Income (OCI). Following deduction of the planned dividend, Group equity amounted to €208,734 thousand on the last day of the financial year (PY: €168,895 thousand).

Bank regulatory ratios

In connection with the “Regulation on the Appropriate Capitalization of Banks, Banking Groups and Financial Holding Company Groups” (Solvency Regulation, SolvV), DAB Bank AG has opted to apply the Standardized Approach for determining the capital charges required to cover default risks, the Standardized Approach for determining the capital charges required to cover market risk positions and the Advanced Measurement Approach (AMA) for determining the capital charges required to cover operational risks, as of 2010.

As the parent company of DAB Bank AG and the controlling company pursuant to Section 10a (1) (1) KWG in conjunction with Section 1 (7a) KWG, UniCredit Bank AG (UCB), Munich, monitors the Total Capital 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 charges required to cover default risks and operational risks, as well as the capital charges required to cover market risk positions, in order to satisfy the minimum Total Capital Ratio of 8%.

Compliance with the Total Capital Ratio is monitored on a daily basis and was assured at all times in financial year 2012.

As of year-end 2012, the liable capital of DAB Bank AG amounted to €114,666 thousand (PY: €119,633 thousand). The change in this figure resulted from higher deductions for intangible assets, which resulted from the capitalization of costs in connection with the introduction of the new core banking system. The amortization of intangible assets and the impairment losses recognized in 2012 were applied as positive inputs for measuring the amount of liable capital for 2013.

The positive development of deposits led to a commensurate expansion of the balance sheet total. By reason of the higher default risk positions in receivables due from banks, which were only partially offset by lower default risk positions in receivables due from companies and investees, the capital charges for default risks rose from €50,092 thousand in 2011 to €59,293 thousand in 2011. Based on the AMA, the capital charges for operational risk amounted to €14,630 thousand in 2012 (PY: €12,498 thousand). The capital charges for market risk positions rose from €327 thousand in 2011 to €358 thousand in 2012.

Based on the foregoing, the Total Capital Ratio pursuant to SolvV came to 12.35% at December 31, 2012. The decrease from the prior-year figure (15.21%) resulted from the effects mentioned above. Thus, the Total Capital Ratio for DAB Bank was significantly higher than the minimum required ratio of 8%. At December 31, 2012, the Core Capital Ratio (Tier-1 Ratio) was 12.35%, as compared to 15.21% at the end of 2011.

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 4.66 at December 31, 2012 (PY: 4.46), significantly higher than the corresponding regulatory requirement.

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 every customer of DAB Bank are insured up to an amount of currently €38,290 thousand per customer under the deposit insurance fund and up to €100,000 thousand under the statutory compensation scheme.

Our employees

Our employees showed themselves to be completely dedicated to the success of DAB Bank in 2012. The number of employees working for the DAB Bank Group increased from 607 in 2011 to 611 persons in 2012 and the number of positions increased from 549 to 558. As of December 31, 2012, DAB Bank had 444 full-time employees in Germany (2011: 430) and direktanlage.at had 114 full-time employees in Austria (2011: 119).

For detailed information on employee compensation, please refer to the Compensation Report and to Section 31 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

		2012	2011	Change in %
Employees (headcount)	No.	611	607	0.7
Germany	No.	481	473	1.7
Austria	No.	130	134	-3.0
Employees (full-time)*	No.	558	549	1.6
Germany	No.	444	430	3.3
Austria	No.	114	119	-4.2

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

Compensation Report

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 general and 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 Management Report or the notes to the financial statements by virtue of the German Commercial Code (HGB) or International Financial Reporting Standards (IFRS). In accordance with the new rules of the German Corporate Governance Code, the Compensation Report is now presented as part of the Management Report, and no longer as part of the Corporate Governance Report. With regard to the presentation of itemized compensation for Management Board and Supervisory Board members, reference to the present report is made in the Corporate Governance Report and in the notes to the financial statements.

1. Compensation system for members of the Management Board in financial year 2012

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 for the full Supervisory Board. For the preceding financial year 2011, 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 24, 2012.

Also in financial year 2012, 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 May 9, 2012 and, July 25, 2012. 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 for the Compensation Systems of Financial Institutions, again in financial year 2012. 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. After reviewing the current compensation principles, the Supervisory Board concluded that the changes resolved in financial year 2011, particularly including the introduction of the Bonus Opportunity, have proved to be effective. Because it was therefore not necessary to change the compensation system for the Management Board, the shareholders will not be asked to vote on the compensation system for financial year 2012.

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 2012. It reached this conclusion on the basis of comparison with external and intragroup groups, with due consideration given to the current duties and performance of the Management Board members, as well as the size and the current economic and financial situation of DAB Bank AG.

Specifically, the Management Board compensation for financial year 2012 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 in writing 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 annual fixed salary of Mr. Huber was set at €350 thousand and paid on a pro-rated basis for the months of August to December. The annual fixed salary of Dr. Dieterich was unchanged at €210 thousand. The annual fixed salary of Dr. Zellner was set at €200 thousand and was paid on a pro-rated basis for the months of August to December.

Mr. Gunter received its former annual fixed salary of €300 thousand for the term of his employment contract, which ended on December 31, 2012. That amount included the pro-rated amount paid for his activity as a member of the Management Board in the months of January to July.

Variable compensation

The members of the Management Board received the Bonus Opportunity (BO) as their only variable compensation in 2012. In addition, disbursement of the variable compensation granted for the years 2009, 2010 and 2011 was deferred over a period of several years, already at that time. The proportional amounts from prior years that were due in 2012 were paid to the members of the Management Board, after determining that the targets to be met during the deferral period were attained.

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 2012 are based on the key indicators of the company and the UniCredit Asset Gathering Business Line; the other half is 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. Depending on the individual target attainment of each Management Board member, the amount of the BO can range between 0% and a maximum of 150% (cap) of the target amount. The amount for 100% target attainment is set in writing for the full term of the respective employment contract.

The criteria for the sustainable success of the Group are adopted every year anew as an overarching BO factor, in the form of key indicators for profitability and sustainability (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 has violated the company's compliance guidelines.

The BO for Mr. Huber was set at €250 thousand for 100% target attainment; in financial year 2012, he was entitled to a pro-rated amount for the months of August to December. Dr. Dieterich is entitled to a BO of €150 thousand in financial year 2012, assuming 100% target attainment. The BO for Dr. Zellner was set at €120 thousand for 100% target attainment; in financial 2012, he was entitled to a pro-rated amount for the months of August to December.

Mr. Gunter still has a claim to variable compensation of €270 thousand for 100% target attainment through the expiration of his employment contract at the close of December 31, 2012. In addition to the variable compensation for financial year 2012, Mr. Gunter was also paid the deferred portions of his variable compensation for prior years that would have been payable only in 2013 and subsequent years, due to his resignation. A simplified lump-sum method was applied to assess Mr. Gunter's target attainment in 2012 and to account for the discounting to present value of the deferred portions of variable compensation from prior years. Mr. Gunter will be required to refund the lump-sum amount paid to him in settlement of his entire variable compensation particularly in the event of a negative individual contribution to the company's success that resulted from a culpable breach of duty.

At the time when the annual financial statements were audited, the target attainment for financial year 2012 had not yet been determined, due to the non-availability of results pertaining to the Group-level targets.

Compensation components with a long-term incentive effect (Long-Term Incentive, LTI)

In prior years, the long-term variable compensation of Management Board members of DAB Bank AG was 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 most senior executives of the UniCredit Group. Due to the fact that the STI and LTI were combined to form the BO in 2011, no further LTI program has been established for DAB Bank AG since that time.

In financial year 2012, Mr. Huber, Dr. Dieterich and Mr. Gunter held claims under previous LTI programs of the UniCredit Group, all of which based on commitments made prior to financial year 2012. In addition, some of these claims are based on the previous employment of Management Board members with other companies of the UniCredit Group.

Specifically, they held the following claims arising from the LTI programs mentioned below. With the exception of the Cash-Based LTI 2009, these claims pertain to the common shares of UniCredit S.p.A., Rom, Italy.

As a member of the Management Board of DAB Bank AG, Mr. Gunter participated in the Cash-Based LTI 2009 in the amount of €90 thousand (PY: €40 thousand). Under the LTI 2012, he holds a claim to 59,810 Performance Stock Options and originally 31,542 Performance Shares. By reason of the reverse stock split conducted by UniCredit in 2012, Mr. Gunter's claim was reduced to 7,183 Performance Shares. Mr. Gunter's claim to Performance Stock Options under the LTI 2012 was forfeited by reason of his resignation. Despite his resignation, Mr. Gunter retains his other claims under the other LTI programs established during his employment with DAB Bank AG, those being his claims to Performance Shares under the LTI 2010 and his claims under the LTI 2009. Provided that the respective targets established in the respective LTI program are met, Mr. Herr Gunter is still entitled to participate in these programs.

Upon the appointment of Mr. Huber as a new member of the Management Board of DAB Bank AG, he did not participate in any LTI program of the UniCredit Group. From his earlier employment with companies of the UniCredit Group, however, Mr. Huber still holds a claim to 27,408 Stock Options under the LTI 2007. In addition, he holds a claim to 33,228 Performance Stock Options and originally 17,523 Performance Shares under the LTI 2010, assuming target attainment. By reason of the reverse stock split conducted by UniCredit S.p.A., Rom, Italy, in 2012, this claim was reduced to 3,990 Performance Shares. Under the Cash-Based LTI 2009, Mr. Huber is entitled to payment of an amount of €50 thousand, assuming 100% target attainment.

From his earlier employment with companies of the UniCredit Group, Dr. Dieterich still holds claims to 9,398 Stock Options under the LTI 2007 and to 18,548 Stock Options under the LTI 2008. Assuming target attainment, he has a claim to 33,228 Performance Stock Options and 17,523 Performance Shares under the LTI 2010. By reason of the reverse stock split conducted by UniCredit S.p.A., Rom, Italy, in 2012, this claim was reduced to 3,990 Performance Shares. Under the Cash-Based LTI 2009, Dr. Dieterich is entitled to payment of an amount of €50 thousand, assuming 100% target attainment (PY: €50 thousand).

The granting of both Stock Options and Performance Shares for common shares of UniCredit S.p.A., Rom, Italy, 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.

For purposes of accrual-based accounting, provisions have been recognized for the corresponding programs; when the corresponding securities are allotted, the corresponding provisions are reversed, giving rise to a current expense. In financial year 2012, DAB Bank AG appropriated an amount of €52 thousand (PY: €30 thousand) to the provisions established for Mr. Gunter's LTI programs. For additional details on the LTI program, please refer to the notes to the consolidated financial statements.

Pensions

As a general rule, pension benefits are granted to members of the Management Board exclusively on a defined-contribution basis.

DAB Bank AG also makes fixed, non-success-dependent contributions to a provident fund for all members of its Management Board.

In addition, the Management Board members Dr. Josef Zellner and Markus Gunter make voluntary contributions from their salaries on a tax-deferred basis to the same company pension plan in which the employees of DAB Bank AG also participate. DAB Bank AG pays matching contributions to this plan.

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, 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 approximately €2 thousand for the group accident insurance in financial year 2012.

Under his employment contract, Mr. Huber is also entitled to reimbursement of travel and accommodation expenses in the maximum amount of €50 thousand per year. Because Mr. Huber maintains his place of residence in Austria, he is obligated to make social security contributions in that country, for which reason DAB Bank pays the corresponding employer's share of Mr. Huber's social security contributions.

Ancillary benefits are measured on the basis of 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 Mr. Ernst Huber and Dr. Niklas Dieterich in financial year 2012.

The Management Board member Dr. Josef Zellner was granted 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 €5 thousand. No further loans were granted to Dr. Zellner, 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.

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.

In connection with the resignation of Mr. Gunter, he received a severance award of €533 thousand as partial compensation for the lost compensation components that had originally been granted until the original expiration date of his employment contract.

The compensation granted to each member of the Management Board for financial year 2012 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	Severance payments	Total
Dr. Niklas Dieterich	210	150	-	25	6	-	391
Markus Gunter*	300	253	31	52	9	533	1,178
Ernst Huber**	146	104	-	21	46	-	317
Dr. Josef Zellner**	83	50	-	5	-	-	138
Total	739	557	31	103	61	533	2,024

(*) The information cited for Markus Gunter generally refers to the full calendar year 2012, because his employment contract expired only at the close of December 31, 2012 and he continued to receive his compensation until that time. However, his term as a Management Board member ended already on July 31, 2012.

(**) Member of the Management Board since August 1, 2012.

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. 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.

As recommended by 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 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 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 the Supervisory Board members for their expenditures and for the value-added tax payable on their Supervisory Board activity.

The compensation granted to each member of the Supervisory Board for financial year 2012 is presented in the table below:

Itemized compensation of Supervisory Board members:

in k€	Fixed salary	Value-added tax	Success-driven component	Components with a long-term incentive effect	Total
Werner Allwang (*)	10	-	-	-	10
Nikolaus Barthold (*)	10	-	-	-	10
Peter Buschbeck	10	3	-	-	13
Alessandro Foti (*)	15	7	-	-	22
Dr. Marita Kraemer (*)	10	10	-	-	20
Dr. Theodor Weimer	20	10	-	-	30
Total	75	30	-	-	105

* 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 adopted anew every 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; their variable compensation is oriented solely to their individual performance, so as not to undermine their supervisory roles.

On average, DAB Bank AG had 482 employees in financial year 2012. The total amount of all compensation paid in financial year 2012 (excluding social security contributions) was €26.08 million, including €22.32 million in the form of fixed compensation and €3.76 million in the form of variable compensation. All employees receive a variable compensation component.

Events after the reporting date

On February 5, 2013, the Management Board of DAB Bank AG resolved, with the consent of the Executive Committee of the Supervisory Board and the Supervisory Board of DAB Bank AG, to increase the company's share capital by €8,270,569.00, from €82,705,706.00 to €90,976,275.00, in exchange for cash contributions. The Authorized Capital II was resolved by the annual shareholders' meeting of May 24, 2012. Under exclusion of the subscription right, 8,270,569 new no-par shares will be issued for an issue price of €3.96 per share under a new WKN (Securities ID) to the majority shareholder UniCredit Bank AG, Munich. The issue price was set with reference to the average closing prices of the shares of DAB Bank AG in the XETRA trading system on the last five trading days prior to February 5, 2013. The new shares will qualify for dividends as of January 1, 2013.

The capital increase will not cause a significant shift in the current shareholder structure. After the new shares are issued, the proportion of equity held by UniCredit Bank AG in DAB Bank AG will rise from the current level of 79.53% to 81.39%.

The company will collect gross cash proceeds of €32,751 thousand in total.

Report on relationships with related parties

At December 31, 2012, 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 AG is a directly dependent subsidiary of UniCredit Bank AG, Munich. 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 AG prepared a report on the relations with affiliated companies (known as the Dependency Report) for the 2012 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. As of December 31, 2012, the share capital of DAB Bank AG amounted to €82,705,706. It is divided into 82,705,706 no-par bearer shares, all of which convey the same rights. Every one of the 82,705,706 shares grants the right to cast 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, 2012, 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 2012 for the purpose of correcting errors and to process customer orders. Overall, transactions in the period listed above involved 4,540 shares; this corresponds to a share of €4,540 or 0.005% of the share capital. Of this amount, 4,540 shares were used for correcting errors; this likewise corresponds to a share of 0.005% 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

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 an appropriate risk measurement system, as well as suitable monitoring and control processes. DAB Bank uses business models in the areas of trading, investment, and traditional banking linked with the goal of earning net interest and commission income. In addition, DAB Bank AG has enhanced its investment strategy by assessing the liquid funds available and using them for security lending transactions. 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.

Improvements were made to the risk management system in financial year 2012 (for details see section adjustments and further developments of the risk monitoring and management system). 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). It supports the attainment of the company's goals.

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 Asset-Liability Management Board (ALM Board, consisting of the full Management Board, the Head of Finance & Controlling and the Head of Risk Controlling, which usually meets once a week). The risk strategy is 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 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. Risk Controlling is also responsible for adopting Groupwide standards for the quantifiable risk categories (market risk, default risk, operational risk and business risk), the non-quantifiable risk (model risk) and the risks not included in determining risk absorption capacity (liquidity risk, strategic risk and reputation risk). 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, in consideration of the applicable statutory and regulatory requirements.

Principle III: Separation of functions

The risk controlling function is responsible for independent monitoring and communication of risks. At the same time, it is separated in the organizational structure from business units that are responsible for initiating and concluding transactions.

Principle IV: Heightened risk awareness and culture

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

Principle V: Reliable risk management

The consideration of risks is an integral part of every business decision. All activities that are capable of giving rise to relevant risks for DAB Bank 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. 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 limit for the given risk categories (for counterparty risk, market risk, business risk and operational risk), as well as the aggregated risk, is checked against the utilization of 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.

In the context of liquidity risk management, limits are defined for regulatory and short-term economic liquidity and compliance with these limits is monitored daily. Strategic risk and reputation risk are analyzed and monitored continuously on the basis of qualitative criteria. As part of the risk management system, suitable measures are defined 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 ("risk appetite") 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 and about profits and losses. 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

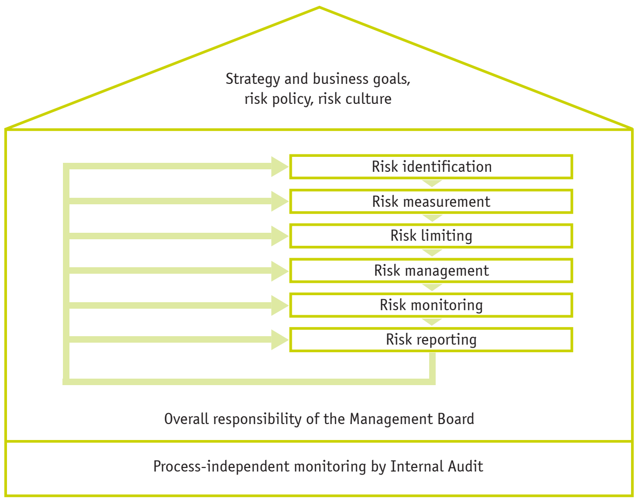
Appropriate control mechanisms consist of directives and procedures for the identification, measurement, analysis and estimation of risks and for active risk management, monitoring and reporting. In addition, the Internal Audit Department, as a process-independent instance, evaluates the suitability 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.

▸ 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 risk-covering potential 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 funds 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 which 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 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 new product 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. Strategic risk and reputation risk are analyzed and monitored with the aid of 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.

Individual risks are aggregated to arrive at the overall bank risk, in consideration of diversification effects. The overall bank risk is subjected to a risk absorption capacity analysis through comparison with the available risk-covering potential on a quarterly basis.

