2018 Annual report

comdirect

Key figures of comdirect group

Customers, total assets under control and key products		2018 31.12	2017 31.12	Change in %
comdirect group[1)]				
Customers	number	3,595,798	3,337,580	7.7
Custody accounts	number	2,279,661	2,076,195	9.8
Total assets under control	in €m	92,347	91,373	1.1
of which: porfolio volume	in €m	66,417	69,118	–3.9
of which: deposit volume	in €m	25,931	22,254	16.5
Business-to-customer (B2C) business segment				
Customers	number	2,522,204	2,286,182	10.3
Custody accounts	number	1,383,630	1,202,203	15.1
Current accounts	number	1,568,736	1,430,877	9.6
Total assets under control	in €m	62,080	59,019	5.2
of which: porfolio volume	in €m	36,636	37,094	–1.2
of which: deposit volume	in €m	25,444	21,924	16.1
Credit volume	in €m	609	447	36.2
Orders and order volume (B2C)		**2018**	**2017**	
Executed orders	number	21,879,083	17,176,784	27.4
Average order activity per custody account	number	16.9	15.6	8.3
Order volume per executed order[2)]	in €	4,860	5,142	–5.5
Key financial figures		**2018**	**2017**	
Continued activities				
Net commission income	in €k	206,320	194,235	6.2
Net interest income before provisions for possible loan losses	in €k	118,618	94,824	25.1
Administrative expenses	in €k	279,586	239,324	16.8
Cost/income ratio	in %	83.2	75.0	–
Pre-tax profit	in €k	54,678	81,240	–32.7
Discontinued activities				
Pre-tax profit	in €k	16,045	13,621	17.8
comdirect group[1)]				
Pre-tax profit	in €k	70,723	94,861	–25.4
Consolidated net profit	in €k	50,369	71,544	–29.6
Earnings per share	in €	0.36	0.51	–29.4
Return on equity before tax[3)]	in %	11.3	15.8	–
Return on equity after tax[4)]	in %	8.0	11.9	–
Balance sheet key figures		**31.12.**	**31.12.**	
Balance sheet total	in €m	26,915	23,033	16.9
Equity	in €m	634	639	–0.8
Equity ratio[5)]	in %	2.4	2.7	–
Regulatory indicators under CRR/CRD IV[6)]		**31.12.**	**31.12.**	
Risk weighted assets[7)]	in €m	1,127	994	13.4
Eligible amount for operational and other risks	in €m	13	12	11.7
Core capital	in €m	537	470	14.2
Own funds for solvency purposes	in €m	537	470	14.2
Own funds ratio[8)]	in %	41.5	40.9	–
Employee figures[1)]		**31.12.**	**31.12.**	
Employees	number	1,534	1,443	6.3
Full-time equivalents (FTEs)	number	1,384.1	1,295.4	6.8

1) comdirect group, consisting of B2C: comdirect bank AG and B2B: ebase GmbH (discontinued activities according to IFRS 5); contributions of former onvista group from closing onwards (3 April 2017)
2) excluding CFD trades
3) pre-tax profit / average equity (excluding revaluation reserves) in the reporting period
4) after-tax profit / average equity (excluding revaluation reserves) in the reporting period
5) equity (excluding revaluation reserves) / balance sheet total
6) These figures are calculated on the basis of internal calculations; publication is voluntary and based on national and European implementation rules and the figures are not reported to the Supervisory Authority. The figures are based on a supervisory scope of consolidation formed exclusively for comparison purposes.
7) risk weighted assets in accordance with Section 113 paragraph 6 CRR of the German Banking Act (KWG) (intragroup receivables are zero weighted)
8) own funds for solvency purposes / (risk weighted assets + 12.5 x eligible amount for operational and other risks)

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Left to right: Dietmar von Blücher, Arno Walter, Frauke Hegemann, Matthias Hach

Management of comdirect

Arno Walter, CEO
Arno Walter, born in 1967, has been the CEO of comdirect bank AG since 2015. In addition to Corporate Strategy & Consulting and Business Development & Innovation Management, he is also responsible for the areas of Corporate Communications, Treasury & Business Partners, Internal Audit and regulatory projects. Furthermore, he is Chairman of the Supervisory Board of European Bank for Financial Services GmbH (ebase), Chairman of the Supervisory Board of onvista AG and CEO of the Stiftung Rechnen foundation. His remit as CEO equally includes the departments overseen by Frauke Hegemann as Chief Representative (see below).

Dietmar von Blücher, CFO
Dietmar von Blücher, born in 1973, has been the Chief Financial Officer of comdirect bank AG since 2016. Along with Finance, Controlling & Investor Relations, he is responsible for Risk Management & Compliance, Information Technology and the onvista bank back office. He also sits on the Supervisory Boards of European Bank for Financial Services GmbH (ebase) and onvista media GmbH.

Matthias Hach, CMO
Matthias Hach, born in 1965, has been the Chief Marketing Officer at comdirect bank AG since the end of January 2018. In addition to Marketing and User Interface, he is responsible for the front offices Banking and Brokerage, as well as the onvista bank market division and onvista media GmbH. Furthermore, he is Chairman of the Supervisory Board of onvista media GmbH and a member of the Supervisory Board of European Bank for Financial Services GmbH (ebase) and onvista AG.