In addition to pure risk assessments, risk concentrations are determined for counterparty default risk, market risk, liquidity risk and operational risk. For these risks (except for liquidity risk) as well as for business risk, global stress test analyses encompassing all risk types are conducted 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.

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 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 op-risk managers to identify any potential risks in continuing operations.

Risk reporting

All relevant decision-makers, those being the members of the Management Board, affected business unit and corporate staff department heads and authority holders, 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. Risk reporting is the responsibility of Risk Controlling.

Process-independent monitoring

The internal control system consists of two components, the process-dependent Internal Control System (ICS) and the Internal Audit department. Internal Audit, as a process-independent department acting on behalf of the Management Board, audits and assesses the effectiveness and adequacy of risk management in general and the internal controlling system in particular.

Adjustments and further developments of the risk monitoring and management system

The risk measurement and monitoring methods of DAB Bank AG are subjected to a continuous process of further development and improvement, both to satisfy the bank's own high standards and to fulfill the statutory and especially the regulatory requirements. The following enhancements in particular were carried out during the 2012 financial year:

- Implementation of a framework for risk appetite.
- The composition of the components of the risk-covering potential was revised. For the going-concern scenario (DAB Bank AG), the risk-covering potential is composed of subscribed capital, capital reserves and the (planned) profit after taxes, as well as the deduction items of intangible assets and regulatory capital charges. For the liquidation scenario (DAB Bank Group), the risk-covering potential is composed of subscribed capital, capital reserves, the (planned) profit after taxes, the revaluation reserve after taxes, deferred taxes, the goodwill of direktanlage.at and intangible assets.
- Refinement of the determination of the correlation effects existing between the counterparty risks.
- Enhancement of the stress tests across risk types.
- The processes for managing business risk and liquidity risk were refined.
- Automation of processes in the context of IT infrastructure.
- Revision of the risk reporting system to enhance the quality of results and the usefulness for recipients.

For the 2013 financial year, we plan to undertake the following enhancements:

- Enhancement of integrated risk and earnings management.
- Enhancement and refinement of the stress tests.
- Introduction of the UCG group-wide default risk model (including migration risk).
- Factoring in credit spread risks in the context of market price risk measurement.
- Enhancement of reputation risk management.

Overall risk situation and risk-covering potential in 2012

The risk absorption capacity of DAB Bank was assured at all times in financial year 2012. The Risk Controlling Department reports the risk absorption capacity to the full Management Board on a quarterly basis.

The implementation of further risk factors within the default risk and market risk measurement models will cause the risk indicators to rise and will therefore affect the risk absorption capacity. Therefore, DAB Bank AG conducted a capital increase in the first quarter of 2013 (see the section entitled “Events after the reporting date” for details).

Going-concern scenario - DAB Bank AG

	Development of Risks			Limit Utilization			
(Confidence level 95%, holding period 250 days, in € millions)	VaR 2012	VaR 2011	Relative Change	Limit 2012	Limit utilization	Limit 2011	Limit utilization
Default risk	11.62	7.38	57.45%	13.32	87.26%	13.10	56.33%
Market price risk	14.70	17.06	-13.83%	18.92	77.71%	21.84	78.10%
Business risk	11.07	14.03	-21.10%	20.84	53.14%	26.06	53.82%
Operational risk	4.04	4.04	0.00%	5.66	71.38%	6.52	61.95%
Overall bank risk (uncorrelated)	45.58	46.75	-2.50%				
Overall bank risk (correlated)	37.79	35.15	7.51%	48.85	77.36%	55.74	63.07%
Risk-covering potential	56.08	73.52*					
Utilization of risk-covering potential	67.38%	47.81%*					

* Adjusted to 2012 logic for the sake of comparability.

Liquidation scenario – DAB Bank Group

	Development of Risks			Limit Utilization			
(Confidence level 99.9%, holding period 250 days, in € millions)	VaR 2012	VaR 2011	Relative Change	Limit 2012	Limit utilization	Limit 2011	Limit utilization
Default risk	70.75	56.45	25.33%	66.62	106.20%	61.38	91.96%
Market price risk	24.40	31.01	-21.32%	34.67	70.37%	32.90	94.24%
Business risk	21.59	25.13	-14.08%	33.54	64.37%	35.45	70.90%
Operational risk	18.05	16.03	12.60%	18.73	96.37%	17.21	93.13%
Overall bank risk (uncorrelated)	148.27	141.47	4.81%				
Overall bank risk (correlated)	126.16	112.71	11.93%	134.07	94.10%	127.04	88.72%
Risk-covering potential	184.81	126.87*					
Utilization of risk-covering potential	68.27%	88.84%*					

* Adjusted to 2012 logic for the sake of comparability.

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. Here, we differentiate among the risk categories default risk, counterparty risk, issuer risk and country-specific risk.

- Credit risk refers to possible value losses in the commercial lending business. This risk is accounted for by means of credit risk provisions. For this purpose, a fixed threshold between the outstanding loan balance and the executable collateral contained in customer securities accounts is applied as the basis for decision-making. 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 (consisting exclusively of retail business) 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 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 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 (going-concern scenario). Reports on the utilization of those limits are generated on a quarterly basis (going-concern and liquidation scenarios).

- Volume 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 2012

The key risk figures for counterparty default risk at December 31, 2012 are presented in the table below. The implementation of the UCG credit portfolio model (including migration risks) will cause the risk indicators to rise further in 2013.

Default risk (in € mn)

Financial institution as of 12/31		2012	2011
DAB AG	VaR (confidence level 95%, holding period one year)	11.62	7.38
da.at	VaR (confidence level 95%, holding period one year)	0.78	2.86
DAB Bank Group	VaR (confidence level 99.9%, holding period one year)	70.75	56.45
	Limit	66.62	61.38
	Utilization	106.20%	91.96%

The increase resulted primarily from the evaluation of the portfolio (Securities Account A), caused by the investment of cash and cash equivalents, as well as the adjustment of factors within the risk calculation.

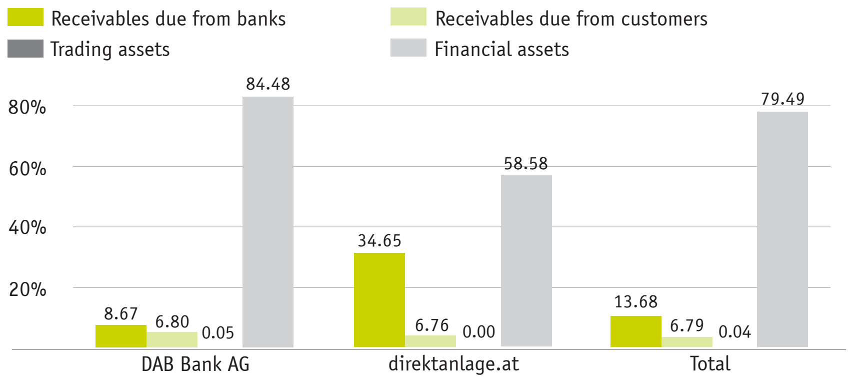
As a general rule, the only securities accepted as collateral for the bank's customer loan portfolio are securities that can be sold in the market at any time. As of December 31, 2012, the customer loan portfolio amounted to €219 million and was backed by loan collateral (expected proceeds from collateral) in the amount of €2,765 million.

Thus, the loan portfolio would be secured by the furnished collateral up to a market decline of 92%. The furnished collateral, broken down by asset classes, is presented in the table below:

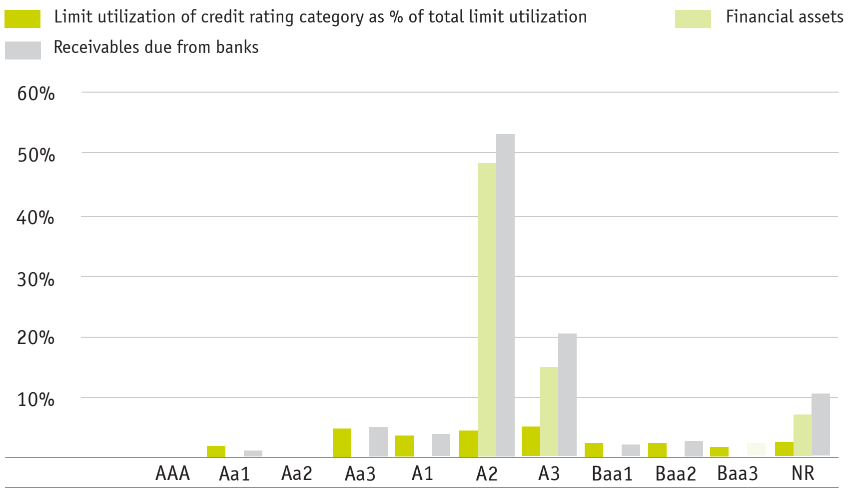
Loan collateral for the customer loan portfolio, broken down by asset classes (expected proceeds from collateral):

Shares	Bonds	Investment funds	Certificates	Other
1,007,803,710.76	276,777,921.16	1,382,100,402.88	74,935,942.59	23,237,879.57

Breakdown of total exposure by product types



Breakdown of limit utilization rates in the own-account trading portfolio (DAB Bank AG) 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	7.95	10.51	2.73	8.97	27.44	22.20
Non-current financial assets	238,118,245.00	314,759,80	81,896,320.28	216,559,374.00	607,502,093.77	664,757,936.41
Receivables due from banks	0.00	0.90	0.00	52,046,060.61	214,566,979.80	418,408.40

Utilization of credit rating class,	A3	Baa1	Baa2	Baa3	Ba1	NR
as % of total utilization	10.30	5.95	2.73	0.40	0.33	0.48
Non-current financial assets	307,726,236.05	178,385,092.82	74,236,090.58	12,007,500.30	9,827,600.00	10,985,491.20
Receivables due from banks	789,070.95	0.00	7,611,263.74	0.00	0.00	3,476,592.78

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 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, 2012 were as follows (without factoring in Germany):

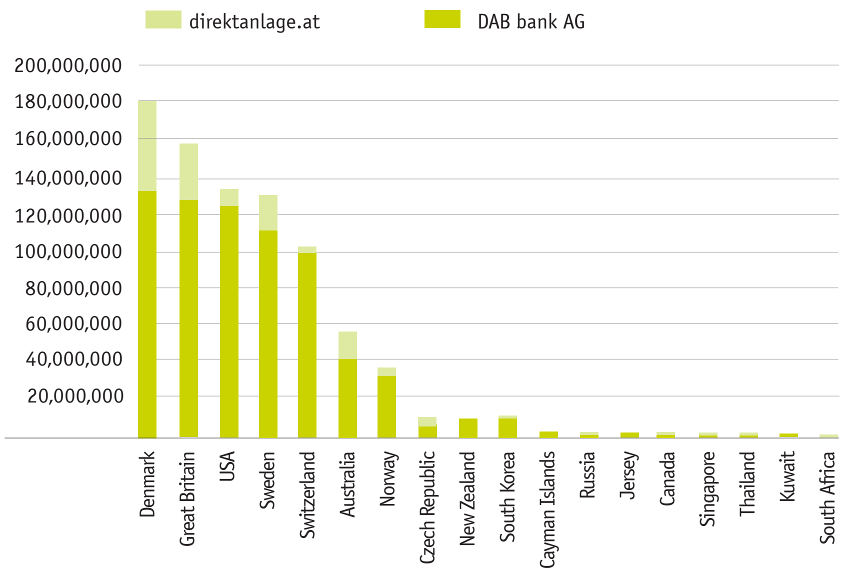
Rating ceiling	Ceiling limit, in € mn 12/31/2012	Utilization, in € mn 12/31/2012
Quality	No limit	1,603
Medium	2,500	88
Risk	10	0
Default	0	1
Total:	-	1,692

The presented drawdown against the default ceiling resulted from customer trades. Because these trades are not applied against the limit, there was no limit overrun.

Market developments in 2012 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.

The country risks in effect at December 31, 2012 are summarized on the Group level in the table below:

Country risks (market values, in €)



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 completely. At December 31, 2012, such customer derivatives amounted to €40,284 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 12/31/2012

	Notional Amount				Market Values	
	Residual Term					
in € thousand	Up to 1 Year	1 to 5 Years	> 5 Years	Total	Positive	Negative
Interest-based derivatives	32,600	-	-	32,600	21,685	21,685
OTC products	-	-	-	-	-	-
Exchange-traded instruments						
Interest futures	32,600	-	-	32,600	21,685	21,685
Options on interest futures	-	-	-	-	-	-
Currency-based derivatives	179,978	71,910	-	251,888	2,915	3,173
OTC products						
Currency futures	179,978	71,910	-	251,888	2,915	3,173
Currency options						
-Purchases	-	-	-	-	-	-
-Sales	-	-	-	-	-	-
Other currency contracts	-	-	-	-	-	-
Exchange-traded instruments						
Currency futures	-	-	-	-	-	-
Currency options	-	-	-	-	-	-
Stock/ index-based instruments	28,543	1,536	-	30,079	15,426	15,426
OTC products						
Stock/index swaps	-	-	-	-	-	-
Stock/index options						
-Purchases	-	-	-	-	-	-
-Sales	-	-	-	-	-	-
Other stock/ index contracts	-	-	-	-	-	-
Exchange-traded instruments						
Stock/index futures	23,869	1,253	-	25,122	12,947	12,947
Stock/index options	4,674	283	-	4,957	2,479	2,479
Total	241,121	73,446	-	314,567	40,026	40,284

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 and credit spread risk, price risk and currency risk.

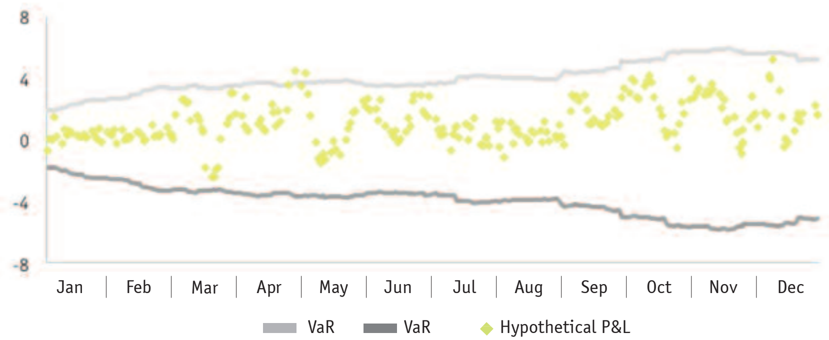
Both the ALM Board and the trading representative in the market unit and the risk controller responsible for market price risk are responsible for managing market risk in accordance with the adopted strategy of the DAB Bank Group. By reason of its limited trading activity, direktanlage.at is classified 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 modern historical simulation, without consideration of credit spreads, to calculate and monitor market risk. Until the end of 2012, the credit spread risk is not factored in. 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. The risk of the trading book is determined using a flat-rate surcharge. In the context of the quarterly risk absorption capacity calculation, moreover, the market price risk is determined for both management cases with a holding period of 250 days and compared to the limits derived from the risk absorption capacity calculation.

Going-concern scenario	in € mn
Annual limit	18.92
Trading book limit (1 day)	0.24
Investment book limit (10 days)	3.03
Liquidation scenario	in € mn
Annual limit	34.67
Trading book limit (1 day)	0.44
Investment book limit (10 days)	5.55

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, as no negative overrun of the forecast value was discovered at the level of DAB Bank AG.

Back-testing market price risk model 2012 (in € mn)



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 2012

Thanks to the continued application of a conservative investment strategy and the actively managed, well diversified investment portfolio, there was a significant decline in market risk. The market risks inherent in the positions of the DAB Bank Group at December 31, 2012 are presented on an aggregated basis in the table below.

The implementation of credit spread risks will cause the risk indicators to rise in 2013.

Market risk (in € mn)

Financial institution as of 12/31		2012	2011
DAB AG	VaR (confidence level 95%, holding period one year)	14.70	17.06
da.at	VaR (confidence level 95%, holding period one year)	2.42	2.00
DAB Bank Group	VaR (confidence level 99.9%, holding period one year)	24.40	31.01
	Limit	34.67	32.9
	Utilization	70.37%	94.24%

(confidence level 99.9%, holding period one year)

DAB Bank Group (12/31/2012)	Value at Risk in € mn
Interest rate risk	10,192
Price risk	7,315
Currency risk	6,418

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 and systems, or 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 operational 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 local operational risk managers is coordinated and centrally monitored by Operational Risk Controlling. This department 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 UCG Groupwide database (ARGO), 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 direktanlage.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 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 ten years.

A limit is established for the purpose of monitoring operational risks and determining the related risk capital requirement. The limit is monitored on a quarterly basis.

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 2012

The operational risk indicators as of December 31, 2012 are presented below. The increase in the risk capital figure for the liquidation scenario can be attributed to the generally more risk-fraught environment and to higher loss amounts in the UCB Group.

Operational risk (in € mn)

Financial institution as of 12/31		2012	2011
DAB AG	VaR (confidence level 95%, holding period one year)	4.04	4.04
da.at	VaR (confidence level 95%, holding period one year)	0.39	0.39
DAB Bank Group	VaR (confidence level 99.9%, holding period one year)	18.05	16.03
	Limit	18.73	17.21
	Utilization	96.37%	93.13%

At December 31, 2012, DAB Bank Group was exposed to the following significant operational risks, on an aggregated basis:

- Defective processing;
- Lacking or malfunctioning building infrastructure;
- System failure or performance problems;
- Non-compliance with legal requirements (e.g., false advice).

The latter category also includes the risks of the former subsidiary SRQ FinanzPartner AG, which could affect the bank by way of 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 Operational 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 has introduced the new, more secure authorization procedure (mTAN) for additional groups of customers. As a result, the number of phishing incidents has been reduced considerably.

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 2012

The business risks of DAB Bank Group at December 31, 2012 are presented on an aggregated basis in the table below. The decline in business risk is based primarily on the decline in revenues from the transaction business with almost identical expenses and volatilities.

Business risk (in € mn)

Financial institution as of 12/31		2012	2011
DAB AG	VaR (confidence level 95%, holding period one year)	11.07	14.03
da.at	VaR (confidence level 95%, holding period one year)	2.30	2.81
DAB Bank Group	VaR (confidence level 99.9%, holding period one year)	21.59	25.13
	Limit	33.54	35.45
	Utilization	64.37%	70.90%

Liquidity risk

Risk management and risk controlling process

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

DAB Bank subdivides liquidity risk into corporate liquidity risk and market liquidity risk. Corporate liquidity risk comprises refinancing risk (the risk that additional refinancing funds cannot be obtained, or only at increased market interest rates, due to term discrepancies), term risk (which is the risk of a delay in payment), as well as call risk (liquidity risk arising from unexpected events). Market liquidity risk describes the risk that assets can only be liquidated in the market with higher discounts due to unusual financial market circumstances. Market liquidity risk is assigned to market risk within DAB Bank.

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 and for ensuring that DAB Bank has sufficient liquidity at all times. 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 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.

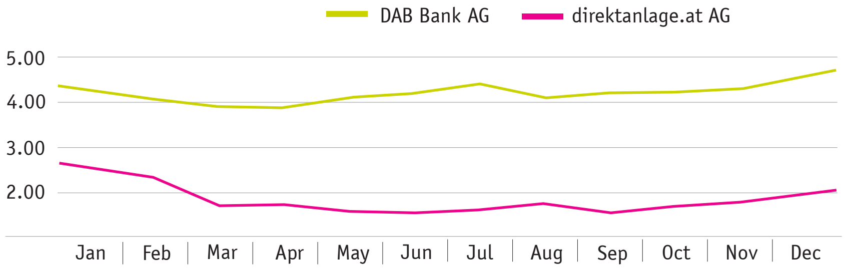
The liquidity planning statement plays an important role in the internal monitoring of the liquidity situation of DAB Bank AG. By reason of the investment strategy, daily monitoring is focused mainly on the determined and stochastic cash flows and the related current and anticipated liquidity of DAB Bank AG in the short term (within three months). For calculating the Liquidity Summary, the deterministic cash flows are applied in accordance with their final contractual maturities and the stochastic cash flows are applied with the aid of a non-parametric forecast approach known as historical simulation, with a confidence level of 95% (holding period based on the time window). Given the only minor relevance of foreign currency positions, the Liquidity Summary is presented in the reporting currency, the euro. An FX risk margin is applied within the model to account for the related foreign currency risks. 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 need 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 2012

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, 2012). That conclusion is also supported by the development of the LiqV ratios of DAB Bank AG and direktanlage.at AG. The liquidity ratio is the ratio of the cash and cash equivalents available in Maturity Band 1 (due at call or up to one month) and the payment obligations callable during that same period. Since the beginning of the year, the LiqV ratio of DAB Bank AG in Maturity Band 1 was 4.16 on average and therefore considerably higher than the value of 1, which would have to be reported to the regulatory authority under the Liquidity Regulation. At year-end 2012, this ratio was 4.66, almost unchanged from the prior year (PY: 4.46). Overall, the liquidity of DAB Bank AG remains on a very high level.

Liquidity Summary at December 31, 2012

LiqV Liquidity Ratio 2012



Short-term liquidity overview

All amounts in € millions	t+1 01/01/13	t+2 01/02/13	t+3 01/03/13	t+4 01/04/13	t+5 01/07/13	1 month 01/31/13	3 month 04/01/13	6 month 06/30/13	9 month 09/28/13	12 month 12/27/13
1) Contractual net cash inflows	0.00	22.00	21.48	21.32	44.71	178.06	417.82	609.32	824.22	979.17
Contractual cash inflows	0.00	22.74	0.00	0.00	25.00	33.79	140.58	62.79	142.50	17.00
Contractual cash outflows	0.00	-0.74	-0.51	-0.16	-1.61	-4.45	-4.89	-1.90	-2.10	-3.69
2) Estimated cash flows	-241.69	-285.51	-309.51	-324.12	-339.20	-366.07	-677.67	-1,093.85	-1,043.09	-1,315.68
3) Liquidity-covering potential	1,070.55	1,070.55	1,070.55	1,070.55	1,048.34	945.38	813.79	765.60	707.35	675.88
First-tier cash and cash equivalents	180.15	180.15	180.15	180.15	180.15	166.03	156.60	156.60	151.91	151.91
Other ECB-eligible securities	890.40	890.40	890.40	890.40	868.19	779.35	657.19	609.00	555.44	523.97
4) Cumulative potential liquidity surplus/ deficit (1+2+3)	828.86	807.04	782.52	767.74	753.85	757.36	553.94	281.06	488.48	339.37

Other risks

Other risks refer to 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. The reputation management of DAB Bank AG is performed by the Reputation Risk Council, which is composed of the responsible departments, and by the Management Board. The Reputation Risk Council identifies potential problems, assesses the possible development of such problems and takes steps to influence their development at an early stage.

Stress testing

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 establishes risk drivers for the individual risk types. The bank then calculates both a stressed risk value (stressed VaR) and a conditional loss (additional scenario loss) for each individual risk type. The results of the individual risk types are then aggregated for each scenario to arrive at the stress test result. The following global stress test scenarios 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, this development is extremely relevant to the DAB Bank Group.

- 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 a euro zone member 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 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: Default probability
- Business risk: Income/expenses and the corresponding volatilities and correlation
- Market price risk: Changes in value
- Operational risk: Losses and risk indicators.

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. The hypothetical scenario is conducted on the basis of the following risk drivers of the individual risk types:

- Default risk: Default probability
- Business risk: Income/expenses and the corresponding volatilities and correlation (multilinear regression of risk drivers)
- Market price risk: Interest rate
- Operational risk: Losses and risk indicators.

The calculation for the DAB Bank Group is based both on the stressed risk value (with the exception of market price risk) and the conditional loss. 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 inter-correlation 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 risk-covering potential of DAB Bank AG was not adequate to cover the risks arising in the event of the stresses defined in the historical scenario.

The risk-covering potential of DAB Bank AG is to be assured in the future by means of the capital increase conducted in the first quarter of 2013 (see the section entitled “Events after the reporting date”) and by means of further diversifying the securities portfolio.

Historical scenario (as of 12/31/2012, in € mn)

Scenarios	Overall bank risk (correlated) under stress	Risk-covering potential under stress	Utilization of risk-covering potential
Going concern scenario	38.63	16.25	237.66%
Liquidation scenario	128.15	141.67	90.46%

Hypothetical scenario (as of 12/31/2012, in € mn)

Scenarios	Overall bank risk (correlated) under stress	Risk-covering potential under stress	Utilization of risk-covering potential
Going concern scenario	42.59	46.86	90.88%
Liquidation scenario	155.72	173.74	89.63%

For the purpose of identifying those events and developments that could endanger the survival of DAB Bank as a going concern, we conduct qualitative and quantitative inverse stress tests for individual risk types and for all risk types in general. The results represent the maximum changes in the risk drivers for the individual risk types that would overwhelm the risk absorption capacity of DAB Bank. The following risk drivers have been defined for this purpose:

- Default risk: default probability
- Business risk: Euribor
- Market price risk: interest rate
- Operational risk: losses

Such inverse stress tests are conducted at least once a year, or on an ad-hoc basis. The results are reported to the Management Board.

Financial reporting-related Risk Management System (RMS) and Internal Control System (ICS)

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 interests 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 step 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 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 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.

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 and GCC questions. With the support of the Controlling & Cost Management Department, it also prepares the consolidated financial statements and the monthly reports to the Management Board, as well as the financial reporting contained in the annual and quarterly reports of the DAB Bank Group. Thus, the financial reporting function of DAB Bank AG is performed in the Bookkeeping and Accounting Departments.

Documentation of processes

The consolidated financial statements of DAB Bank AG are included in the consolidated financial statements of UniCredit S.p.A., Rome, Italy by way of the sub-group financial statements of UniCredit Bank AG, Munich. 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 by way of an interface. Until November 2012, the core banking system was FlexCube; it was then replaced by Kordoba Core24 as part of a migration project. Using another interface, account movements are transferred from the core banking system (FlexCube or Core24) to the financial accounting system SAP on a daily basis. Furthermore, the system operator HSBC Transaction Service GmbH, Düsseldorf, 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, Düsseldorf, on a daily basis.

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

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

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 Aon Hewitt GmbH, Munich, (formerly Hewitt Associates GmbH).

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 (until November 2012) and Core24 (as of November 2012) on the cash side and the GEOS/GEOS-NOSTRO system 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 Business Integrated Solutions S.C.p.A., Milano, Italy. The FlexCube and Core24 systems are maintained by the bank's own IT Department. The supplier Fidelity Information System KORDOBA GmbH, Munich, supported the introduction of Core24 as part of the migration project. 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 Reporting 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 subsidiary direktanlage.at AG, 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., Lucca, Italy. 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 consolidation 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 developments

Overall economic growth will remain subdued in 2013. We anticipate that the rate of global economic growth will hardly exceed that of 2012, and it may even slow down slightly. The United States is confronted with the necessity of reducing the high levels of government debt. The stand-off between the Democrat President and the Republican-controlled House of Representatives will stand in the way of quick, pragmatic solutions. The benefit of additional oil and gas supplies produced with new fracking technologies will presumably take effect only in the second half of the year.

The Chinese economy is not expected to resume the high growth rates of earlier years. It would seem that the new leadership in Beijing has set a growth target in the range of 7.0% to 7.5%. Compared to most other countries, that is still a high rate, but much lower than before.

Japan will be the only industrialized nation in 2013 to aim for higher growth by undertaking vigorous stimulus measures.

In Europe, the efforts to adjust and reform public-sector budgets, enhance competitiveness and reform labor markets and goods markets must be continued. Even if governments attach a higher priority to growth, which we expect, the overall economic expansion on the continent will remain moderate. With respect to Germany, we anticipate only a slight increase in economic output.

Under these conditions, we do not perceive any major inflationary threats and therefore loose monetary policies will remain in effect. The United States, the United Kingdom and Japan will continue to purchase bonds in the capital markets. In the emerging-market and developing countries, interest rates will be lowered and minimum reserve requirements will be reduced further. The European Central Bank will possibly lower its main refinancing rate by another quarter-percentage point to 0.5%. On the other hand, interest rates on the deposit facility will remain close to zero.

The euro crisis will ease further, generally speaking. However, this expectation is subject to considerable risks, given the tough political and social situation in some countries. We cannot rule out the possibility of setbacks.

Stock markets and trading activity

The development of stock markets in 2013 will be influenced by weak economic conditions, high liquidity and improved prospects in the European Monetary Union. Stock markets will be supported by ample investment funds, relatively little of which has been invested in stocks to date. Of course, these funds will benefit the stock markets only if investors do not anticipate problems with the fundamental economic data. Due consideration should also be given to the fact that the German stock index DAX reached a level only slightly below its all-time high at the end of 2012, which in itself poses the risk of corrections.

European stock markets may stand to benefit from a further stabilization of the euro crisis. In terms of sovereign debt, competitiveness and market efficiency, Europe will be in better shape than many other parts of the world in 2013. More foreign capital may flow to Europe as a result.

Interest rates

Given the expectation that the European Central Bank will lower its key lending rate, interest rates on the short end of the market will fall somewhat further.

It can hardly be expected that long-term interest rates in Germany will decline further. Although nominal interest rates in Switzerland and Japan are still much lower, there is no inflation in those countries, meaning that their interest rates are higher than in Germany, in real terms.

Yields could fall further in the peripheral countries of southern Europe, assuming that those countries proceed with the implementation of adjustment and reform measures, thereby improving their credit ratings.

Banking industry

The weak recovery of the global economy, the persistently low level of interest rates in Western countries, the disappointing slow restoration of investor trust in the financial industry, the great mistrust of banks generally on the part of retail customers and the plethora of new regulations are all factors that are putting banks under considerable pressure. European banks are preoccupied with their preparations for recently introduced and upcoming new regulations, such as the financial transaction tax and the German federal government's plan to tighten bank regulation further. The entire banking industry faces a very challenging operating environment in the years to come. The protracted adjustment process required to curb the excessive indebtedness of Southern European countries , the general mistrust of banks on the part of customers and the restoration of competitiveness are all factors that will place considerable pressure on the income and profits of many banks. Many banks will be forced to increase their efforts to institute leaner cost structures and more efficient work methods.

Direct banks

The constant evolution of information technology is forcing businesses in general to transform themselves. The banking industry is particularly affected by this transformation. It is not only the everyday processes and work flows that are affected by technological advancement; instead, the entire industry is undergoing profound change. Modern communications technology offers new opportunities for both bank customers and the banks themselves. Thus the use of online banking has increased considerably over the past several years, but the majority of customers still carry out their bank transactions offline. Hence, there is still additional potential for online banking and direct banks to gain market share over the long term.

Direct banks also face major challenges. Aside from the crisis of trust among individual investors, which is reflected in the lower volume of trading activity, the extremely low level of interest rates is placing a strain on the business of not only direct banks, but traditional branch banks and insurance companies as well. These problems are exacerbated by the intense competition for customers and deposits. In addition, direct banks need to prepare for the new regulations applicable to the banking industry, which will entail substantial investments and additional costs.

Regulatory environment

The trend of more stringent banking regulations will continue in the coming years. Accordingly, the DAB Bank Group will continue to focus on the related implementation measures. Aside from the core elements of Basel III, which include new rules to improve the quality and increase the amount of bank capital, as well as the introduction of liquidity standards and a leverage ratio, DAB Bank will have to fulfill other new regulatory requirements. The regulatory authorities have still not concretized many of these new requirements or established effective dates for implementation. To ensure timely implementation, we have already initiated projects to make suitable preparations for specific topics.

Development of DAB Bank's customer business

Continuous customer growth is the basis for increased business success. More customers generally mean more business in the form of trades executed and customer assets held in custody.

Based on our positioning in the market and the desired expansion of our business activities, we expect to generate higher values on the key performance indicators of securities accounts, trades executed and customer assets within the DAB Bank Group in the next two years. We also anticipate disproportionately strong growth in customer deposits, due to the heightened focus on banking products. The business of securities-related services is still highly dependent on developments in the capital markets, which can lead to wide swings in the volume of securities held in custody and the number of trades executed. We anticipate a slight increase in customer trading activity, due to factors such as the positive market environment and the considerable volatility of markets, the acquisition of new customers, sustained customer loyalty reinforcement and development measures, as well as product innovations.

Anticipated development of key items of the income statement

Consolidated net profit

Primary emphasis will be given to broadening the customer base and therefore increasing the volume of customer assets held in custody, as the principal means of expanding our business in financial year 2013. To achieve this growth, we will need to make additional investments, which will lead to higher administrative expenses. Based on the planned investments in sales activities, the low level of interest rates and the restraint exhibited by investors in the international stock markets, we expect to generate lower net profit in 2013 than in 2012. We expect profitable growth to resume in financial year 2014, leading to a higher net profit closer to the level of 2012 than 2013.

Net commission income

The main drivers of net commission income are the developments in our business with customers and the general macroeconomic conditions. The persistently suspicious attitude of individual investors with respect to the capital markets will continue to dampen the bank's commission income. Investors will return to the markets, leading to higher commission income, only after the markets have stabilized for good, leading to greater trust and confidence. Based on the anticipated positive developments in the customer business of DAB Bank and the development of external conditions, we expect to increase our net commission income moderately, by up to 15% in each of financial years 2013 and 2014, taking into account the customers' subdued propensity to invest, as described above.

Net financial income

Based on the assumption of even lower interest rates in 2013, we anticipate a further decrease in our net interest income by up to 10% in 2013. We expect interest rates to rise somewhat, leading to higher net interest income, only in 2014. 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. DAB bank's treasury strategy is geared to generating steady interest income. For 2013 and 2014, we expect to earn a considerably lower, but still positive trading profit and profit from investments. By virtue of our consistently conservative investment strategy, we do not anticipate a need to recognize impairment losses in our investments in the years 2013 and 2014, based on the current status of knowledge. Credit risk provisions should remain stable at the level of 2012 in the next two years.

Administrative expenses

We have initiated a number of measures that have had a positive effect on our cost structure in the last few years. Nonetheless, we will continue to adapt our structures to suit the constantly changing market conditions and practice strict cost discipline in the next two years. At the same time, we anticipate higher marketing expenses in support of our efforts to bolster competitiveness. The marketing of the planned new products and services is an important instrument of customer loyalty reinforcement and long-term enhancement of customer profitability. As in prior years, we anticipate higher costs associated with deposit insurance and other bank duties. Based on the above-mentioned effects, we expect overall administration expenses to increase by up to 8% per year in 2013 and 2014.

Taxes

We anticipate a consolidated tax rate of between 31% and 35% in financial years 2013 and 2014.

Anticipated capital expenditures

In financial years 2013/2014, we will strive to invest an amount in the low single-digit millions per year to upgrade our offering of products and services. Aside from the continuous modernization of our IT platform, these capital expenditures will serve to bolster our competitiveness and expand the product offering. Other investments will serve to enhance efficiency and ensure compliance with new statutory and regulatory requirements.

Anticipated dividend

The dividend policy of DAB bank AG is geared to the bank's long-term financial performance. Subject to this 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 calculated in accordance with IFRS. Therefore, the forecast development of the bank's consolidated net profit in the next two financial years should have a commensurate effect on the dividends to be paid in the future.
Also in 2013 and 2014, we expect to pay the dividend without deduction of the investment income tax and solidarity surtax, as in prior years.

Anticipated development of capital

The capital increase conducted at the start of financial year 2013 was an opportune way of quickly raising fresh capital. The need for additional capital resulted primarily from the anticipated development of the bank's business and the adjustments made to the risk-bearing capacity analysis, particularly including the model adjustments necessitated by regulatory requirements. We continue to monitor the development of new rules and court precedents very closely and continuously analyze the corresponding effects on our bank. Already today, we are making preparations for the considerably stricter requirements. In financial years 2013 and 2014, we intend to keep the core capital ratio of DAB Bank well above the regulatory minimum. Thus, DAB Bank will continue to have a solid capital base.

Employees

We expect that the number of employees will increase moderately in both 2013 and 2014. This development will be driven mainly by the need to hire new staff to accommodate the growth in customer-driven business segments and to satisfy the new regulatory and statutory requirements.

General statement on the anticipated development of the DAB Bank

The low level of interest rates and the suspicious attitude of individual investors with respect to the capital markets represent considerable challenges to our operating performance. Nonetheless, the excellent positioning of our market segments in Germany and Austria means that DAB Bank is well prepared to meet the challenges of the future. In the coming years, we will continue to press forward with the systematic implementation of all strategic measures, the initial benefits of which are already evident today. We will strive to generate sustainable, profitable growth in the coming years.

Opportunities

The subdued economic growth anticipated in 2013 and 2014 also poses a number of challenges for the DAB Bank Group. Maintaining an adequate capital base is of primary importance. In addition, we will strive to improve our competitiveness in the retail customer segment. To that end, we will strive to design the complete range of products and services in a way that is generally much more competitive and we will also expand the bank's product offering to attract online-savvy banking customers. By this means, we are pursuing the long-term goal of further extending our market position in this customer target group, opening the prospect of higher interest income and commission income. In addition, we will continuously modernize our IT systems in order to increase cost efficiency and flexibility in the introduction of new products.

Even within an unfavorable economic environment, there are many opportunities for DAB Bank to improve its market position. We will certainly take advantage of growth opportunities when they arise and are determined to further extend the strong position of DAB Bank in the German and Austrian markets.

Risks

With regard to the developments in 2013 and 2014, we perceive the following potential risks, in particular:

The expectations for the further development of the overall economy could 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 subject the trading business of DAB bank to fluctuations or drive it down further, which would have a direct impact on the revenues generated in this business. Even though some of the lost revenues would be offset by cost savings in securities clearing and settlement and in the bank's commission expenses, such a scenario 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. Also, any unexpected development of interest rates in the euro zone could have the effect of reducing the company's net financial income.