Frauke Hegemann, Chief Representative
Frauke Hegemann, born in 1976, has been the Chief Representative at comdirect bank AG since April 2018. In addition to Customer Management and Human Resources, she is responsible for Legal, Data Protection & Organisation, Information Security & Outsourcing Management, and Home Loans & Provisioning. She reports directly to CEO Arno Walter. She also sits on the Supervisory Boards of European Bank for Financial Services GmbH (ebase) and onvista AG.

Letter to the shareholders

Dear Shareholders and Friends of comdirect,

2018 was an intense and innovative year. At the same time, it was a year in which we thought a great deal about the future of comdirect. One of the outcomes of this was that we decided last summer to focus even more strongly on our core business. We therefore agreed to sell our subsidiary ebase. In an additional logical step, we invested in the further growth of comdirect. By investing in services and products, new technologies and the acquisition of new customers, we aim to grow so that we can further consolidate our strong position for today and tomorrow.

As well as making this important strategic decision, we held our own in our operating business – even though the competitive environment remained highly ambitious – and repeatedly injected fresh impetus via a series of innovations. The year started very positively with our new comdirect app featuring an innovative chat transfer function. We continued to further enhance this app during the course of the year. As a result, users can now issue transfer instructions simply by using their voice. We recently received the gold German Brand Award 2019 for the comdirect app.

Furthermore, we took mobile payment to the next level. As a launch partner of Google Pay and Apple Pay, we now enable our customers to make cashless payments simply by using their smartphones as an alternative to the existing girocard and Visa contactless payment options.

Since late 2018, our investment customers have been able to open a custody account using a purely digital process within the space of a few minutes. This is based on the E-Ident system used in the comdirect app, which is unique in Germany. It allows new customers to prove their identity in a matter of seconds. Motive investing then makes it simple for clients to invest in areas that are important to them. We added robotics and biotechnology to the list of investment themes in 2018, expanding the list of already existing themes such as sustainability or technology all of the themes represent growth, including in the medium to long term. Sufficient financial literacy is needed to make investment decisions. We took a number of steps in 2018 with this in mind, including enhancing our comdirect Academy. New formats such as the stock market podcast and the comdirect magazine provide regular information about capital market topics. In early 2018, we established the finanz-heldinnen initiative to promote greater financial independence for women. This has received an extremely positive response.

All of these measures form part of our 2020 strategy, which we are consistently implementing step by step in order to remain the top address in saving, investing and trading with securities in the future and make life easier and more carefree for our customers with regard to their finances by acting as their smart financial companion.

Our growth shows that we are on the right path. More than ever before, comdirect is a growth company: we gained some 240 thousand net new customers in the course of the year. As a result, our organic growth in the B2C segment is an impressive 130% above the previous year's figure. This means we were able to accelerate our growth considerably in the past financial year. The same is true of net fund flow, where we posted another record figure, and our strong growth in custody accounts and trades. Both underline that we are succeeding in our ambitions to impress more and more customers with our offering.

In financial terms, we achieved a sound result, posting a pre-tax consolidated profit of €70.7m. However, this figure is lower than the previous year's, which had included the realisation of valuation gains. In the financial year just ended, we also invested an additional amount of approximately €30m in growth – and therefore future profitability – in view of our decision to focus on our core business. Particularly pleasing developments in 2018 included the trend in net interest income, which was up more than 20% on the previous year despite persistently challenging conditions. Net commission income also increased, albeit at a less dynamic rate. In addition, we signed an agreement for the sale of our B2B subsidiary ebase on 10 July 2018. The transaction is expected to generate positive non-recurring pre-tax income of some €80m. It should be concluded in the course of 2019 following the approval of the banking supervisory authorities.

We aim to keep growing in 2019. By making greater use of technologies, we intend to keep scaling our business model cost-efficiently. To achieve this, we are upping our use of artificial intelligence (AI) including our new intelligent voice dialogue system and our hybrid chatbot model which support our customer care agents, and robotic process automation (RPA) which allows highly standardised processing procedures to be completed in an automated fashion.

2019 will not just be another year of investments at comdirect: it will also be a year of innovations. For example, we are underscoring our position as a leading industry innovator with the launch of chat orders. We are also entering into a strong banking partnership with HSV Fußball AG. I have no doubt that I will be able to report on other exciting developments this time next year as we continue to actively seize opportunities and react to them both quickly and flexibly.

Commensurate profit sharing with our shareholders is an important constant in the midst of change. Provided the annual general meeting approves our proposal, the dividend for the financial year 2018 will be €0.25 per share. This would correspond to a dividend yield of 2.4% in relation to the closing price of the comdirect share at year-end.

It is therefore worth continuing to accompany comdirect, whether as a customer or as a shareholder. I would like to take this opportunity to thank you for your support, your trust and your constructive suggestions.

Let's provide fresh impetus together again in 2019 and impress even more customers with what comdirect has to offer!