Please refer to the Risk Report for a detailed explanation of risks. The Risk Report is an integral part of the Group management report.

It cannot be ruled out that the bank's actual business performance may differ from expectations, due to unforeseeable developments in the economic and business environment of DAB Bank.

Statement of Comprehensive Income (IFRS)

in k€	Notes	Quarterly Report 10/01/2012-12/31/2012	Quarterly Report 10/01/2011-12/31/2011	Year to date 01/01/2012-12/31/2012	Year to date 01/01/2011-12/31/2011
Interest and similar income	20, 25	17,632	20,014	73,663	74,854
Interest expenses	20, 26	5,992	6,344	23,867	21,631
Net interest income/expenses		11,640	13,670	49,796	53,223
Commission income	21, 27	32,111	31,207	126,204	136,872
Commission expenses	21, 27	15,449	12,051	52,023	51,266
Net commission income/expenses	27	16,662	19,156	74,181	85,606
Trading profit/loss	22, 28	612	395	520	631
Profit/loss from investments	23, 29	6,315	-2,011	14,949	-555
Net other operating income/ expenses	30	-844	-1,287	-659	-853
Non-interest-dependent income		22,745	16,253	88,991	84,829
OPERATING INCOME		34,385	29,923	138,787	138,052
Personnel expenses	31	10,728	9,879	41,058	38,268
Other administrative expenses	31	12,719	14,316	56,642	64,670
Depreciation, amortization and impairments of property, plant and equipment and intangible assets	31	4,870	3,038	13,646	10,150
Administrative expenses	31	28,317	27,233	111,346	113,088
OPERATING PROFIT/LOSS		6,068	2,690	27,441	24,964
Additions to provisions	32	-422	-1,571	-582	-1,550
Impairment of goodwill	33	-	-	-	741
Credit risk provisions	34	-108	26	-9	45
PROFIT/LOSS BEFORE TAXES		6,598	4,235	28,032	25,728
Income taxes	35	2,810	1,041	9,907	7,956
NET PROFIT (DAB Bank Group)		3,788	3,194	18,125	17,772
Operating profit/loss of SRQ		-	-272	-	-501
NET PROFIT (DAB Bank Group incl. SRQ)		3,788	2,922	18,125	17,271
Changes in value of AfS financial instruments recognized in equity	36	6,761	-1,509	39,082	-8,042
Other comprehensive income/ expenses (after taxes)		6,761	-1,509	39,082	-8,042
COMPREHENSIVE INCOME		10,549	1,413	57,207	9,229
Attributable to shareholders of DAB Bank AG		3,788	2,936	18,125	17,325
Attributable to non-controlling interests		-	-14	-	-54
Net profit/loss (DAB Bank Group total)		3,788	2,922	18,125	17,271
Attributable to shareholders of DAB Bank AG		10,549	1,427	57,207	9,283
Attributable to non-controlling interests		-	-14	-	-54
Comprehensive income		10,549	1,413	57,207	9,229
Earnings per share (basic)	38	0.04	0.04	0.22	0.23
Earnings per share (diluted)	38	0.04	0.04	0.22	0.23
Average shares outstanding (basic)		82,705,706	75,187,007	82,705,706	75,187,007
Average shares outstanding (diluted)		82,705,706	75,187,007	82,705,706	75,187,007

In the prior-year figures, the operating profit/loss of SRQ FinanzPartner AG (since 2012: "FiNUM Private Finance AG," referred to hereinafter as SRQ or SRQ FinanzPartner AG) is presented separately, by reason of the fact that DAB Bank sold its entire investment in this company; therefore, SRQ was removed from the consolidation group of the DAB Bank Group effective December 31, 2011. The sale and deconsolidation effects associated with SRQ are described in the Annual Report 2011. The non-controlling interests refer to the discontinued operations of SRQ.

The audit opinion of the independent auditor refers exclusively to the cumulative period.

Statement of Financial Position (IFRS)

Assets

in k€	Notes	Annual Report 12/31/2012	Annual Report 12/31/2011
Cash reserve	39	218,435	102,849
Trading assets	10, 40	40,446	60,938
AFV financial instruments	11, 41	4,383	4,305
AfS financial instruments	11, 41, 59	3,035,548	2,171,998
HtM financial instruments	11, 41	170,770	245,782
Receivables from banks	8, 42	526,246	443,324
Receivables from customers	8, 43	291,393	267,304
Property, plant and equipment	12, 44	14,775	12,864
Intangible assets	14, 45	50,754	48,522
Income tax assets (current)	19, 46	3,702	2,506
Income tax assets (deferred)	19, 46	17,667	33,627
Other assets	47	15,329	12,173
Total assets		4,389,448	3,406,192

Equity and liabilities

in k€	Notes	Annual Report 12/31/2012	Annual Report 12/31/2011
Liabilities to banks	15, 48	56,223	24,433
Liabilities to customers	15, 49	3,978,609	3,061,343
Trading liabilities	16, 50	40,025	60,554
Provisions	17, 51	6,233	6,243
Income tax liabilities (current)	19, 52	8,176	4,146
Income tax liabilities (deferred)	19, 52	27,124	23,578
Other liabilities	18, 53	46,956	40,459
Liabilities		4,163,346	3,220,756
Subscribed capital	54	82,706	82,706
Additional paid-in capital	54	76,009	76,009
Retained earnings	54	25,022	24,265
Changes in measured value of financial instruments	36, 54	24,997	-14,085
Unappropriated net profit		17,368	16,541
Equity	54	226,102	185,436
Total equity and liabilities		4,389,448	3,406,192

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	Minority interest	Total shareholders' equity
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 by 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
Other changes	-	-	-347	-	-	-	-347
As of 12/31/2011	82,706	76,009	24,265	-14,085	16,541	-	185,436
As of 01/01/2012	82,706	76,009	24,265	-14,085	16,541	-	185,436
Changes in measured value of financial instruments not recognized in the income statement	-	-	-	39,082	-	-	39,082
Change due to net profit/loss for the year	-	-	757	-	17,368	-	18,125
Distribution of DAB Bank AG	-	-	-	-	-16,541	-	-16,541
Changes in the scope of consolidation	-	-	-	-	-	-	-
Changes resulting from capital increase	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
As of 12/31/2012	82,706	76,009	25,022	24,997	17,368	-	226,102

Additional information on the changes in equity statement is provided in the Notes (No. 54).

Statement of Cash Flows (IFRS)

in k€ 01/01 - 12/31	2012	2011
Cash flow from operating activities		
Net profit/loss after taxes	18,125	17,271
Write-downs, valuation adjustments and write-ups of receivables	109	53
Depreciation and write-ups of non-current assets	13,764	14,346
Changes in other non-cash items	1,313	440
Profits/losses on sales of non-current assets	-15,096	-2,690
Other adjustments	-40,124	-39,459
Subtotal	-21,909	-10,039
Changes in operating assets and liabilities, adjusted for non-cash transactions		
Receivables from banks	-82,922	-23,373
Receivables from customers	-24,198	14,304
Trading assets	20,492	-30,674
Other assets from operating activities	-4,352	-7,517
Liabilities to banks	31,790	-14,375
Liabilities to customers	917,266	154,277
Trading liabilities	-20,529	30,565
Other liabilities from operating activities	28,710	-17,522
Income taxes paid	-9,672	-13,764
Interest and dividends received	73,663	74,854
Interest paid	-23,867	-21,631
Cash provided by/used in operating activities	884,472	135,105
Cash flow from investing activities		
Cash receipts from sales of non-current assets	90,108	311,443
Cash payments for acquisition of non-current assets	-881,535	-401,942
Effects from changes in the scope of consolidation	-	-514
Cash used in investing activities	-791,427	-91,013
Cash flow from financing activities		
Cash receipts from increases in subordinated capital	-	-10,000
Dividend payments	-16,541	-15,037
Change in cash from other financing activities	39,082	15,543
Cash provided by/used in financing activities	22,541	-9,494
Foreign exchange-induced changes in cash and cash equivalents	-	-
Increase/decrease in cash and cash equivalents	115,586	34,598
Cash and cash equivalents at January 1	102,849	68,251
Cash and cash equivalents at December 31	218,435	102,849

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, 2012, 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 of corporate governance pursuant to Section 289a HGB of February 20, 2013, which also contains the Declaration of Conformity of December 20, 2012 with the German Corporate Governance Code (in the version of May 15, 2012) pursuant to Section 161 AktG, has been published and can be viewed on the company's website at http://aktie.dab-bank.de/servicenavigation/investor-relations/corporate-governance.html.

All existing and currently applicable IFRS regulations at December 31, 2012 were observed.

The DAB Bank Group does not plan to apply ahead of the required date the following new or amended Standards and Interpretations, application of which is mandatory only in later financial years. Unless otherwise indicated, the effects of these new and amended Standards and Interpretations on the consolidated financial statements of the DAB Bank Group are currently being assessed.

- Amendments to IAS 1: Presentation of Items of Other Comprehensive Income

This amendment changes the presentation of other comprehensive income in the statement of comprehensive income. Those items of other comprehensive income that will later be reclassified ("recycled") to profit or loss at a future point in time must now be presented separately from those items of other comprehensive income that will never be reclassified to profit or loss. Insofar as the items are presented on a gross basis (that is, not netted with the effects of deferred taxes), deferred taxes must now be presented not in a single amount, but separately for each of the two groupings.

The amended version must be applied for the first time in financial years that begin on or after July 1, 2012.

- IAS 19: Employee Benefits (revised 2011)

Aside from more extensive disclosure obligations for employee benefits, the revised Standard entails the following changes in particular:

Companies have previously been given an option as to how to report unexpected changes in pension obligations known as actuarial gains and losses in their financial statements. Such actuarial gains or losses can be recognized either (a) in profit or loss (b) in other comprehensive income (OCI) or (c) on a deferred basis, using the so-called corridor method. To ensure a more transparent and comparable presentation, the revised version of IAS 19 eliminates this option, so that all actual gains and losses will have to be recognized immediately in other comprehensive income in the future. In addition, past service costs will have to be recognized directly in profit or loss in the year when they are incurred.

Currently, moreover, the expected return on plan assets is determined at the beginning of the reporting period on the basis of management's expectations for the development of the investment portfolio. When IAS 19 (revised 2011) takes effect, the return on plan assets must be calculated in a standardized manner, by multiplying the pension obligations at the beginning of the period by the discount rate.

To date, the expected amount of administration costs related to the management of plan assets has been recognized in net interest income. When the changes take effect, the administration costs related to the management plan assets will have to be recognized in other comprehensive income as part of the remeasurement component, while other administrative expenses will be recognized in operating profit or loss in the period in which they are incurred.

Because the DAB Bank Group currently recognizes actuarial gains and losses in profit or loss, the amendment will lead to lower expenses and income and increased volatility within the item of other comprehensive income.

The revised Standard is applicable in financial years that begin on or after January 1, 2013.

▸ Amendments to IAS 27: Separate Financial Statements

In connection with the adoption of IFRS 10 Consolidated Financial Statements, the regulations applicable to the control principle and the requirements for the preparation of consolidated financial statements were moved from IAS 27 to IFRS 10 (see the comments on IFRS 10). As a result, IAS 27 will now only contain the rules applicable to the accounting treatment of subsidiaries, joint ventures and associated companies in the separate financial statements prepared in accordance with IFRS.

The amended version is applicable in financial years that begin on or after January 1, 2014.

▸ Amendments to IAS 28: Investments in Associates and Joint Ventures

In connection with the adoption of IFRS 11 Joint Arrangements, adjustments were also made to IAS 28. As before, IAS 28 will still govern the application of the equity method. However, the scope of application was considerably widened as a result of the adoption of IFRS 11, because in the future, the equity method will have to be applied not only to account for investments in associated companies, but also to joint ventures (see IFRS 11). Thus, the proportional consolidation of joint ventures will no longer be permitted.

In the future, consideration will also be given to potential voting rights and other derivative financial instruments in assessing whether a company can exercise significant influence and in measuring the investor's share of the company's assets.

Another change pertains to the accounting treatment to be applied in accordance with IFRS 5 when only part of an investment in an associated company or joint venture is held for sale. In such cases, IFRS 5 is partially applicable when only an investment or part of an investment in an associated company (or joint venture) meets the criterion of "held for sale."

The revised Standard is applicable in financial years that begin on or after January 1, 2014.

▸ Amendments to IAS 32 and IFRS 7: Offsetting Financial Assets and Financial Liabilities

This supplement to IAS 32 clarifies the conditions for offsetting financial instruments. It clarifies the meaning of the current legal right of set-off and specifies which gross settlement mechanisms can be regarded as net settlement mechanisms according to the Standard. In conjunction with these clarifications, the regulations applicable to required disclosures in IFRS 7 were expanded.

The amended IAS 32 is applicable in financial years that begin on or after January 1, 2014.

The amended IFRS 7 is applicable in financial years that begin on or after January 1, 2013.

▸ IFRS 10: Consolidated Financial Statements

The revised Standard introduces a comprehensive new definition of control. If one company controls another, the former (parent company) must consolidate the latter (subsidiary). According to the new concept, control is given when the potential parent company exercises decision-making power over the potential subsidiary by virtue of voting rights or other rights, when it participates in positive or negative variable returns from its involvement with the subsidiary and when it has the ability to influence those returns through its decision-making power.

The new Standard may entail consequences for the scope of consolidation, including for special-purpose entities, for example.

The new Standard is applicable in financial years that begin on or after January 1, 2014. If an investment formerly classified in accordance with IAS 27/SIC-12 is now deemed to be a subsidiary in accordance with IFRS 10, IFRS 10 must be applied retrospectively. Earlier application is permitted only if both IFRS 10 and IFRS 12, as well as the amended versions of IAS 27 and IAS 28 introduced in 2011, are all applied at the same time.

▸ IFRS 11: Joint Arrangements

IFRS 11 sets out new rules governing the accounting treatment of joint arrangements. The new concept distinguishes between a joint operation and a joint venture. A joint operation exists when the jointly controlling parties directly hold rights to the assets and directly bear obligations for the liabilities of the joint arrangement. In this case, the individual rights and obligations are recognized on a proportional basis in the consolidated financial statements. In a joint venture, by contrast, the jointly controlling parties hold rights to the net assets and equity. The equity method is employed to account for such rights in the consolidated financial statements. Thus, the previously allowed option of proportional recognition in the consolidated financial statements is no longer permitted.

The new Standard is applicable in financial years that begin on or after January 1, 2014. Specific transitional rules have been established to govern the transition from proportional consolidation to the equity method, for example. Earlier application is permitted only if both IFRS 11 and IFRS 12, as well as the amended versions of IAS 27 and IAS 28 introduced in 2011, are all applied at the same time.

▸ IFRS 12: Disclosure of Interests in Other Entities

This Standard governs the disclosure obligations pertaining to interests held in other entities. The required disclosures are considerably more extensive than those that had been previously required by IAS 27, IAS 28 and IAS 31.

The new Standard is applicable in financial years that begin on or after January 1, 2014.

- IFRS 13: Fair Value Measurement

This Standard introduces uniform rules for the fair value measurement in IFRS financial statements. In the future, all fair value measurements prescribed by other Standards must conform to the uniform rules of IFRS 13; separate rules will still only apply for IAS 17 and IFRS 2.

IFRS 13 defines fair value as an “exit price,” meaning the price that would be attained upon selling the asset or the price that would have to be paid to transfer a liability. IFRS 13 introduces a three-level hierarchical system, depending on the availability of observable market prices, of the kind that is already applicable to the fair value measurement of financial assets. This new fair value measurement framework may produce different results than those produced under the previously applicable framework.

The new Standard is applicable in financial years that begin on or after January 1, 2013.

- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine

This Interpretation aims to harmonize the accounting treatment of overburden removal costs in mining operations. If it can be expected that further use of the removed overburden will generate revenues, the costs attributable to overburden removal must be recognized as inventory according to IAS 2. If the stripping process improves access to further mining materials and the conditions defined in the Interpretation are met, the company will also be required to recognize an intangible asset concurrently with the surface mine asset. This intangible asset must then be amortized over the expected useful life.

IFRIC 20 Standard is applicable in financial years that begin on or after January 1, 2013.

Accounting and measurement 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 measurement 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, measurement and presentation methods

The required application of various amended and new IFRS Standards since financial year 2012 has had no practical effect on the present financial statements. Aside from the pronouncements that are required to be applied in 2012, the same recognition and measurement methods applied for the 2011 consolidated financial statements were applied for the present consolidated financial statements.

(4) Consolidation group

The consolidation group of the DAB Bank Group at December 31, 2012, 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, 2012.

(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 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.

(6) Currency translation

Currency translation is performed in accordance with IAS 21. Upon initial recognition, transactions are translated at the spot rate at the date of the transaction. In subsequent periods, monetary assets and liabilities that are not denominated in euros, as well as spot transactions that have not yet been settled at the reporting date, are generally translated into euros (functional currency) at the market exchange rates on the reporting date. Non-monetary assets and liabilities carried at cost are measured at the exchange rate applicable on the transaction date. Non-monetary items carried at fair value are measured at the exchange rate on the measurement date.

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 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 measurement 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 which are not classified as available-for-sale (AfS). Loans and receivables are carried at amortized cost and presented in the items of cash reserve, receivables due from banks, receivables due from customers and other assets. The types of financial assets are explained in Notes 39, 42, 43 and 47.

Held-for-trading financial instruments are measured at fair value through profit or loss. These items are presented in the items of trading assets and trading liabilities. These items contain derivatives from customer transactions that we settle directly with an outside counterparty. These financial assets and liabilities are explained in Notes 40 and 50.

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 measurement 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 2012.

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 securities and receivables and are measured at fair value. Any value changes resulting from such measurement are recognized in other comprehensive income until such time as the asset is sold or impaired according to IAS 39. This type of financial asset is explained in Note 41.

Purchases and sales of financial instruments are recognized on the trade date. In the measurement categories of loans and receivables, HtM and AfS, issue premiums and discounts are recognized as prepaid expenses or deferred income and reversed over their respective terms and the corresponding reversals are recognized in net interest income. The fair value of financial instruments can be determined reliably. For more information on this subject, please refer to Note 62: Additional disclosures on financial instruments.

Impairment losses are recognized in financial assets measured at amortized cost or classified as available-for-sale. Any necessary impairment is determined in two steps. First, we check to see if there are any objective indications of an impairment of the financial asset. In the second step, we check to see if the financial instrument is in fact impaired.

Objective indications of an impairment are facts that normally lead to an actual impairment. In the case of debt instruments, such facts can be events that could make it impossible for the debtor to fulfill its obligations in the full amount or at the agreed time. In the case of equity instruments, objective indications of an impairment can be significant or longer-lasting decreases in market value compared to the carrying amount.