Arno Walter

Report of the Supervisory Board

Cooperation between the Board of Managing Directors and the Supervisory Board
The Supervisory Board again worked in close partnership with the Board of Managing Directors of comdirect bank AG in financial year 2018, providing regular and targeted advice and monitoring the management of the company. We have comprehensively performed all of the duties incumbent upon the Supervisory Board under the legal framework conditions and regulations, the bank's Articles of Association, the Rules of Procedure of the Supervisory Board and the German Corporate Governance Code (GCGC).

The Supervisory Board has at all times ensured that it has been kept appropriately informed by the Board of Managing Directors in accordance with the information and reporting duties laid out in the Rules of Procedure of the Board of Managing Directors. Furthermore, the Chairman of the Supervisory Board was given detailed information on all events that were of significant importance for the assessment of the situation and development as well as for the management of the company. He maintained frequent contact with the CEO and, in particular, they examined the strategy, business performance, medium-term planning and risk management of comdirect bank AG together. In addition, the Chairman arranged for important matters to be addressed by the Supervisory Board committees.

Main focus of advice and monitoring activities in 2018
The Supervisory Board met four times in the 2018 financial year; on 22 March 2018, on 04 May 2018 before the annual general meeting, on 11 September 2018 and on 12 December 2018.

We discussed comdirect's long-term strategic alignment with the Board of Managing Directors, taking the decision to focus on our core business. In light of this, we commissioned the Board of Managing Directors to review the possible sale of ebase GmbH. The Board of Managing Directors kept us informed about their review and the subsequent sales process at every stage. The Board also presented to us the planned growth investments associated with the sale of ebase, to which we voted positively. The investments are intended to accelerate comdirect's continued development in the core business and the attainment of our strategic objectives. The Supervisory Board also held a strategy workshop with the Board of Managing Directors on 06 September 2018.

As in previous years, a central topic was the reporting on the implementation of the current strategy programme. Here, we obtained extensive information on the enhancement of the range of products and services offered by comdirect. The Board of Managing Directors kept us up to date on the various projects, the planned sale of ebase GmbH and the growth investments in our core B2C business. Alongside intensified sales and marketing activities geared towards realising growth opportunities and process efficiency, this also includes the introduction of new mobile payment functions such as Google Pay and Apple Pay, as well as the further expansion of voice control.

comdirect's Board of Managing Directors regularly updated us on the development of key performance indicators and their impact on the bank's net assets, financial position and results of operations. As part of our deliberations, we dealt with the market and competitive environment and the bank's development on the basis of the medium-term planning. Moreover, the Supervisory Board regularly examined the risk status of the bank. The focus was on the discussion of the overall risk strategy in line with the minimum requirements for risk management (MaRisk). The Supervisory Board also discussed preparations for the annual general meeting on 04 May 2018. This included putting together the draft agenda and proposals to the annual general meeting.

In addition to the ordinary sessions, the Supervisory Board adopted further resolutions using the written circulation procedure and in a number of special conference calls. Among other topics, these concerned:

- Dietmar von Blücher's assumption of a seat on the Board of Managing Directors of onvista AG,
- the appointment of Frauke Hegemann as a member of the Board of Managing Directors, subject to approval by the supervisory authorities,
- the stipulation of the variable compensation component for the members of the Board of Managing Directors for financial year 2017,
- the stipulation of the target amount for the variable compensation component for the members of the Board of Managing Directors for financial year 2018, and
- the disposal of European Bank for Financial Services GmbH (ebase).

At its ordinary meeting in December, the Supervisory Board specified the criteria for assessing the variable compensation component for the Board of Managing Directors for financial year 2019 based on the Remuneration Supervisory Committee's recommendation.

Activities of the committees
In order to improve the efficiency of Supervisory Board activities and to deal with complex issues, some matters were referred to the Presiding Committee, the Remuneration Supervisory Committee, the Nomination Committee and the Risk and Audit Committee for a decision or for the purpose of preparing resolutions.

The Risk and Audit Committee of the Supervisory Board adopted resolutions in the reporting year in four ordinary meetings during the reporting year; on 22 March 2018, on 04 May 2018 before the annual general meeting of comdirect bank AG, on 11 September 2018 and on 12 December 2018. Each meeting was also attended by at least one representative from the auditors commissioned for the year-end audit and review of the half-year financial report. At the meeting on 22 March 2018, the Risk and Audit Committee reviewed the preliminary examination of the financial statements and dependency report as well as the independence of the auditors of the annual and consolidated financial statements.

At all sessions, the Risk and Audit Committee discussed in depth the status and enhancement of risk management and the risk status of comdirect group. The focus was also on the investment of deposits with other companies in the Commerzbank Group and other counterparties. The underlying investment strategy and its planning, in particular regarding the continued intensive use of the Commerzbank Group for money market and capital market transactions, were regularly discussed.