Only events that have already occurred, not events expected to occur in the future, can be objective indications.

In the following, the process of determining impairments is described for each relevant category of financial instruments.

In the case of loans and receivables, an objective indication of an impairment exists as soon as a default according to the definition set out in Basel II or SolvV has occurred. Default has occurred when the debtor's payment is at least 90 days past due or when the DAB Bank Group assumes that the debtor will not be able to fulfill its payment obligations in full unless collateral execution measures are taken. Besides being 90 days past due, other criteria for an event of default include the application for or commencement of insolvency proceedings, an expectation of payment difficulties that results from the credit monitoring process or the necessity of undertaking work-out or collateral execution measures such as loan cancellation, waiver of interest or compulsory execution of collateral by the DAB Bank Group. Further details on receivables due from customers are provided in Note 9 Credit risk provisions.

In the case of HtM financial instruments, any necessary impairment loss is recognized in the amount of the difference between the carrying amount and the present value of expected future cash flows. In determining future cash flows, due consideration is given to events that have occurred (objective indications). The expected future cash flows may consist of principal and/or interest payments still expected to be received. The impairment loss is recognized in the amount of the difference between the present value of the expected future cash flows and the carrying amount.

In the case of AfS assets, a distinction is generally made between debt instruments and equity instruments.

Debt instruments are deemed to be impaired when, by reason of events that have occurred, the debtor is no longer able to fulfill its contractual obligations in the full amount or at the agreed date. Practically speaking, impairments arise in the same cases as with the loan receivables due from the same borrower (issuer).

Any necessary impairment loss is recognized in the amount of the difference between amortized cost and the current fair value. In the event of an impairment loss, any such difference that was initially recognized in the AfS reserve is recognized instead in profit or loss.

If the reason for an impairment no longer exists, the impairment loss is reversed and recognized in profit or loss in the amount of the difference between the higher market value and the carrying amount at the last reporting date, up to the amount of historical cost. If the current market value at the reporting date exceeds the historical cost, the difference between these two amounts is recognized in the AfS reserve in equity.

In the case of equity instruments measured at fair value, an impairment is deemed to exist when the current fair value is significantly less than the carrying amount, or when the fair value is less than the carrying amount consistently over a longer period of time. In this case, the difference between the current fair value and the acquisition cost is recognized in profit or loss. The impairment loss so recognized in profit or loss is applied to the acquisition cost in the future. If the fair value rises in the future, the difference between a higher fair value and the acquisition cost corrected in the manner described above is recognized in the AfS reserve in equity.

Financial assets are derecognized only when the company no longer holds or has transferred the contractual rights to the cash flows as per the definition of 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 according to the definition of IAS 24.

The presentation of profits and losses on financial instruments in the statement of comprehensive income is described in more detail in Note 62 under Net results by measurement categories.

Detailed information on the risk management of financial instruments is presented on pages 58 to 72 and 75 to 77 of the Risk Report, which is an integral part of the Management Report. The credit quality of specific financial assets is presented on page 68.

(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. Measurement 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 16.30, 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 depreciable. 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 impairments according to the definition of IAS 16.63. When the reasons for recognizing such an impairment loss no longer exist, the original value 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 sales of property, plant and equipment are recognized in the statement of comprehensive income under Net other operating income/expenses. Depreciation charges and impairments are presented in the statement of comprehensive income within administrative expenses. Costs incurred to preserve property, plant and equipment are recognized as expenses in the year in which they are incurred.

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	02 - 25 years

(13) Leases

Lease contracts are accounted for on the basis of the economic substance of the agreements, in accordance with the provisions of IAS 17 in conjunction with IFRIC 4. For that purpose, the assessment of significant risks and rewards is conducted on the basis of the criteria set out in IAS 17.10 and 17.11.

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 of other financial obligations. These obligations pertain to computer hardware leases and office rent. The lease payments, which also include components which do not pertain to the lease, are recognized within administrative expenses on a straight-line basis over the lease term.

(14) Intangible assets

Intangible assets consist of software and goodwill.

Software is carried at amortized cost. It is amortized on a straight-line basis over expected useful lives of 3 to 8 years. The amortization charges are presented within the sub-item of depreciation and amortization of property, plant and equipment and intangible assets, as part of administrative expenses. The useful lives are reviewed either when warranted by events or as of the reporting date. In financial year 2012, the adjustment of the useful lives of existing intangible assets resulted in additional amortization charges of €907 thousand; impairment losses were recognized in the amount of €854 thousand.

The goodwill in the total amount of €18,137 thousand is attributable in full to direktanlage.at AG. Of this total amount, €6,386 thousand pertains to an item of goodwill recognized in connection with the acquisition of vbankdirekt AG on November 21, 2001. The remaining goodwill in the amount of €11,751 thousand resulted from the full consolidation of direktanlage.at AG. Impairments are presented within the item of amortization of goodwill in the statement of comprehensive income.

Goodwill is subjected to an impairment test according to IAS 36 at least annually. Impairment losses are recognized when impairments are found to exist. The procedure followed in conducting impairment tests is described in Note 33.

(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. Measurement 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. Detailed information on the development of pension provisions is provided in Note 51.

(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. Current tax assets and current tax liabilities are netted when the company has a legal right to settle on a net basis or when the corresponding liability is to be settled concurrently with recovery of the corresponding asset. 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 when it is probable that the company will generate taxable income against which the tax loss can be applied. Deferred taxes are recognized in respect of unutilized tax loss carry-forwards to the extent that future recovery according to the definition of IAS 12 is probable.

Because this method is based on future tax assets and 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 and similar income and interest expenses are generated primarily on the fixed-income securities held in the bank's treasury portfolio and on the deposit business with customers and banks. In addition, interest income is generated on margin loans to customers. Interest income and interest expenses are recognized pro rata temporis for all relevant financial instruments. Dividend income is recognized upon creation of a legal claim to payment.

(21) Commission income and expenses

Net commission income includes all commission and similar income and expenses arising from the service business. The service business comprises securities-related services and securities accounts, including the execution of trade orders, and the brokerage of third-party products. Since the first quarter of 2012, moreover, DAB Bank conducts securities lending operations with other banks, which are secured by hedges. The profit contributions resulting from securities lending operations are presented within commission income. Commissions are collected on services that are provided over a certain period of time and also on services conducted at a specific point in time. In this context, commission income and expenses are recognized pro rate temporis, in accordance with the matching principle.

(22) Trading profit/loss

Trading profit/loss includes all realization and measurement 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 measurement 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) Estimates and exercise of discretionary judgment by the management

In preparing the consolidated financial statements, the management of DAB Bank AG exercises discretionary judgment and makes estimates of future developments. As a result, there is a risk that future adjustments may have to be made to the assets and liabilities presented herein.

Discretionary judgments are made particularly in respect of the following matters:

- The classification of assets according to the measurement categories of IAS 39, in observance of the formal criteria established in the IFRS Standards.

- The method and parameters for measuring financial instruments in the event that no active market exists according to the definition of IAS 39.AG71. This also entails a discretionary judgment as to whether an active market exists. Additional information on this subject is presented in Note 62.

Estimates are made particularly in respect of the following matters:

- The useful lives of property, plant and equipment and intangible assets, and the associated amounts of systematic depreciation and amortization, impairments and any adjustments of amortization periods (carrying amount: €47,392 thousand). Additional information on this subject is presented in Notes 12, 14, 44 and 45.

- The method employed and the related measurement parameters for conducting the impairment test of goodwill (carrying amount: €18,137 thousand) and generally for all assets for which there is an objective indication of an impairment, necessitating an impairment test.

- Cash flow projections for impairment tests with a time horizon of more than five years.

- The estimation of the timing and amount of future cash flows, for purposes of measuring the value of receivables due from customers (carrying amount: €2,660 thousand).

- The calculation method and the parameters applied to calculate pension provisions and the weighting to be applied with respect to the criteria for recognizing and reversing provisions and determining the terms of provisions. Additional information on this subject is presented in Notes 17 and 51.

- The calculation of temporary differences and the deferred taxes to be recognized in respect thereof. Additional information on this subject is presented in Notes 19, 35, 46 and 52.

- The substantive value and utilization of deferred taxes in respect of tax loss carry-forwards (carrying amount: €3,735 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	2012	2011
Receivables from banks	-	-	4,858	4,858	5,978
Receivables from customers	-	-	9,036	9,036	10,596
AFV financial assets	-	121	-	121	2,739
AfS financial assets	20	51,925	-	51,945	43,792
HtM financial assets	-	7,672	-	7,672	11,730
Other assets	-	-	31	31	19
Total	20	59,718	13,925	73,663	74,854

(26) Interest expenses

in k€ 01/01 – 12/31	2012	2011
Liabilities to banks	67	86
Liabilities to customers	23,441	21,248
Subordinated liabilities	-	217
Other liabilities	359	80
Total	23,867	21,631

The interest expenses for Liabilities to customers and Liabilities to banks are mainly related to the deposit business.

(27) Net commission income

in k€ 01/01 - 12/31	2012	2011
Commission income from	126,204	136,872
securities and custodial services	61,236	77,164
brokerage of third-party products	51,601	52,939
foreign trade/payments	6,239	5,703
other service operations	7,128	1,066
Commission expenses for	52,023	51,266
securities and custodial services	11,999	13,985
brokerage of third-party products	38,085	36,311
foreign trade/payments	842	417
other service operations	1,097	553
Total	74,181	85,606

Starting in financial year 2012, the item of Other service business also contains the profit contributions from securities lending transactions, in the amount of €5,584 thousand.

(28) Trading profit/loss

in k€ 01/01 - 12/31	2012	2011
HfT financial instruments	374	223
Debt securities and other fixed-income securities	201	159
Equities and other non-fixed income securities	-	106
Derivative financial instruments	173	-42
AFV financial instruments	146	408
Debt securities and other fixed-income securities	87	659
Equities and other non-fixed income securities	59	-251
Total	520	631

The net gains on securities measured at fair value through profit or loss only contain the fair value changes recognized in profit or loss. The net interest income earned on the trading portfolio is recognized in Net interest income.

(29) Profit/loss from investments

in k€ 01/01 - 12/31	2012	2011
AfS financial instruments	14,949	-555
Debt securities and other fixed-income securities	14,929	-1,298
Equities and other non-fixed income securities	20	32
Shares in consolidated subsidiaries	-	711
HtM financial instruments	-	-
Debt securities and other fixed-income securities	-	-
Total	14,949	-555

The net profits on sales of securities classified as available-for-sale consist exclusively of realized gains and losses. The net interest earned on AfS and HtM financial instruments is presented within Net interest income, as a general rule. In the prior year, the item of Shares in consolidated subsidiaries contained the deconsolidation effect arising from the sale of the entire equity interest held in SRQ FinanzPartner AG, in the amount of €711 thousand.

(30) Net other operating income/expenses

in k€ 01/01 - 12/31	2012	2011
Other operating income	1,032	1,261
Income from product management	451	333
Income from defective handling of securities trades	374	290
Other	207	638
Other operating expenses	1,691	2,114
Losses from defective handling of securities trades or accommodation payments	815	2,094
Write-offs on receivables	202	9
Other	674	11
Total	-659	-853

Other operating income contained a total net profit from curre..cy translation differences in the amount of €39 thousand (PY: €32 thousand).

(31) Administrative expenses

in k€ 01/01 - 12/31	2012	2011
Personnel expenses	41,058	38,268
Wages and salaries	34,197	31,817
Social security	5,667	5,393
Pension and other benefit costs	1,194	1,058
Other administrative expenses	56,642	64,670
Marketing expenses	11,325	16,254
Communication expenses	4,211	4,841
IT expenses	16,204	12,841
Securities clearing and settlement expenses	9,761	11,241
Remaining other administrative expenses	15,141	19,493
Depreciation and amortization	13,646	10,150
of equipment	2,503	1,899
of software and other intangible assets (excluding goodwill)	11,143	8,251
Total	111,346	113,088

Personnel expenses rose moderately, from €38,268 thousand in 2011 to €41,058 thousand in 2012, mainly as a result of the investments made in the quality of our employees, as well as non-recurring effects. Personnel expenses also included severance awards for 2012, in the amount of €824 thousand (PY: €413 thousand).

The total expenses for lease payments under operating leases amounted to €4,266 thousand in financial year 2012 (PY: €4,763 thousand). Amortization and impairments of software and other intangible assets also included an effect of €907 thousand (PY: €769 thousand) resulting from the adjustment of the amortization period, as well as impairments in the amount of €854 thousand (PY: €0 thousand). Software is attributable to the operating segment of DAB Bank AG, in accordance with IFRS 8.

(32) Appropriations to provisions

The expenses incurred in 2012 for appropriations to provisions, in the amount of €1,059 thousand (PY: €1,058 thousand), were related mainly to provisions for compensation of loss or damage. In those cases when the original reasons for recognizing the provisions were no longer in effect, provisions were reversed in the amount of €1,641 thousand (PY: €2,608 thousand).

(33) Impairment losses in goodwill

In accordance with IFRS 3 in conjunction with IAS 36.10 (b), goodwill is no longer subjected to systematic amortization; instead, an impairment test is conducted every year, or when circumstances warrant, to ascertain the occurrence of any impairments. At December 31, 2012, a goodwill item was recognized only in connection with direktanlage.at AG. The impairments of goodwill recognized in the prior year in connection with the sale of the entire equity interest in SRQ are explained in Note 45 Intangible Assets.

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.

Key assumptions applied for this purpose include the company's market positioning in relation to the basic operating conditions in the respective industry environment, as well as the scalability of the business model, customer and employee satisfaction and the company's financial performance in past years.

For the purposes of determining any impairment of goodwill, the recoverable amount is calculated on the basis of the value-in-use. Expected future cash flows are determined on the basis of the five-year plan approved by the management and a discount rate of 12%. The investment income tax on capital gains that has been introduced in Austria is a key factor affecting the company's development in 2012 and 2013. This new tax caused a decrease in trading activity, particularly in 2012, which the company is countering by means of a comprehensive new product campaign, the goal of which is to increase revenues sustainably. In the future, we anticipate an easing of the negative effect of the investment income tax, not least of all as a result of the option to be allowed in 2013 and beyond to directly net capital gains and losses on securities, as well as the positive effects to result from the introduction of new products. The initial growth rate for the five-year planning horizon is 24% (PY: 16%); it is based on the average growth rates for the plan years 2013 to 2016. The final growth rate for the years beyond this time frame is assumed to be 0% (PY: 0%).

The parameters applied for the impairment test are summarized below.

in %	12/31/2012	12/31/2011
Goodwill of direktanlage.at AG		
Average initial growth rate	24	16
Final growth rate	0	0
Risk-adjusted discount rate to determine present values	12	9

The risk-adjusted discount rate serves as a measure for the opportunities and risks inherent in the investments. It reflects the estimates of the respective future returns. The risk-adjusted discount rate rose to 12% in 2012 (PY: 8.7%).

Based on the foregoing, an impairment test was conducted as of December 31, 2012. Based on the results of this impairment test, the carrying amount of the goodwill of direktanlage.at AG was confirmed as in the previous year in the full amount of €18,137 thousand.

(34) Credit risk provisions

in k€ 01/01 - 12/31	2012	2011
Additions	292	340
Reversals	183	287
Amounts recovered on charged-off receivables	118	8
Total	-9	45

(35) Income taxes

The income taxes break down as follows:

in k€ 01/01 - 12/31	2012	2011
Current tax expenses	8,655	6,051
Deferred tax expenses	1,252	1,905
Total	9,907	7,956

The stated current tax expenses consisted of German local trade taxes, in the amount of €5,040 thousand (PY: €3,576 thousand), and corporate income taxes in Germany and abroad, in the amount of €3,615 thousand (PY: €2,475 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 €780 thousand (PY: €203 thousand).

The total amount of corporate income tax loss carry-forwards for which deferred taxes were recognized amounted to €23,603 thousand at the reporting date (PY: €40,223 thousand).

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

in k€ 01/01 - 12/31	2012	2011
Result before taxes	28,032	25,728
Applicable tax rate	32.98%	32.98%
Income taxes derived from applicable rate	9,244	8,484
Tax effects from		
previous years	800	-530
foreign income	-483	-402
tax-exempt income	-	-1
differing legal norms	-	112
non-deductible expenses	185	391
impairment losses in goodwill	-	244
other differences	161	-3
from discontinued operations (SRQ)	-	-339
Effective income taxes	9,907	7,956

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%.

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

The effects of discontinued operations presented in the prior-year figures 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**	2012 Deferred tax assets	2012 Deferred tax liabilities	2011 Deferred tax assets	2011 Deferred tax liabilities
Tax loss carryforwards	3,735	-	6,365	-
Credit risk provisions	-	76	-	83
Trading assets	-	13,283	-	19,996
Property and equipment	-	25	-	25
Intangible assets	-	242	-	214
AFV, AfS, and HtM financial instruments	50	13,498	6,583	3,260
Other assets	-	-	-	-
Trading liabilities	13,199	-	19,968	-
Provisions	683	-	711	-
Other liabilities	-	-	-	-
Total	17,667	27,124	33,627	23,578

The change in deferred taxes recognized in respect of temporary differences gave rise to expenses of €6,834 thousand (PY: €11,134 thousand) and income of €8,213 thousand (PY: €11,149 thousand). The application of deferred tax assets recognized in respect of tax loss carry-forwards gave rise to expenses in the amount of €2,630 thousand (PY: €1,920 thousand).

(36) Changes in value of AfS financial instruments

At the reporting date, the net balance of deferred taxes attributable to AfS financial instruments, which is recognized in equity, amounted to €-11,671 thousand (€0 thousand in deferred tax assets and €11,671 thousand in deferred tax liabilities). In the prior-year financial statements, the net balance was €6,583 thousand (€6,583 thousand in deferred tax assets and €0 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 2012, 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 €17,368 thousand. At the annual shareholders' meeting to be held on May 16, 2013, the Management Board and Supervisory Board of DAB Bank AG will propose distributing a dividend of 0.21 euros per no-par bearer share. The consolidated unappropriated net profit of the DAB Bank Group calculated in accordance with IFRS is likewise €17,368 thousand.

Dividend corresponding to the unappropriated net profit for 2011
The shareholders present and represented at the annual shareholders' meeting of DAB Bank AG on May 24, 2012 approved a dividend of €0.22 per no-par bearer share for financial year 2011. 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 €16,541 thousand computed on this basis was distributed to the shareholders as a dividend.

(38) Earnings per share

01/01 - 12/31	2012	2011
Consolidated net income (attributable to shareholders of DAB Bank AG) in k€	18,125	17,325
Average number of shares outstanding*	82,705,706	75,187,007
Earnings per share (basic) in €	0.22	0.23
Consolidated net income (attributable to shareholders of DAB Bank AG) in k€	18,125	17,325
Number of potential shares	-	-
Adjusted average number of shares outstanding*	82,705,706	75,187,007
Earnings per share (diluted) in €	0.22	0.23

* The treasury shares purchased in 2012 for the purpose of correcting improperly executed trade orders did not have an appreciable effect on the average shares outstanding.

Notes to the Statement of Financial Position

(39) Cash reserve

in k€ at 12/31	2012	2011
Cash on hand	2,328	2,031
Balances with central banks	216,107	100,818
Total	218,435	102,849

(40) Trading assets

in k€ 01/01 - 12/31	2012	2011
Trading assets (HfT)		
Bonds and other fixed-income securities	163	299
Stocks and other variable-yield securities	-	-
Derivative financial instruments	40,283	60,639
Total	40,446	60,938

The trading assets include the securities held in connection with our offering of bonds, stocks and investment funds, as well as the positive fair values of derivatives concluded 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	2012	2011
Due in		
up to 3 months	7	8
more than 3 months to 1 year	103	2
more than 1 year to 5 years	11	166
more than 5 years	42	123
Total	163	299

A breakdown of derivative financial instruments by residual maturities is presented on page 70 of the Management Report (Risk Report).

(41) AFV, AfS, and HtM financial instruments

Breakdown of financial assets

in k€ at 12/31	2012	2011
AFV financial assets	4,383	4,305
Bonds and other fixed-income securities	2,673	2,681
thereof: long-term financial assets	-	-
Stocks and other variable-yield securities	1,710	1,624
thereof: long-term financial assets	-	-
AfS financial assets	3,035,548	2,171,998
Equity investments	20	20
Bonds and other fixed-income securities	3,035,206	2,171,609
thereof: long-term financial assets	145,530	45,159
Stocks and other variable-yield securities	322	369
thereof: long-term financial assets	-	-
HtM financial assets	170,770	245,782
Bonds and other fixed-income securities	170,770	245,782
including: long-term financial assets	42	55,784
Total	3,210,701	2,422,085

As of the reporting date, we conducted an impairment test of the securities classified as HtM financial instruments to ascertain whether there were any objective indications of an impairment. The impairment test confirmed the substantive value of the tested securities and therefore the substantive value of all these holdings in the total carrying amount of €170,770 thousand. At the reporting date, the market value of all HtM holdings amounted to €180,489 thousand.

The carrying amounts at December 31, 2012 break down as follows:

in k€	Equity investments	Bonds and other fixed-income securities	Stocks and other variable-yield securities	Total
Marketable securities	-	3,208,649	2,032	3,210,681
Listed securities	-	3,201,748	1,174	3,202,922
Unlisted securities	-	6,901	858	7,759
Unmarketable securities	20	-	-	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	2012	2011
Bonds and other fixed-income securities	3,208,649	2,420,072
Money market instruments	252,412	204,752
of public issuers	10,033	11,546
of other issuers	242,379	193,206
Bonds and debt issues	2,956,237	2,215,320
of public issuers	196,798	28,195
of other issuers	2,759,439	2,187,125
Stocks and other variable-yield securities	2,032	1,993
Stocks	199	154
Investment fund shares	1,833	1,839
Profit certificates	-	-
Index certificates	-	-

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

in k€ at 12/31	2012	2011
Term to maturity		
up to 3 months	504,589	420,236
3 months to 1 year	633,047	280,186
1 year to 5 years	1,925,483	1,614,088
more than 5 years	145,530	105,562
Total	3,208,649	2,420,072

Bonds by overdue status

in k€ at 12/31	2012	2011
Neither overdue nor written down	3,208,649	2,420,072
Overdue, but not yet written down	-	-
Total	3,208,649	2,420,072

(42) Receivables from banks

Receivables from banks by maturity

in k€ at 12/31	2012	2011
Payable on demand	259,543	261,612
Due in	266,703	181,712
up to 3 months	117,514	95,127
more than 3 months to 1 year	90,211	83,569
more than 1 year to 5 years	58,978	3,016
more than 5 years	-	-
Total	526,246	443,324

Receivables from banks by domestic and foreign

in k€ at 12/31	2012	2011
Domestic banks	285,063	322,483
Foreign banks	241,183	120,841
Total	526,246	443,324

Receivables to affiliated companies

in k€ at 12/31	2012	2011
Total	262,003	173,069

Receivables from banks by overdue status

in k€ at 12/31	2012	2011
Neither overdue nor written down	526,246	443,324
Overdue but not yet written down	-	-
Total	526,246	443,324

(43) Receivables from customers

Receivables from customers by maturity

in k€ at 12/31	2012	2011
Payable on demand	291,393	267,304
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	291,393	267,304
thereof, secured by mortgages	-	-

Receivables from customers by domestic and foreign

in k€ at 12/31	2012	2011
Domestic	207,283	191,095
Foreign	84,110	76,209
Total	291,393	267,304

Receivables from customers by overdue status

in k€ at 12/31	2012	2011
Neither overdue nor written down	291,393	267,304
Overdue but not yet written down	-	-
Total	291,393	267,304

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€	2012	2011	2012	2011	2012	2011
at 01/01	2,526	2,590	-	-	2,526	2,590
Changes recognized in income						
Additions	292	340	-	-	292	340
Releases	186	287	-	-	186	287
Changes not recognized in income						
Utilization	416	117	-	-	416	117
at 12/31	2,216	2,526	-	-	2,216	2,526

In the DAB Bank Group, receivables amounting to €89 thousand were completely charged off in 2012 (PY: €50 thousand). The amounts recovered on charged-off receivables in 2012 total €118 thousand (PY: €8 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 €463 thousand (PY: €589 thousand).

(44) Property, plant and equipment

Changes in property, plant and equipment

in k€	Hardware	Facilities	Miscellaneous
Acquisition/production cost			
Balance at 01/01/2011	7,708	4,743	12,604
Additions	2,085	217	201
Disposals	102	2	63
Deconsolidations	226	113	0
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
Scheduled depreciation	1,028	399	541
Disposals	102	2	43
Deconsolidations	133	67	0
Balance at 12/31/2011	4,080	2,312	7,797
Carrying amounts			
Balance at 12/31/2011	5,385	2,534	4,945
Acquisition/production cost			
Balance at 01/01/2012	9,465	4,845	12,742
Additions	3,191	506	723
Disposals	5	-	-
Balance at 12/31/2012	12,651	5,351	13,465
Depreciation and impairments			
Balance at 01/01/2012	4,080	2,312	7,797
Scheduled depreciation	1,543	417	544
Disposals	-	-	-
Carrying amounts	5,623	2,729	8,341
Balance at 12/31/2012	7,028	2,623	5,124

The deconsolidations for 2011 pertained exclusively to SRQ FinanzPartner AG.

(45) Intangible assets

Changes in intangible assets

in k€	Software	Customer base	Goodwill
Acquisition/production cost			
Balance at 01/01/2011	69,070	1,620	28,538
Additions	8,941	-	-
Disposals	1,207	-	-
Deconsolidations	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	-	-
Deconsolidations	198	495	9,699
Balance at 12/31/2011	46,113	-	-
Carrying amounts			
Balance at 12/31/2011	30,385	-	18,137
Acquisition/production cost			
Balance at 01/01/2012	76,498	-	18,137
Additions	13,487	-	-
Disposals	127	-	-
Balance at 12/31/2012	89,858	-	18,137
Depreciation and impairments			
Balance at 01/01/2012	46,113	-	-
Scheduled depreciation	10,300	-	-
Unscheduled depreciation	843	-	-
Disposals	15	-	-
Balance at 12/31/2012	57,241	-	-
Carrying amounts			
Balance at 12/31/2012	32,617	-	18,137

The deconsolidations for 2011 pertained exclusively to SRQ FinanzPartner AG.

The item of software included advance payments in the amount of €2,818 thousand (PY: €3,470 thousand) for IT projects that were not yet completed at the reporting date. The item of software also included adjustments to the amortization period in the amount of €907 thousand (PY: €769 thousand), which are presented within systematic amortization.

The total goodwill in the amount of €18,137 thousand is attributable to direktanlage.at AG at December 2012, 31.

(46) Income tax assets

in k€ **at 12/31**	2012	2011
Tax refund claims	3,702	2,506
Deferred tax assets from tax loss carryforwards	3,735	6,365
Deferred tax assets from temporary differences	13,932	27,262
Total	21,369	36,133

(47) Other assets

in k€ **at 12/31**	2012	2011
Prepaid expenses	1,908	2,390
Trade receivables	3,017	2,410
Receivables due from public-sector entities	5,195	3,776
Other assets	5,209	3,597
Total	15,329	12,173

Other assets (Trade receivables) by overdue status

in k€ **at 12/31**	2012	2011
Neither overdue nor written down	1,468	1,316
Overdue, but not yet written down	1,529	1,019
up to 3 months	1,207	878
more than 3 months up to 6 months	227	42
more than 6 months up to 1 year	-	9
more than 1 year up to 5 years	95	90
Total	2,997	2,335

The value adjustments charged against various trade receivables at the reporting date amounted to €20 thousand (PY: €75 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

Liabilities to banks by maturity

in k€ at 12/31	2012	2011
Payable on demand	56,223	24,433
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	56,223	24,433

Liabilities to banks by domestic and foreign

in k€ at 12/31	2012	2011
Domestic banks	14,177	13,582
Foreign banks	42,046	10,851
Total	56,223	24,433

Liabilities to affiliated companies

in k€ at 12/31	2012	2011
Total	548	267

(49) Liabilities to customers

Liabilities to customers by maturity

in k€ at 12/31	2012	2011
Payable on demand	3,613,982	2,759,923
Due in	364,627	301,421
up to 3 months	141,818	110,308
more than 3 months to 1 year	174,633	175,972
more than 1 year to 5 years	16,247	15,141
more than 5 years	1,033	0
Savings deposit with agreed notice period of 3 months	30,896	0
Total	3,978,609	3,061,344

Liabilities to customers by domestic and foreign

in k€ at 12/31	2012	2011
Domestic	3,136,844	2,386,564
Foreign	841,765	674,780
Total	3,978,609	3,061,344

(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 70 of the Management Report (Risk Report).

(51) Provisions

Changes in provisions

in k€	2012	2011
at 01/01	6,243	8,079
Changes recognized in income		
Additions	1,702	1,379
Reversals	1,641	2,844
Changes not recognized in income		
Changes in the scope of consolidation	-	-199
Utilizations	71	172
at 12/31	6,233	6,243

The total provisions included provisions for compensation of loss or damage in the amount of €3,474 thousand (PY: €4,214 thousand), provisions for long-term liabilities due to employees in the amount of €66 thousand (PY: €49 thousand) and provisions for litigation expenses in the amount of €110 thousand (PY: €38 thousand).

All provisions represent current liabilities, except for the obligations owed to employees.

Provisions that were no longer needed were reversed and recognized in profit or loss.

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

Changes in pension provisions

in k€	2012	2011
Present value of pension obligations at 01/01	1,942	2,009
Changes recognized in income		
Service cost	54	52
Interest expense	101	97
Actuarial gains and losses	588	-163
Changes not recognized in income		
Payments affecting liquidity	-102	-53
Present value of pension obligations at 12/31	2,583	1,942

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

in %	12/31/2012 - 01/01/2013	12/31/2011 - 01/01/2012
Discount rate (p.a.)	3.75	5.25
Pension adjustment (p.a.)	2.24	1.70
Income increase (p.a.)	2.32	2.00

By reason of numerous company downgrades by the rating agencies, the number of euro-denominated, long-term corporate bonds with a rating of at least AA declined considerably in 2012. Because these bonds form the basis for determining the discount rate to be applied in measuring pension obligations, this development provoked considerable volatility of yields and therefore of the interest rate to be applied. As a result of the changed market conditions, the data basis applied to determine the discount rate was adjusted in 2012. Above all, the more extensive data basis resulting from the change of service provider led to greater detail precision and therefore to the determination of a more accurate interest rate. The total effect arising from the change of interest rate in 2012 compared to the prior year amounted to €588 thousand.

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 €730 thousand and direktanlage.at AG accounted for €1,854 thousand of the total present value at December 2012, 31.

The total expected pension expenses for 2013 are €73 thousand.

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**	2012	2011
Income tax provisions	8,176	4,146
Deferred tax liabilities from temporary differences	27,124	23,578
Total	35,300	27,724

(53) Other liabilities

in k€ **at 12/31**	2012	2011
Accruals	32,354	30,674
Trade payables	1,972	4,416
Liabilities to public-sector entities	9,818	4,320
Other liabilities	2,812	1,049
Total	46,956	40,459

Other liabilities to affiliated companies

in k€ **at 12/31**	2012	2011
Total	282	109

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) Equity

Subscribed capital
The share capital of DAB Bank AG amounts to €82,705,706.00 (PY: €82,705,706.00) and is fully paid-in. It is divided into 82,705,706 no-par bearer shares (PY: 82,705,706 no-par bearer shares), every one of these shares grant the same rights.

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 reserve comprises the remaining share premium from the issuance of shares in connection with the IPO of DAB Bank AG in financial year 1999 and the premium from the cash capital increase in financial year 2011.

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 also 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, 2012, 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 24, 2012, 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 €18,500,000.00, by issuing new bearer shares in exchange for cash or in-kind capital contributions, on one or more occasions in the time until May 24, 2017 (Authorized Capital II). 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. If the capital is increased in exchange for cash capital contributions, a subscription right will be granted to the shareholders, as a general rule. However, the Management Board is authorized, with the consent of the Supervisory Board, to exclude fractional shares from the shareholders' subscription right. In the case of capital increases in exchange for cash capital contributions, 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 if 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 the present authorization takes effect or when it is exercised. The sale of treasury shares will be applied against the limit of 10% of share capital if such sales are effected under exclusion of the subscription right by virtue of an authorization in effect at the time when the present authorization takes effect or an authorization that will have superseded it in accordance with Section 71 (1) (8) AktG, in conjunction with Section 186 (3) (4) AktG. Also applicable to this limit of 10% of share capital are those shares issued or to be issued to service convertible bonds bearing conversion and/or warrant rights, if the convertible bonds are issued under exclusion of the subscription right by virtue of an authorization in effect at the time when the present authorization takes effect or an authorization that will have superseded it by analogous application of Section 186 (3) (4) AktG. The Management Board is authorized, with the consent of the Supervisory Board, to establish the further share rights and the terms and conditions of the share issue.

The Authorized Capital II was recorded in the Commercial Register on May 31, 2012.

At December 31, 2012, the Authorized Capital II existed still in the full amount of €18,500,000.

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, 2012, 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 2012.

2.) The annual shareholders' meeting of May 17, 2001 adopted a resolution (recorded in the Commercial Register on May 23, 2001) to increase the share capital by up to €3,300,000 by issuing 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, 2012, no further stock options issued in connection with the International Stock Option Plan 2001 of DAB Bank AG for employees of the Group were still in effect. No further stock options were granted in 2012.

Development of subscribed Authorized and Conditional Capital of DAB Bank AG

	Subscribed capital k€	Authorized capital k€	thereof: exclusive of subscription rights* k€	Conditional capital k€
Balance at January 1, 2012	82,706	29,981	29,981	6,800
Authorized Capital resolved in 2007 (in effect until May 10, 2012)	-	-7,481	-7,481	-
Authorized Capital resolved in 2012	-	18,500	18,500	-
Balance at December 31, 2012	82,706	41,000	41,000	6,800

*The figures presented herein are understood to be maximum values for capital increases in exchange for in-kind capital contributions. However, the authorization to exclude the subscription right in case of capital increases in exchange for cash capital contributions is particularly subject to the condition that the shares issued under exclusion of the subscription right in accordance with Section 186 (3) (4) AktG do not exceed in total 10% of the share capital. Detailed provisions on this subject are set out in Article 4 para. 2 and para. 4 of the company's Articles of Incorporation.

Authorized capital

Decision year	Original amount k€	Still available k€	Limited in time until
2011	22,500	22,500	05/19/2016
2012	18,500	18,500	05/24/2017
at 12/31/2012	41,000	41,000	

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	

(55) 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 2012 for the purpose of correcting errors and to process customer orders. Overall, transactions in the period listed above involved 4,540 shares; this corresponds to a share of €4,540 or 0.005% of the capital stock. Of this amount, 4,540 shares were used for correcting errors; this likewise corresponds to a share of 0.005% of the capital stock. At an average purchase price/sale price of €3.55 / €3.48 per share, a loss of €164 was incurred on these transactions.

No company shares were held by the DAB Bank Group at December 31, 2012.

(56) Trust transactions

The trust assets in the amount of €184,641 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.

(57) Assets and liabilities in foreign currency

The euro equivalent of assets denominated in a foreign currency at the reporting date amounted to €183,705 thousand (PY: €127,962 thousand), and that of liabilities denominated in a foreign currency €177,868 thousand (PY: €126,551 thousand). Foreign currency transactions were effected primarily in U.S. dollars.

(58) Pledge of securities for own liabilities

Securities valued at €10,000 thousand were pledged to Clearstream Banking AG, Frankfurt a.M. and Luxembourg, and securities valued at €10,000 thousand were pledged to HSBC Trinkhaus & Burkhardt AG, Düsseldorf, as collateral for the clearing and settlement of securities trades. The agreements regulating the transfer of collateral are based on standardized contracts and do not contain special clauses.

(59) Securities lending and posted collateral

In financial year 2012, the DAB Bank Group conducted securities lending transactions with other banks, accompanied by collateral posting transactions in every case. In accordance with IAS 39.20 (b), neither the transactions related to the loaned securities, nor those related to the posting of collateral have been presented in the financial statements. At the reporting date, the fair value (= carrying amount) of the loaned securities amounted to €1,163,526 thousand (PY: €0 thousand). The fair value of the posted collateral amounted to €1,266,349 thousand (PY: €0 thousand).

The posted collateral can be sold or rehypothecated under fair market conditions at any time, also when the collateral issuer is not in default of its payment obligations. In this respect, there is a retransfer obligation of the same type, quantity and quality. At the reporting date, collateral received by the DAB Bank Group in the amount of €90,315 thousand had been reverse-pledged to the collateral issuer. No collateral was sold or rehypothecated in financial year 2012.

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.

Notes to the segment report

(61) Segment report

The DAB Bank Group is managed by way of the companies comprised within 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 also represented a separate operating segment. At December 31, 2011, SRQ was 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 were presented in full.

The operating segments are defined in accordance with the management approach, according to which a segment is determined on the basis of internal reports that are regularly reviewed by chief operating decision makers (CODMs) in order to allocate resources to the individual segments and measure their performance. In the DAB Bank Group, the Management Board exercises the CODM function. The internal organizational and management structure of the Group and the internal financial reporting system form the basis for segment reporting.