The Risk and Audit Committee received the annual report of the Compliance and Money Laundering Officer in March 2018 and was informed about the overall audit report from Internal Audit for the 2017 financial year. The Chairman of the Risk and Audit Committee was given comprehensive information from the Head of Internal Audit prior to the meeting. In direct discussions with the Head of Internal Audit and the Head of Risk Management & Compliance, the Chairman of the Risk and Audit Committee verified the effectiveness of the internal control system. There was one material finding in 2018 that was quickly resolved. In the meeting of the Risk and Audit Committee on 04 May 2018, the Chairman of the Risk and Audit Committee was authorised to sign the contract commissioning the auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Hamburg branch, selected by the annual general meeting on the same date, to audit the annual and consolidated financial statements, including the management reports as of 31 December 2018. During the year, the Risk and Audit Committee obtained information at every meeting on the activities of Internal Audit and the Compliance function.

The Risk and Audit Committee monitored the independence of the auditor and also dealt with the services additionally rendered by the auditor on an ongoing basis. The Risk and Audit Committee further dealt with the results of the annual custody account/German Securities Trading Act (WpHG) audit and with the main areas of the audit of the 2018 annual financial statements.

A certificate of independence has been obtained from the auditors. No business, financial, personal or other relationships exist between the auditors and their executive bodies and audit managers on the one hand and comdirect bank AG and its Board members on the other that could give rise to doubts with regard to their independence.

The Chairman of the Risk and Audit Committee also held regular talks with the auditors and the Chief Financial Officer.

The Presiding Committee of the Supervisory Board adopted resolutions in the reporting year by means of the written circulation procedure and in four meetings on 22 March 2018, 04 May 2018 before the annual general meeting, 11 September 2018 and 12 December 2018. Among other topics, these concerned the recommendations to the Supervisory Board regarding issues relating to the remuneration of the Board of Managing Directors, including:

- the stipulation of the variable compensation component for the members of the Board of Managing Directors for financial year 2017,
- the stipulation of the target amount for the variable compensation component for the members of the Board of Managing Directors for financial year 2018,
- the risk taker scorecard for financial years 2014 to 2016 for the members of the Board of Managing Directors of comdirect bank AG.

In addition, the Presiding Committee approved the reallocation of loans granted to the Commerzbank Group and Dietmar von Blücher's assumption of a seat on the Board of Managing Directors of onvista AG.

The Remuneration Supervisory Committee and the Nomination Committee met in ordinary meetings on 11 September 2018 and 12 December 2018.

The Remuneration Supervisory Committee examined the remuneration supervisory report and the third amendment of Germany's Remuneration Regulation for Institutions (IVV). The Remuneration Supervisory Committee also discussed the adjustment of the remuneration model of the members of the Board of Managing Directors of comdirect bank AG, the new comdirect incentive plan and the adjustment of the instrument for performance measurement. As a result, it recommended the Supervisory Board approve the draft resolutions.

The Nomination Committee discussed the proposal of shareholder representative candidates for the 2019 Supervisory Board election, and gave the Supervisory Board corresponding recommendations for its nominations to the annual general meeting. The activities of the committees were reported on in detail to the full Supervisory Board.

Efficiency of Supervisory Board activities

The Supervisory Board reviews the efficiency of its activities on an annual basis, most recently at its meeting on 22 March 2018. The activities of the Supervisory Board and its committees were once again unanimously judged to be efficient. No conflicts of interest were reported with regard to any member of the Supervisory Board.

Approval of the annual financial statements and dependency report

The annual financial statements of comdirect bank AG (prepared in accordance with the German Commercial Code (HGB)), the management report of comdirect bank AG (prepared in accordance with HGB) and the consolidated financial statements and group management report (prepared in accordance with IFRS), including the underlying bookkeeping for financial year 2018, have been audited by the auditors, who issued an unqualified audit certification. The above documents, audit reports and Board of Managing Directors' proposal for the appropriation of distributable profit were promptly made available to the members of the Supervisory Board.

The German public accountant took part in the meeting of the Risk and Audit Committee on 13 March 2019 and the subsequent meeting of the Supervisory Board on the approval of the annual accounts, among other meetings. The auditor reported on the key findings of the audit and answered questions. The result of the audit was discussed thoroughly with the Risk and Audit Committee. The Risk and Audit Committee then proposed to the Supervisory Board that the annual financial statements be approved.

The Supervisory Board has acknowledged the results of the audit. Within the scope of the legal provisions, it has examined the annual financial statements and management report, consolidated financial statements and group management report and the Board of Managing Directors' proposal for the appropriation of distributable profit and raised no objections on completion of its examination. In its meeting on 13 March 2019, the Supervisory Board approved the annual financial statements and consolidated financial statements prepared by the Board of Managing Directors. Accordingly, the annual financial statements are regarded as adopted. The Supervisory Board endorses the proposal for the appropriation of the distributable profit.

The report of the Board of Managing Directors on the company's relationship with affiliated companies was also submitted to the Supervisory Board along with the associated auditors' report. After completing the audit, the auditors raised no objection to the report of the Board of Managing Directors and issued the following unqualified certification: "After conducting our audit in accordance with the professional standards, we confirm that the actual details of the report are accurate and the fees paid by the company for the legal transactions detailed in the report were not disproportionately high."