All units of DAB Bank AG submit a monthly report fulfilling the purposes outlined above to the Management Board. The planning and budgeting process, in which the Management Board specifies performance targets for the business units and allocates available resources to the segments in a targeted manner, is conducted on the level of the companies included in the consolidated financial statements. The same applies to the criteria on the basis of which the compensation of the Management Board is determined.

The segments identified on the basis of the criteria set out in IFRS 8.12 are the countries of Germany and Austria, in which the DAB Bank Group operates. Values are assigned to the geographical regions on the basis of the respective company's registered head office. DAB Bank AG is assigned to the Germany segment and direktanlage.at AG is assigned to the Austria segment.

The accounting principles applied by the operating segments are identical to those described in the section entitled Recognition and measurement methods.

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 €2,300 thousand (PY: €4,500 thousand) and commission income and expenses in the amount of €106 thousand (PY: €132 thousand).

▸ The interest-similar income arises from the phase-shifted collection of dividends by the parent company from the subsidiary 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 €106 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.

Segment Report according to IFRS

Income Statement by Segments:

in k€	DAB Bank AG	direktanlage.at AG	Consolidation	Group	SRQ Finanzpartner AG	Consolidation	Group (incl. SRQ)
Net interest income							
01/01/2012-12/31/2012	42,159	7,637	-	49,796	-	-	49,796
01/01/2011-12/31/2011	44,342	8,881	-	53,223	-15	-	53,208
Net comission income							
01/01/2012-12/31/2012	59,412	14,769	-	74,181	-	-	74,181
01/01/2011-12/31/2011	68,276	17,330	-	85,606	2,825	-	88,431
Trading profit/loss							
01/01/2012-12/31/2012	559	-39	-	520	-	-	520
01/01/2011-12/31/2011	675	-44	-	631	-	-	631
Profit/loss from investments							
01/01/2012-12/31/2012	12,388	2,561	-	14,949	-	-	14,949
01/01/2011-12/31/2011	976	-2,242	711	-555	-	-	-555
Net other operating income/expenses							
01/01/2012-12/31/2012	-587	-72	-	-659	-	-	-659
01/01/2011-12/31/2011	-889	36	-	-853	27	-	-826
Non-interest-dependent income							
01/01/2012-12/31/2012	71,772	17,219	-	88,991	-	-	88,991
01/01/2011-12/31/2011	69,038	15,080	711	84,829	2,852	-	87,681
OPERATING INCOME							
01/01/2012-12/31/2012	113,931	24,856	-	138,787	-	-	138,787
01/01/2011-12/31/2011	113,380	23,961	711	138,052	2,837	-	140,889
Personnel expenses							
01/01/2012-12/31/2012	32,897	8,161	-	41,058	-	-	41,058
01/01/2011-12/31/2011	30,185	8,083	-	38,268	991	-	39,259
Other administrative expenses							
01/01/2012-12/31/2012	47,053	9,589	-	56,642	-	-	56,642
01/01/2011-12/31/2011	54,688	9,982	-	64,670	2,030	-	66,700
Depreciation, amortization and impairments of property, plant and equipment and intangible assets							
01/01/2012-12/31/2012	12,620	1,026	-	13,646	-	-	13,646
01/01/2011-12/31/2011	9,257	893	-	10,150	211	-	10,361
Administrative expenses							
01/01/2012-12/31/2012	92,570	18,776	-	111,346	-	-	111,346
01/01/2011-12/31/2011	94,130	18,958	-	113,088	3,232	-	116,320
OPERATING PROFIT/LOSS							
01/01/2012-12/31/2012	21,361	6,080	-	27,441	-	-	27,441
01/01/2011-12/31/2011	19,250	5,003	711	24,964	-395	-	24,569

Income Statement by Segments:

in k€	DAB Bank AG	direktanlage.at AG	Consolidation	Group	SRQ Finanzpartner AG	Consolidation	Group (incl. SRQ)
Additions to provisions							
01/01/2012-12/31/2012	-597	15	-	-582	-	-	-582
01/01/2011-12/31/2011	-1,552	2	-	-1,550	99	-	-1,451
Impairment of goodwill							
01/01/2012-12/31/2012	-	-	-	-	-	-	-
01/01/2011-12/31/2011	741	-	-	741	-	-	741
Credit risk provisions							
01/01/2012-12/31/2012	-18	9	-	-9	-	-	-9
01/01/2011-12/31/2011	86	-41	-	45	-	-	45
PROFIT/LOSS BEFORE TAXES							
01/01/2012-12/31/2012	21,976	6,056	-	28,032	-	-	28,032
01/01/2011-12/31/2011	19,975	5,042	711	25,728	-494	-	25,234
Income taxes							
01/01/2012-12/31/2012	8,337	1,570	-	9,907	-	-	9,907
01/01/2011-12/31/2011	6,682	1,274	-	7,956	7	-	7,963
Net profit/loss after taxes							
01/01/2012-12/31/2012	13,639	4,486	-	18,125	-	-	18,125
01/01/2011-12/31/2011	13,293	3,768	711	17,772	-501	-	17,271

Additional information by segments

	DAB Bank AG	direktanlage.at AG	Consolidation	Group	SRQ FinanzPartner AG*	Consolidation*	Group (incl. SRQ)*
Cost-income ratio (in %)							
01/01/2012-12/31/2012	80.8	75.6	-	79.9	-	-	-
01/01/2011-12/31/2011	82.6	79.0	-	81.6	118.0	-	82.3
Investments in property and equipment and intangible assets (in k€)							
01/01/2012-12/31/2012	16,793	1,115	-	17,907	-	-	-
01/01/2011-12/31/2011	10,130	1,215	-	11,345	99	-	11,444
Total carrying amount of segment assets (in k€)							
12/31/2012	3,617,232	795,673	-23,457	4,389,448	-	-	-
12/31/2011	2,801,709	622,767	-18,284	3,406,192	4,006	-	-
Total carrying amount of segment liabilities (in k€)							
12/31/2012	3,409,331	759,188	-5,173	4,163,346	-	-	-
12/31/2011	2,626,153	594,603	-	3,220,756	2,746	-	-
Cash flow from operating activities (in k€)							
01/01/2012-12/31/2012	830,335	54,137	-	884,472	-	-	-
01/01/2011-12/31/2011	81,914	53,191	-	135,105	-224	-	-
Cash flow from investing activities (in k€)							
01/01/2012-12/31/2012	-748,905	-42,522	-	-791,427	-	-	-
01/01/2011-12/31/2011	-36,232	-54,781	-	-91,013	224	-	-
Cash flow from financing activities (in k€)							
01/01/2012-12/31/2012	18,706	3,835	-	22,541	-	-	-
01/01/2011-12/31/2011	-2,351	-7,143	-	-9,494	-	-	-
Employees (headcount)**							
12/31/2012	481	130	-	611	-	-	-
12/31/2011	473	134	-	607	15	-	-
Trades executed (number)**							
01/01/2012-12/31/2012	3,288,641	909,631	-	4,198,272	-	-	-
01/01/2011-12/31/2011	4,033,358	1,047,683	-	5,081,041	-	-	-
Securities accounts (number)**							
12/31/2012	551,191	64,097	-	615,288	-	-	-
12/31/2011	558,866	62,056	-	620,922	5,190	-	-

* The 2011 figures pertaining to the segment of SRQ FinanzPartner AG are presented only on a pro-forma basis. Due to the deconsolidation of SRQ in 2011, all assets and liabilities are no longer part of the DAB Bank Group.
** The figures for financial year 2011 do not include the figures for the SRQ segment because that company was deconsolidated as of December 31, 2011.
The definition was adjusted in 2012. These figures now refer to all employees excluding working students and student employees. In the interest of comparability, the prior-year figures were adjusted accordingly.

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 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 (Level 1 measurement).

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 (Level 2 measurement). 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 (Level 3 measurement).

The difference between the fair values and carrying amounts of assets was €13,554 thousand (PY: €9,773 thousand) and the same difference in the case of liabilities was €5,164 thousand (PY: €-2,446 thousand). The net balance of these values, to be understood as undisclosed reserves or undisclosed liabilities, was €8,389 thousand (PY: €12,219 thousand).

		2012		2011	
in k€	Valuation category		Carrying		Carrying
at 12/31	per IAS 39	Fair value	amount	Fair value	amount
Cash reserve	LaR	218,435	218,435	102,849	102,849
Trading assets	HfT	40,446	40,446	60,938	60,938
AFV financial instruments	AFV	4,383	4,383	4,305	4,305
AfS financial instruments	AfS	3,035,548	3,035,548	2,171,998	2,171,998
HtM financial instruments	HtM	180,489	170,770	254,908	245,782
Receivables from banks	LaR	530,080	526,246	443,971	443,324
Receivables from customers	LaR	293,254	293,254	267,304	267,304
Other assets*	LaR	3,017	3,017	2,410	2,410
Assets (total)		4,305,652	4,292,099	3,308,683	3,298,910
Liabilities to banks	AC	56,223	56,223	24,433	24,433
Liabilities to customers	AC	3,983,773	3,978,609	3,058,897	3,061,343
Trading liabilities	HfT	40,025	40,025	60,554	60,554
Other liabilities*	AC	1,972	1,972	4,416	4,416
Liabilities (total)		4,081,993	4,076,829	3,148,300	3,150,746

* Trade receivables or payables

Impairment losses totaling €118 thousand (PY: €3,455 thousand) were recognized in the available-for-sale (AfS) category, mainly in connection with the mark-to-market valuation of the Greece exposure of direktanlage.at AG. The DAB Bank Group no longer presented such holdings at the reporting date. Impairment losses of €+9 thousand were recognized in the category of loans and receivables to customers (PY: €-45 thousand, see also Note 34) and impairment losses of €+55 thousand were recognized in the category of other assets (PY: €+88 thousand).

The breakdown of financial instruments from countries for which heightened risks were in effect as of the reporting date is presented in the table below:

	Notional Volume of Assets by IFRS Category				
in k€	LaR	HtM	HfT	AFV	AfS
Portugal	-	-	-	-	-
Ireland	-	-	-	-	42,150
Italy	4,848	-	-	-	10,000
Greece	-	-	-	-	-
Spain	10	10,000	-	-	10,000
Hungary	10	-	-	-	-
Slovenia	60	-	-	-	16,675
Cyprus	-	-	-	-	-
Total	4,928	10,000	-	-	78,825

In respect of the financial instruments originating in Ireland in the notional amount of €23,150 thousand, guarantees have been issued by parent companies domiciled in Germany and the United States. Adjusted for this amount, therefore, the company's exposure in the HtM and AfS categories amounted to €65,675 thousand at the reporting date.

Of the total exposure, financial instruments in the notional amount of €45,000 thousand will mature on or before the last day of April 2013, which will lead to a corresponding decrease in the notional volume.

Adjusted for the two effects mentioned above, the total notional exposure amounted to €25,603 thousand.

	Carrying Amounts of Assets by IFRS Category				
in k€	LaR	HtM	HfT	AFV	AfS
Portugal	-	-	-	-	-
Ireland	-	-	-	-	42,782
Italy	4,848	-	-	-	9,959
Greece	-	-	-	-	-
Spain	10	10,291	-	-	10,013
Hungary	10	-	-	-	-
Slovenia	30	-	-	-	17,336
Cyprus	-	-	-	-	-
Total	4,898	10,291	-	-	80,090

	Market Values (Fair Values) of Assets by IFRS Category				
in k€	LaR	HtM	HfT	AFV	AfS
Portugal	-	-	-	-	-
Ireland	-	-	-	-	42,782
Italy	4,848	-	-	-	9,959
Greece	-	-	-	-	-
Spain	10	10,327	-	-	10,013
Hungary	10	-	-	-	-
Slovenia	30	-	-	-	17,336
Cyprus	-	-	-	-	-
Total	4,898	10,327	-	-	80,090

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€	12/31/2012 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)	12/31/2011 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)
Trading assets	37,274	3,172	-	40,446	53,919	7,019	-	60,938
AFV financial instruments	1,733	-	2,650	4,383	1,655	-	2,650	4,305
AfS financial instruments	3,035,528	-	20	3,035,548	2,170,477	1,501	20	2,171,998
Trading liabilities	37,110	2,915	-	40,025	53,620	6,934	-	60,554

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.

By reason of the very low trading volumes and the associated illiquidity, the fair value of one securities position in the category of AFV financial instruments could not be reliably determined on the basis of quoted market prices, as in the prior year. This position was measured by application of an internal measurement model of DAB Bank, which yielded a carrying amount of €2,650 thousand (PY: €2,650 thousand). This position is presented within Level 3. No financial instruments were reclassified from one valuation category to another in 2012.

Net results by valuation categories

in k€	2012 Net results	2011 Net results	Notes
Loans and receivables (LaR)	13,934	16,548	25, 34
Financial assets and financial liabilities measured at fair value, recognized in income (HfT)	374	223	28
Financial assets measured at fair value recognized in income (AFV)	267	3,147	25, 28
Investments in financial assets held to maturity (HtM)	7,672	11,730	25, 29
Assets available for sale (AfS)	66,894	43,237	25, 29
Financial liabilities measured at amortized cost (AC)	-23,867	-21,631	26

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

UniCredit Bank AG (UCB), Munich, monitors the Total Capital Ratio on the level of the UniCredit Bank AG Group, as the parent company of DAB Bank AG and the controlling company pursuant to Section 10a (1) (1) KWG in conjunction with Section 1 (7a) KWG.

Fulfillment of the required minimum 8% value of the Total Capital Ratio is monitored on a daily basis and was assured at all times in financial year 2012.

At December 31, 2012, the liable capital of DAB Bank AG amounted to €114,666 thousand (PY: €119,633 thousand). This decrease resulted from the high deduction for intangible assets, due to the capitalization of costs incurred in connection with the introduction of the new core banking system. The amortization charges and impairments of intangible assets in 2012 will have a positive effect on the measured value of liable capital in 2013. The positive trend of the deposit business is reflected in the higher amount of total assets. By reason of the heightened default risk positions in the category of receivables due from companies, which were only partially offset by lower default risk positions in the category of receivables due from banks, the capital charges for default risks rose from €50,092 thousand in 2011 to €59,293 thousand in 2012. Based on the Advanced Measurement Approach (AMA), the capital charges for operational risk rose to €14,630 thousand in 2012 (PY: €12,498 thousand). The capital charges for market risk positions rose from €327 thousand in 2011 to €358 thousand in 2012.

Therefore, the Total Capital Ratio as per SolvV was 12.35% at December 31, 2012. The decrease from the prior year (15.21%) resulted from the effects described above. Thus, the Total Capital Ratio is still well above the minimum required regulatory ratio of 8%. The Core Capital Ratio (Tier-1 Ratio) was 12.35% at December 31, 2012, as compared to 15.21% in the prior year.

in k€ at 12/31	2012	2011
Core capital	114,666	119,633
Supplementary capital	-	-
Eligible capital	114,666	119,633
Capital charges for default risk	59,293	50,092
Capital charges for market risk positions	358	327
Capital charges for operational risk	14,630	12,498
Surplus capital	40,385	56,716
Overall ratio per SolvV	12.4%	15.2%

For banking regulation purposes, the bank's liquidity is measured by means of the Liquidity Ratio prescribed by the Liquidity Regulation. This ratio is c alculated 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 4.66 at December 31, 2012 (PY: 4.46) and therefore this regulatory requirement was significantly over-fulfilled again in 2012.

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 duration of our securities portfolios is between one and two years, as a long-term average. 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 65 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 67 to 69.

(65) Contingent liabilities and other financial obligations

in k€ at 12/31	2012	2011
Contingent liabilities		
from guarantees and warranty agreements	796	1,210
Other financial obligations		
from rental agreements	17,581	21,952
from lease agreements	301	6,666
Total	18,678	29,828

The stated loan guarantees are fully secured by suitable cash deposits or securities, except for an amount of €23 thousand (PY: €523 thousand). In consideration of available security and suitable credit ratings, the overall default probability is 1.4% (PY: 1.9%).

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

In prior years, the main future minimum lease payments for computer hardware leases were indicated. When these leases are cancelled, the related expected future minimum lease payments will revert to 0. Therefore, the rent payments for the offices of DAB Bank AG now represent the only main component of future minimum lease payments. In the interest of comparability, the amount of future lease payments to fall due under uncancellable operating leases was added to the prior-year figure for expected minimum lease payments.

Minimum lease payments of €4,266 thousand (PY: €4,763 thousand) were recognized as expenses (see Note 31).

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	2012	2011 (new)	2011 (old)
Maturity			
up to 1 year	3,892	7,754	4,171
more than one year to 5 years	13,990	21,771	2,495
more than 5 years	-	-	-
Total	17,882	29,525	6,666

(66) Group affiliation

At December 31, 2012, 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% (PY: 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, 2012 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

On February 5, 2013, the Management Board of DAB Bank AG resolved, with the consent of the Executive Committee of the Supervisory Board and the Supervisory Board of DAB Bank AG, to increase the company's share capital by €8,270,569.00, from €82,705,706.00 to €90,976,275.00, in exchange for cash contributions. The Authorized Capital II was resolved by the annual shareholders' meeting of May 24, 2012. Under exclusion of the subscription right, 8,270,569 new no-par shares will be issued for an issue price of €3.96 per share under a new WKN (Securities ID) to the majority shareholder UniCredit Bank AG, Munich. The issue price was set with reference to the average closing prices of the shares of DAB Bank AG in the XETRA trading system on the last five trading days prior to February 5, 2013. The new shares will qualify for dividends as of January 1, 2013.

The capital increase will not cause a significant shift in the current shareholder structure. After the new shares are issued, the proportion of equity held by UniCredit Bank AG in DAB Bank AG will rise from the current level of 79.53% to 81.39%.

The company will collect gross cash proceeds of €32,751 thousand in total.

(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		Severance awards		Total	
in k€	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Management Board	739	595	557	401	31	58	103	99	61	19	533	-	2,024	1,172
Supervisory Board	106	107	-	-	-	-	-	-	-	-	-	-	106	107
Total	845	702	557	401	31	58	103	99	61	19	533	1,279	2,130	1,279

The compensation paid to the individual members of the Supervisory Board and the Management Board in 2012 is presented in the table below:

Compensation paid to the individual members of the Supervisory Board and the Management Board of DAB Bank AG

in k€	Fixed component	Performance-related components	Components with a long-term incentive effect	Pensions	Value of fringe benefits	Severance awards	Total
Members of the Management Board							
Dr. Niklas Dieterich	210	150		25	6	-	391
Markus Gunter (*)	300	253	-	52	9	533	1,178
Ernst Huber (**) (since 08/01/12)	146	104	31	21	46	-	317
Dr. Josef Zellner (**) (since 08/01/12)	83	50	-	5	-	-	138
Members of the Supervisory Board			-				
Werner Allwang	10	-		-	-	-	10
Nikolaus Barthold	10	-	-	-	-	-	10
Peter Buschbeck	13	-	-	-	-	-	13
Alessandro Foti	23	-	-	-	-	-	23
Dr. Marita Kraemer	20	-	-	-	-	-	20
Dr. Theodor Weimer	30	-	-	-	-	-	30
Total	845	557	31	103	61	533	2,130

(*) The information cited for Markus Gunter generally refers to the full calendar year 2012, because his employment contract expired only at the close of December 31, 2012 and he continued to receive his compensation until that time. However, his term as a Management Board member ended already on July 31, 2012.
(**) Member of the Management Board since August 1, 2012.