The Supervisory Board has examined the report of the Board of Managing Directors and approves the report as well as the auditors' findings of the audit. After completing its examination, the Supervisory Board finds no cause for objection to the concluding statement concerning the relationship with affiliated companies made by the Board of Managing Directors in the report.

As part of the audit, the auditors also assess whether the Board of Managing Directors has implemented a monitoring system and has fulfilled the legal requirements concerning the early detection of risks that are likely to threaten the existence of the company. The auditors have confirmed that the risks described in the management report are presented accurately and that the measures taken by the Board of Managing Directors in accordance with Section 91 (2), of the German Stock Corporation Act (AktG) are suitable for the early detection of developments that are likely to threaten the continued existence of the company. Furthermore, the auditors confirmed the effectiveness of the accounting-related internal control system.

Changes in the Board of Managing Directors

The appointment of Matthias Hach to the Board of Managing Directors of comdirect bank AG became effective on 30 January 2018. He replaced Dr Sven Deglow, who resigned from the Board at the end of financial year 2017.

Martina Palte left the Board of Managing Directors of comdirect bank AG of her own accord on 31 March 2018 to continue her career outside the company. As Chief Representative of comdirect bank AG, Frauke Hegemann took over Martina Palte's previous areas of responsibility in April 2018. In addition to the Customer Management and Human Resources divisions, this also includes Legal, Data Protection & Organisation, Information Security & Outsourcing Management, and Home Loans & Provisioning. She reports directly to CEO Arno Walter. She is also member of the Supervisory Boards of ebase GmbH and onvista AG. The appointment of Frauke Hegemann as a full member of the Board of Managing Directors remains subject to regulatory approval.

The current responsibilities are detailed in the "Management and control" section of this annual report.

Thanks for excellent performance

We would like to thank the members of the Board of Managing Directors and all members of staff at comdirect group for the excellent performance achieved once again in financial year 2018. We would like to thank the staff council for their constructive cooperation at all times.

Quickborn, 13 March 2019

The Supervisory Board

The market for retail banking is changing fundamentally

Digital transformation, complex regulation, a zero-interest environment, growing competitive pressure from fintechs and non-specialist internet giants, changing customer requirements – retail banking seems to be changing at an ever-faster rate. The resulting shifts pose huge challenges for many institutions. At the same time, however, they open up opportunities for all those who read the signs of the times correctly.

> 2x
more cashless payment terminals at the point of sale than in 2007

~ 2x
more online accounts than in 2007

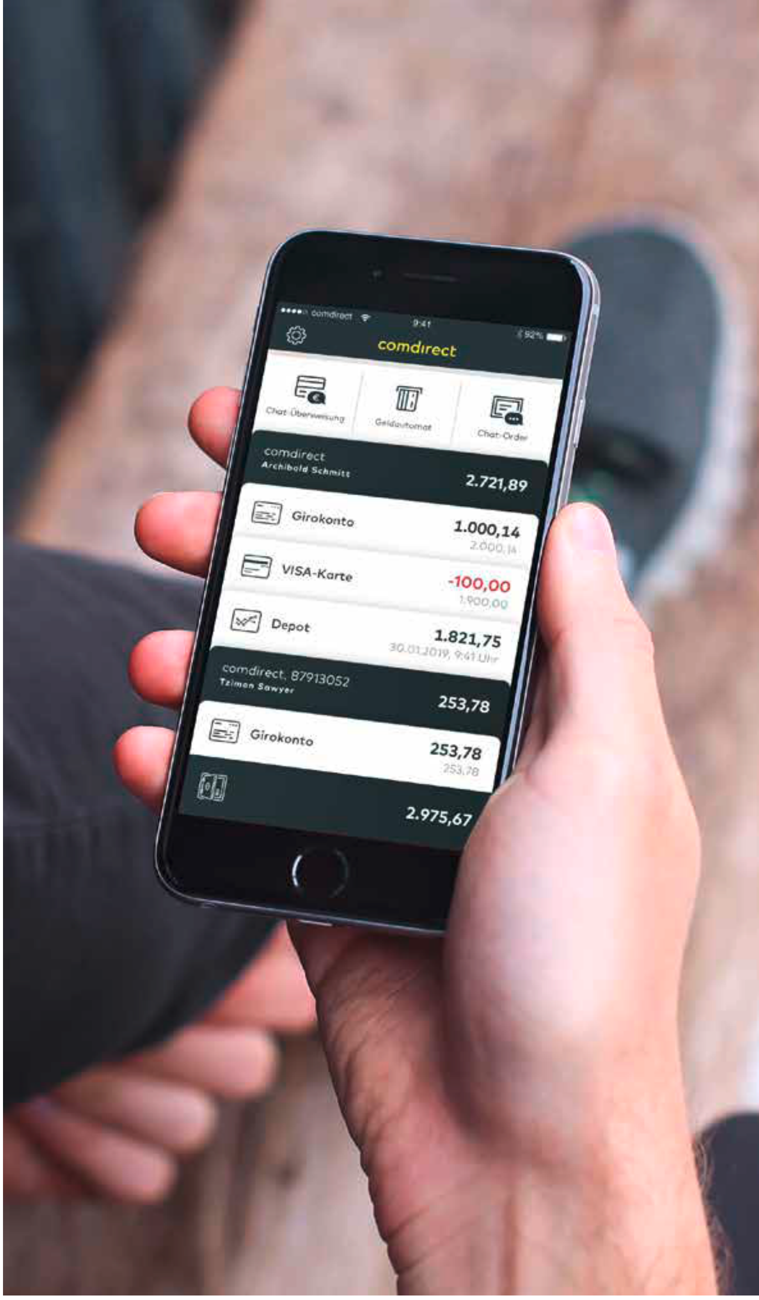
~ 50%
of all smartphone owners use mobile banking solutions

Structural changes in the market environment are good news for direct banks

The Germans love cash. Even now, notes and coins change hands in 75% of all payment transactions. For that reason, the convenience of withdrawing cash from an ATM is a key argument for many people to hold an account at a traditional retail bank – or at least it was. With more and more branches closing, this argument is rapidly losing ground, however. The Deutsche Bundesbank has calculated that German banks and building societies closed one in six branches between 2013 and 2017. At the same time, a new, dense infrastructure has emerged to supply consumers with cash: more than 21,000 German supermarkets now offer their customers cashback when they pay for their shopping.

The number of retailers and service providers that accept cashless payments is constantly rising as well. In the last 10 years, the number of terminals catering for this at the point of sale has more than doubled. As contactless girocards and smartphone-based solutions – such as Google Pay and Apple Pay, which were rolled out in Germany in 2018 – become more widespread, the digital payment trend can be expected to intensify further over the coming years. This means that customers are less and less reliant on their retail bank to supply them with cash, making them more open to switching to a direct bank. It should therefore come as no surprise that the number of accounts managed online has roughly doubled since 2007. Access to cash is not the only factor. Faced with low net interest income, high administrative expenses and a need to invest heavily in digitalising their business models, many banks are also putting up their prices. Services which were once provided free of charge are now subject to a fee. Direct banks often offer more attractive cost structures.

Banks are becoming marketplaces for financial products
Since the implementation of the EU's revised Payment Services Directive (PSD2) in 2018, banks have been obliged to open up their IT architectures, most of which were previously closed, and create interfaces (APIs) with external service providers. These allow service providers to access a customer's account free of charge, for instance, subject to his/her approval. At first glance, this may seem like a regulatory inconvenience for banks. However, it also allows them to start offering new services. In the future, customers will receive access to a host of third-party offerings via their bank – from property brokerage to sales of energy and insurance products. Banks are increasingly becoming centres for the brokerage of financial products. According to a study by the management consultancy Investors Marketing, which specialises in financial services providers, the income this generates could make up some 10% of total proceeds at banks and building societies by 2025.



Smartphones are becoming the first screen clients use
Younger customers in particular want to be able to complete banking transactions – preferably of all kinds – anywhere and at any time. Banks are no longer accessed via the door of a branch: instead, clients use apps, whose performance and user-friendliness need to be optimised constantly. Almost half of all Germans now use their smartphone for mobile banking. A glance at Europe as a whole shows how things can be expected to develop here too: nearly 80% of Europeans already use their smartphone for banking transactions or day-to-day purchases.

Robo-investing is entering the mass market
Some five years after its launch in Germany, this affordable, algorithm-based form of asset management has made the leap from the fintech niche. There are now approximately 30 providers in Germany who are keen to assist price and return-conscious investors. According to figures from the analysis firm Barkow Consulting, the market volume for automated online investments exceeded €2bn in mid-2018. The consultancy Oliver Wyman estimates that this could grow to around €35bn as soon as 2021. With this dynamic growth, customer interaction is changing in the securities business as well: while personal contact continues to decrease, new possibilities for continuous, automatic interaction via digital channels are emerging.

Numerous innovations strengthen the strategic position of comdirect

Thanks to our company strategy, we are very well positioned to benefit from the shift in our markets, but that is not all. In many cases, we are actually driving – or even initiating – change with a new, pro-innovation concept of banking. Our strategy centres on two customer-oriented performance promises: being the top address in saving, investing and trading with securities and supporting an increasingly mobile society with innovative solutions as a smart financial companion. Internally, we focus on cost-efficient, forward-looking processes.

We are the top address in saving, investing and trading with securities

Investing in convictions

Our motive investing service caters for a growing need among many clients to invest in line with their personal interests and convictions. Presented in early 2018, this offering was expanded in the course of the year. It allows customers to invest in areas that are important to them. The available investment themes are selected by our financial experts and represent important future trends on the capital markets: robotics, biotechnology, health, sustainability, technology and consumer trends. Our customers can invest in suitable funds, ETFs and equities within these fields.

cominvest: our digital asset management service

cominvest enables us to offer a service in the fast-growing segment of digital asset management, which allows clients to benefit from professional asset management from an investment of as little as €3,000. The service was launched in May 2017 and had a portfolio volume of some €400m by the beginning of 2019. This makes us the second-largest service provider in Germany. Our customers can choose between five investment strategies with distinctive risk profiles. Two different management models are also available: if clients choose "Wir für Sie", they place their investment completely in our hands. Meanwhile, the option "Wir gemeinsam" allows investors to decide whether to proceed with the portfolio adjustments we recommend. Customer funds are invested in a portfolio consisting of managed funds, exchange-traded funds (ETFs) and exchange-traded commodities (ETCs). We extended our investment universe in 2018 to comprise over 40,000 securities. The sample portfolios on which the five investment strategies are based are optimised regularly and automatically. cominvest draws on an algorithm for its market analysis. The resulting adjustments are checked by our experts and only then passed on to the customers.