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

Compensation paid to the individual members of the Supervisory Board and the Management Board of DAB Bank AG

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 prior-year figures correspond to the amounts presented in the Annual Report 2011.

The compensation granted in financial year 2012 consisted mainly of a fixed component, in the form of a regular monthly salary, and a success-based component of variable compensation. To a lesser extent, the compensation also included components in the form of long-term incentives, as well as a company pension and other fringe benefits. The success-based component and the long-term incentive component are composed of stock options and performance shares 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.

Please refer to Note 70 for details on other long-term incentive components of compensation.

Receivables from members of the Supervisory Board and the Management Board

in k€ at 12/31	2012	2011
Management Board members	5	-
Supervisory Board members	-	-
Total	5	-

At the reporting date, no receivables were due from members of the Supervisory Board or the Management Board in connection with margin loans granted. The receivables due from Management Board members consisted of a credit card limit. Aside from that, no further loans or advances or contingent liabilities were granted.

UniCredit S.p.A., Rome, Italy, indirectly holds, and UniCredit Bank AG, Munich, directly holds 79.53% (PY: 79.53%) of the shares of DAB Bank AG. Information on Group affiliation is presented in Note 66.

Business relationships were maintained with the following companies, which are included in the consolidated financial statements of our highest-level parent company, UniCredit S.p.A.:

- Bankhaus Neelmeyer AG, Bremen
- FinecoBank S.p.A., Rome
- Food & More GmbH, Munich
- GELDILUX-TS-2011 S.A., Luxembourg
- 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 total income generated on these business relationships in financial year 2012 amounted to €14,351 thousand (PY: €5,882 thousand) and the total expenses amounted to €1,886 thousand (PY: €1,735 thousand). At the reporting date, receivables in the amount of €261,048 thousand (PY: €173,069 thousand) were due from and payables in the amount of €543 thousand (PY: €267 thousand) were due to the above-mentioned companies.

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

	Expenses		Income	
in k€	2012	2011	2012	2011
Other companies of the UniCredit S.p.A. Group with significant influence				
UniCredit Bank AG	985	886	8,518	2,917
Other companies of the UniCredit S.p.A. Group with significant influence				
UniCredit Bank Austria AG	7	11	959	182
UniCredit Business Integrated Solutions S.C.p.A	283	200	-	-
Pioneer Investments Kapitalanlagegesellschaft mbH	-	-	1,070	478
Pioneer Asset Management SA	-	-	-	741
Pioneer Investment Austria GmbH	-	-	337	-
FinecoBank S.p.A.	13	-	187	-
GELDILUX-TS-2011 S.A.	-	-	557	-
UniCredit Direct Services GmbH	177	-	-	-
HVB Secur GmbH	196	-	-	-
Schoellerbank Invest AG	158	161	2,419	769

in k€	Receivables		Payables	
at 12/31	2012	2011	2012	2011
Other companies of the UniCredit S.p.A. Group with significant influence				
UniCredit Bank AG	171,906	169,801	167	5
Other companies of the UniCredit S.p.A. Group with significant influence				
UniCredit Bank Austria AG	131	132	-	40
FinecoBank S.p.A.	4,629	-	-	-
Schoellerbank Invest AG	84,382	508	121	154

All transactions were conducted at terms that were not disadvantageous for the company; they include banking services and non-banking services, as well as the utilization of IT and outsourcing services.

The income statement consolidation within the DAB Bank Group gave rise to a total effect of €2,413 thousand in financial year 2012 (PY: €3,605 thousand). At the reporting date, the consolidation of liabilities gave rise to a total effect of €5,173 thousand (PY: €0 thousand).

(70) Information on stock options, Performance Shares and cash-based plans

Information on stock options

Stock options

Quantity (no.)	184,943
Average exercise price (€)	3.098
Exercisable as of 12/31/2012 (no.)	55,354
Granted in financial years	2011
Average end of the exercise period	January 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 of forfeiture of stock options if the beneficiary leaves the company before 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 stock options, which is calculated on the basis of the expected number of exercised options, is recognized on the grant date as prepaid expenses and expensed over the term of the stock options. In this connection, an expense of €12 thousand (PY: €44 thousand) was recognized for financial year 2012; this amount will be reimbursed to UniCredit S.p.A. upon maturity.

No new stock options were granted in 2012.

Information on Performance Shares

Performance Shares

Quantity (no.)	17,557
Granted in financial year	2011
Granted upon fulfillment of criteria	December 2013

A fixed number of UniCredit shares (Performance Shares) will be transferred to the beneficiaries free of charge if the respective targets have been met after a period of three years. In addition to the members of the Management Board and Supervisory Board, a senior officer vested with commercial power of attorney (Prokurist) of DAB Bank AG also participates in the Performance Shares program.

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 €52 thousand in 2012 (PY: €32 thousand); this amount will be reimbursed to UniCredit S.p.A. upon maturity.

No new Performance Shares were granted in 2012.

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 €48 thousand was incurred in financial year 2012 (PY: €46 thousand).

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

(71) Employees

Average number of employees (headcount)

	2012	2011
Managing Directors	5	4
Senior Vice President	0	0
Holders of commercial power of attorney	10	10
Other salaried employees	563	552
Parental leave/military service	18	18
Employees (total)*	596	584
Vocational trainees (at year-end)	16	14

*The prior-year figure was adjusted from 596 to 598 by reason of a more precise rounding method.

(72) Members of the Supervisory Board, the Management Board

Members of the Supervisory Board of DAB Bank AG:

Dr. Theodor Weimer (Chairman)

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

At December 31, 2012, Dr. Theodor Weimer also served on the following other, legally prescribed Supervisory Boards of German companies:
- ERGO Versicherungsgruppe AG, Düsseldorf, member of the Supervisory Board
- Bayerische Börse AG, Munich, member of the Supervisory Board

At December 31, 2012, Dr. Theodor Weimer served on the following comparable oversight boards of German and foreign companies:
- UniCredit Luxembourg S.A., Luxembourg, Chairman of the Supervisory Board*)

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 *)

As of December 31, 2012, Mr. Alessandro Foti did not serve on any other, legally prescribed Supervisory Boards of German companies and also did not serve on comparable oversight boards of German or foreign companies.

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, 2012, 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, 2012, 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 *)

Dr. Marita Kraemer

Member of the Management Board of Zürich Beteiligungs-Aktiengesellschaft (Deutschland), Frankfurt am Main, and Managing Director of Zurich Service GmbH, Bonn

At December 31, 2012, Dr. Marita 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, 2012, 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, Operations (OSM), DAB Bank AG, Munich

At December 31, 2012, 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:

Ernst Huber (Speaker of the Management Board since August 1, 2012)

Responsible for the divisions B2C, Products & Services, Human Resources & Corporate Affairs, and for the corporate staff offices Corporate Communications and Strategy & Sales Support B2C, and for the wholly-owned subsidiary direktanlage.at AG, Salzburg, Austria.

In addition, he held the following other offices at December 31, 2012:

Member of the Management Board:
- MALEX Privatstiftung, Salzburg, Austria

Chairman of the Supervisory Board:
- direktanlage.at, Salzburg, Austria*)

Member of the Supervisory Board:
- Schöllerbank Invest AG, Salzburg, Austria*)

Dr. Niklas Dieterich

Responsible for the divisions Finance & Controlling, IT and Operations, and for the departments Internal Audit and Risk Controlling & Compliance, and for the corporate staff offices Legal and Investor Relations.

Dr. Josef Zellner (member of the Management Board since August 1, 2012)

Responsible for the departments B2B Sales Trading/Agent Trading, B2B Consulting & Sales Development and B2B Sales Support, and for the corporate staff offices B2B Sales and B2B Strategy & Development.

Markus Gunter (until July 31, 2012)

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

(73) Changes in the Management Board and Supervisory Board

After four years of service on the Management Board, Markus Gunter resigned from his Management Board position at DAB Bank, effective at the close of July 31, 2012. Effective August 1, 2012, Ernst Huber assumed his areas of responsibility, B2C, B2B, Products & Services and Human Resources & Corporate Affairs, as well as the Communications task area. In the Supervisory Board meeting of July 25, 2012, Ernst Huber was appointed Speaker of the Management Board, effective August 1, 2012.

(74) Shareholdings of members of the Management Board and the Supervisory Board

at 12/31/2012	Shares	Options
Members of the Management Board		
Dr. Niklas Dieterich	-	-
Ernst Huber	-	-
Dr. Josef Zellner		
Members of the Supervisory Board	-	-
Werner Allwang	-	-
Nikolaus Barthold	-	-
Peter Buschbeck	-	-
Alessandro Foti	-	-
Dr. Marita Kraemer	-	-
Dr. Theodor Weimer	-	-
Treasury stock	-	-

(75) 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	-	-

(76) Relationships between the independent auditor and DAB Bank AG

in k€ 01/01 - 12/31	2012	2011
Fees paid for		
The audit	295	327
Other certification services	204	147
Other services (including valuation services)	29	48
Total	528	522

plus 19% VAT
The prior-year figures were adjusted to reflect the adjustment of the calculation logic to conform with IDW RS HFA 36.

(77) Timing of release for publication

The present consolidated financial statements will be submitted to the Supervisory Board for adoption and approval on March 6, 2013.

Munich, February 26, 2013

DAB Bank AG

Ernst Huber
Spokesman of the
Management Board

Dr. Niklas Dieterich
Member of the
Management Board

Dr. Josef Zellner
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, February 26, 2013

DAB Bank AG

Ernst Huber
Spokesman of the
Management Board

Dr. Niklas Dieterich
Member of the
Management Board

Dr. Josef Zellner
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 business year from January 1 to December 31, 2012. 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 net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, February 27, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pfeiffer Independent Auditor	Schmidt Independent Auditor

* Courtesy translation of the Group management report and the consolidated financial statements published in the original language of German.

Quarterly Summary Statement of Comprehensive Income (IFRS)

in k€	4th quarter 2011	1st quarter 2012	2nd quarter 2012	3rd quarter 2012	4th quarter 2012
Interest and similar income	20,014	19,532	18,482	18,017	17,632
Interest expenses	6,344	5,660	5,993	6,222	5,992
Net interest income/expenses	13,670	13,872	12,489	11,795	11,640
Commission income	31,207	33,658	29,704	30,731	32,111
Commission expenses	12,051	12,581	11,945	12,048	15,449
Net commission income/expenses	19,156	21,077	17,759	18,683	16,662
Trading profit/loss	395	177	16	-285	612
Profit/loss from investments	-2,011	2,157	3,964	2,513	6,315
Net other operating income/ expenses	-1,287	-209	83	311	-844
Non-interest-dependent income	16,253	23,202	21,822	21,222	22,745
OPERATING INCOME	29,923	37,074	34,311	33,017	34,385
Personnel expenses	9,879	9,957	9,566	10,807	10,728
Other administrative expenses	14,316	15,606	14,596	13,721	12,719
Depreciation, amortization and impairments of property, plant and equipment and intangible assets	3,038	2,887	2,927	2,962	4,870
Administrative expenses	27,233	28,450	27,089	27,490	28,317
OPERATING PROFIT/LOSS	2,690	8,624	7,222	5,527	6,068
Additions to provisions	-1,571	37	-122	-75	-422
Credit risk provisions	26	81	-146	164	-108
PROFIT/LOSS BEFORE TAXES	4,235	8,506	7,490	5,438	6,598
Income taxes	1,041	2,694	2,290	2,113	2,810
NET PROFIT (DAB Bank Group)	3,194	5,812	5,200	3,325	3,788
Operating profit/loss of SRQ	-272	-	-	-	-
NET PROFIT (DAB Bank Group incl. SRQ)	2,922	5,812	5,200	3,325	3,788
Changes in value of AfS financial instruments recognized in equity	-1,509	19,318	-1,496	14,499	6,761
Other comprehensive income/ expenses (after taxes)	-1,509	19,318	-1,496	14,499	6,761
COMPREHENSIVE INCOME	1,413	25,130	3,704	17,824	10,549
Attributable to shareholders of DAB Bank AG	2,936	5,812	5,200	3,325	3,788
Attributable to non-controlling interests	-14	-	-	-	-
Net profit/loss	2,922	5,812	5,200	3,325	3,788
Attributable to shareholders of DAB Bank AG	1,427	25,130	3,704	17,824	10,549
Attributable to non-controlling interests	-14	-	-	-	-
Comprehensive income	1,413	25,130	3,704	17,824	10,549

Five-year Summary Statement of Comprehensive Income (IFRS)

01/01 - 12/31

in k€	2008	2009	2010	2011	2012
Interest and similar income	168,993	101,375	70,211	74,854	73,663
Interest expenses	114,444	36,643	14,523	21,631	23,867
Net interest income/expenses	54,549	64,732	55,688	53,223	49,796
Commission income	206,679	152,154	141,218	136,872	126,204
Commission expenses	98,260	69,242	58,326	51,266	52,023
Net commission income/expenses	108,419	82,912	82,892	85,606	74,181
Trading profit/loss	-26,325	9,009	13,723	631	520
Profit/loss from investments	139	2,645	195	-555	14,949
Net other operating income/ expenses	4,637	12,942	-2,841	-853	-659
Non-interest-dependent income	86,870	107,508	93,969	84,829	88,991
OPERATING INCOME	141,419	172,240	149,657	138,052	138,787
Personnel expenses	41,149	40,169	36,515	38,268	41,058
Other administrative expenses	78,316	69,958	66,111	64,670	56,642
Depreciation, amortization and impairments of property, plant and equipment and intangible assets	9,734	9,713	12,652	10,150	13,646
Administrative expenses	129,199	119,840	115,278	113,088	111,346
OPERATING PROFIT/LOSS	12,220	52,400	34,379	24,964	27,441
Additions to provisions	421	3,091	1,671	-1,550	-582
Impairment of goodwill	-	1,923	3,410	741	-
Restructuring expenses	-	13,239	-	-	-
Credit risk provisions	312	572	596	45	-9
PROFIT/LOSS BEFORE TAXES	11,487	33,575	28,702	25,728	28,032
Income taxes	3,001	10,265	12,196	7,956	9,907
NET PROFIT (DAB Bank Group)	8,486	23,310	16,506	17,772	18,125
Operating profit/loss of SRQ	-	-	-70	-501	-
NET PROFIT (DAB Bank Group incl. SRQ)	8,486	23,310	16,436	17,271	18,125
Changes in value of AfS financial instruments recognized in equity	323	1,849	-6,634	-8,042	39,082
Other comprehensive income/ expenses (after taxes)	323	1,849	-6,634	-8,042	39,082
COMPREHENSIVE INCOME	8,809	25,159	9,802	9,229	57,207
Attributable to shareholders of DAB Bank AG	8,359	23,299	16,448	17,325	18,125
Attributable to non-controlling interests	127	11	-12	-54	-
Net profit/loss	8,486	23,310	16,436	17,271	18,125
Attributable to shareholders of DAB Bank AG	8,682	25,148	9,814	9,283	57,207
Attributable to non-controlling interests	127	11	-12	-54	-
Comprehensive income	8,809	25,159	9,802	9,229	57,207

In the prior-year figures, the operating profit/loss of SRQ FinanzPartner AG is presented separately, by reason of the fact that DAB Bank sold its entire investment in this company; therefore, SRQ was removed from the consolidation group of the DAB Bank Group effective December 31, 2011. The sale and deconsolidation effects associated with SRQ are described in the Annual Report 2011. The non-controlling interests refer to the discontinued operations of SRQ.

For reasons of materiality, we have opted not to adjust the figures for financial years 2008 and 2009 for the effects of the sale of SRQ FinanzPartner AG in financial year 2011.

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

		2008	2009	2010	2011	2012
Results						
Net commission income	k€	108,419	82,912	82,892	85,606	74,181
Net financial income	k€	28,363	76,386	69,606	53,299	65,265
Administrative expenses	k€	129,199	119,840	115,278	113,088	111,346
Result before taxes	k€	11,487	33,575	28,702	25,728	28,032
Net profit	k€	8,486	23,310	16,436	17,271	18,125
Cost-income ratio	in %	91.8	80.1	80.5	81.6	79.9
Return on equity before taxes	in %	6.6	19.4	16.4	14.6	13.6
Statement of financial position						
Total assets	€ mn	3,866.7	3,120.6	3,237.3	3,406.2	4,389.4
Shareholders' equity	€ mn	165.2	181.2	168.2	185.4	226.1
Overall ratio per SolvV	in %	10.8	14.5	13.1	15.2	12.4
Share						
Earnings per share	€	0.11	0.31	0.22	0.23	0.22
Dividend per share	€	0.11	0.30	0.20	0.22	0.21
Year-end closing price (Xetra)	€	2.57	4.24	4.27	3.32	3.65
Book value per share	€	1.90	2.10	1.98	2.23	2.51
Dividend yield	in %	4.3	7.1	4.7	6.6	5.8
Total shareholder return	in %	-56.5	71.3	5.4	-17.7	16.6
Market capitalization	€ mn	193.2	318.8	321.0	274.6	301.9
Key operational indicators						
Securities accounts	number	619,714	623,753	616,044	620,922	615,288
Volume of securities accounts and deposits	€ bn	19.40	23.30	26.03	24.26	28.38
Trades executed	number	5,210,884	4,110,814	4,506,466	5,081,041	4,198,272
Trades executed per securities account per year	number	8.58	6.65	7.29	8.22	6.79
Employees						
Employees (headcount)	number	712	663	606	607	611
Employees (full-time equivalents)	number	646	595	541	549	558

For reasons of materiality, we have opted not to adjust the figures for financial years 2008 and 2009 for the effects of the sale of SRQ FinanzPartner AG in financial year 2011.

The Total Capital Ratio as per SolvV pertains only to DAB Bank AG.

The definition of the number of employees was changed in 2012. The figure now includes all employ-ees excluding working student and student employees. In the interest of comparability, the prior-year figure was adjusted accordingly. For reasons of materiality, we have opted not to adjust the corre-sponding figures for financial years 2008 to 2010.

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
Dr. Josef Zellner

Supervisory Board

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Annual Press Conference, Frankfurt	02/21/2013
Annual Report 2012	03/19/2013
1st quarter report 2013	04/30/2013
Annual shareholders' meeting 2013	05/16/2013
2nd quarter report 2013	07/25/2013
3rd quarter report 2013	10/29/2013

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