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New access to active traders

Active traders have always been an important customer group for comdirect. However, the needs of this target group differ significantly from those of other investors. This relates in particular to the ability to configure their virtual trading interface in line with their personal preferences. In addition to large, leading brokers like comdirect, there are many small, specialised providers on the German market. Since November 2018, we have been offering a modern brokerage interface (API) for our partners' trading, investing and analysis platforms. The first partner to be integrated was Guidants, one of the largest and most innovative investment platforms in Germany. Via the API, traders can trade with comdirect without leaving their Guidants-tailored information interface. This offers another attractive option for clients who value individuality and convenience.

Stock exchange training for private investors

Given the ever-increasing number of investment classes and the abundance of information about them, starting to invest in securities poses a challenge for many novices. That is why we have set up the comdirect Academy – a free online learning platform which helps existing and potential clients to expand their knowledge. Lessons developed by over 40 financial experts cover the basics of trading. Registered users can access the tutorials on their devices at any time in text or video format. The knowledge they acquire can also be put to use and extended in an interactive training zone.

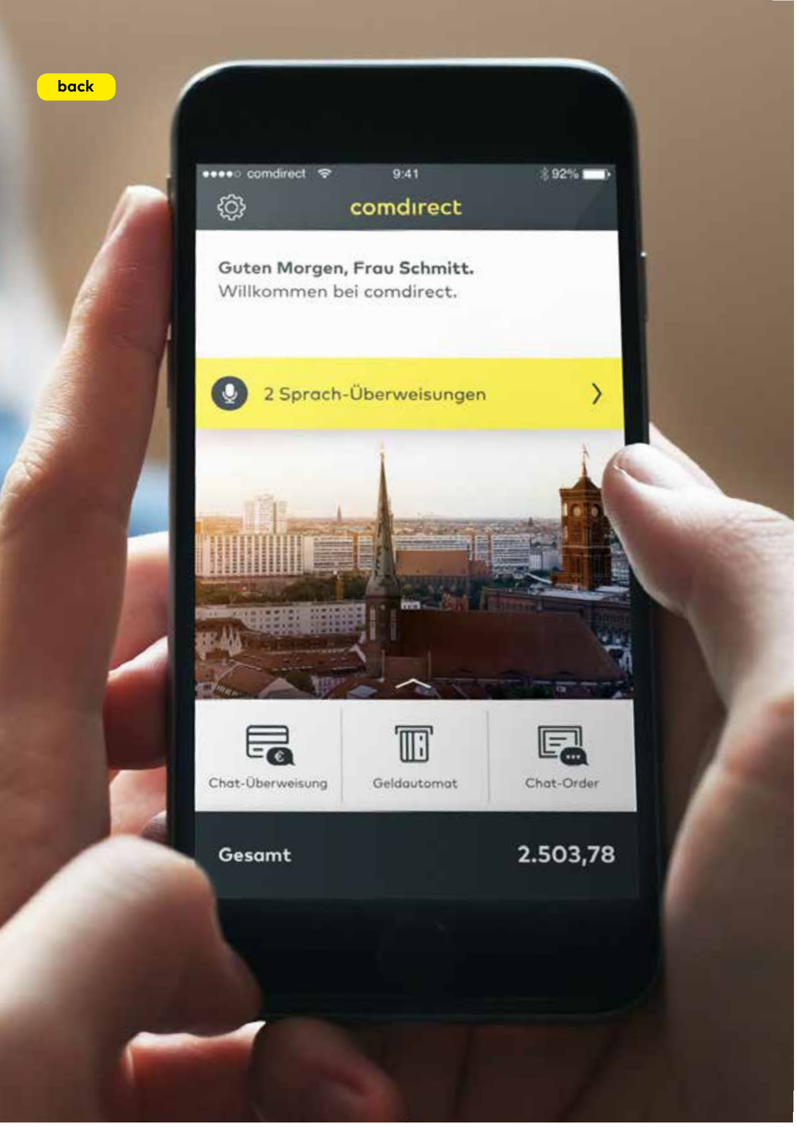
We are the smart financial companion for the Generation Mobile

comdirect app: award-winning mobile banking
We underlined our "mobile first" approach in early 2018 with the new comdirect app, which has now won a number of awards. The aim of the app is to make mobile banking as simple and intuitive as possible. Our objective is not just to cover key banking applications and offer a user-friendly design: we are also constantly developing innovative solutions, such as the chat transfer feature. This makes it possible to issue transfer instructions as quickly and easily as writing a text message. We also rolled out a comparable feature for securities transactions in 2019 with the chat order service.

Pioneering mobile payments
More than 80% of all Germans already use a smartphone. However, mobile payment technology has only been introduced in Germany relatively recently. That means there is considerable potential here because this is a convenient, fast and secure method of payment for customers. The principle is comparable to contactless payments with a debit or credit card – but instead of a card, a smartphone is used to transfer the information stored in the corresponding app in an encoded form.

comdirect is one of the pioneers of mobile payments in Germany. In summer 2018, we were one of the launch partners when Google Pay was rolled out in the country, and we were also heavily involved in Apple Pay's German launch in December. An initial appraisal at year-end proved positive: more than half of our customers who have installed Google Pay regularly use it to make payments, i.e. more than five times a month. Meanwhile, Apple Pay was activated by tens of thousands of comdirect clients on the first day after its launch alone. We also proved that consumers do not necessarily need a smartphone to make mobile payments as part of our innovation partnership with the German Volleyball Association (DVV) by piloting the use of wearables at the German Beach Volleyball Championships in Timmendorfer Strand. Together with co-initiator Visa, we offered thousands of visitors to the event a fast, convenient payment experience with prepaid wearable devices.

Optimising expenditure with sparCheck
We believe that being a smart financial companion also means optimising our customers' outgoings. The sparCheck service has been helping clients to do this via the comdirect website since August 2018. It compares the terms offered by energy suppliers and identifies cheaper deals. Customers can switch their supplier online in a matter of minutes. However, the potential of this concept extends far beyond a comparison of electricity and gas costs. In the course of 2019, we therefore plan to add more product groups and services to the sparCheck service.



Voice-controlled banking: simple, fast, intuitive

Speaking is the most natural way of communicating and it is currently experiencing a real renaissance in the digital world with Siri, Alexa and Google Assistant. Half of Germans use a voice-controlled assistant at least occasionally, with the figure rising to almost 70% among under 30s. It should therefore come as no surprise that we have been looking closely for a number of years now at how we can make banking even easier for our customers with the aid of voice control. In spring 2017, we were the first bank in Germany to enable share price queries using Amazon's Alexa. We were also one of the first partners in Germany when Google Assistant was launched in autumn 2017. In the year under review, we succeeded in further consolidating our pioneering position. This included considerably expanding the comdirect skill for Alexa, linking additional devices such as the Echo Show and integrating new features for all system variants. We achieved a major milestone with Google Assistant, succeeding in implementing a feature that allows customers to make transfers by issuing spoken instructions. We also offer a number of proprietary voice applications: since spring 2018, it has been possible for clients to transfer funds in the comdirect app using their voice.

We are making our processes cost-efficient and forward-looking

Getting started in no time

In 2018, our focus was on digitalising the communication processes associated with opening a bank or custody account. We also offer new customers the option of selecting their own PIN for their Visa card during the account opening process. Our pioneering role is further underscored by the E-Ident system implemented in late 2018, which serves to verify the client's identity when they open a custody account. This makes it possible for customers to identify themselves to comdirect via an Android smartphone using the eID feature on their identity card at any time, independently and in a matter of seconds. We were the first bank in Germany to integrate certified eID identification software into our app.

Digital assistance

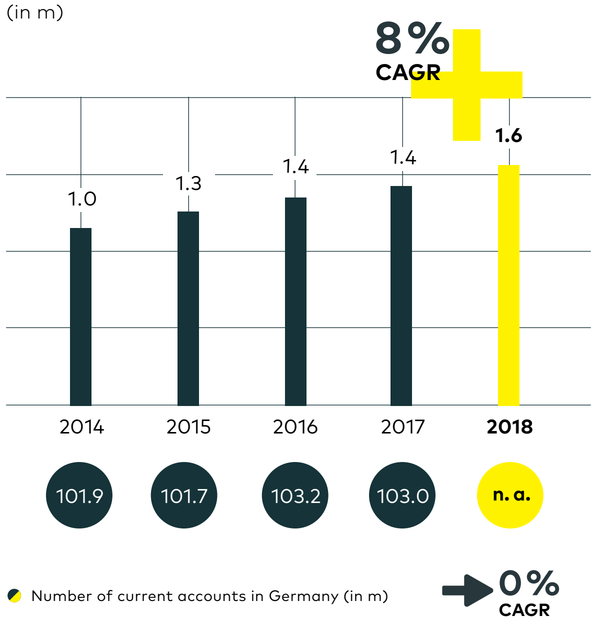
In the field of artificial intelligence (AI), we have been using a new intelligent voice dialogue system since the end of 2018. Ultimately, our aim is to use this system to automate standard processes completely. The system will be enhanced in various stages to achieve this. Our hybrid chatbot is another powerful technology which has been helping and supporting our customer care agents since 2018. During a conversation between a customer care agent and a client, the chatbot generates fast, suitable suggestions for responses. AI is also used in robotic process automation (RPA), in which software independently initiates and completes standard processes, such as blocking a girocard. This reduces the workload of our Customer Management staff, giving them more time to spend on other tasks in contact with our clients.

Our growth path continues

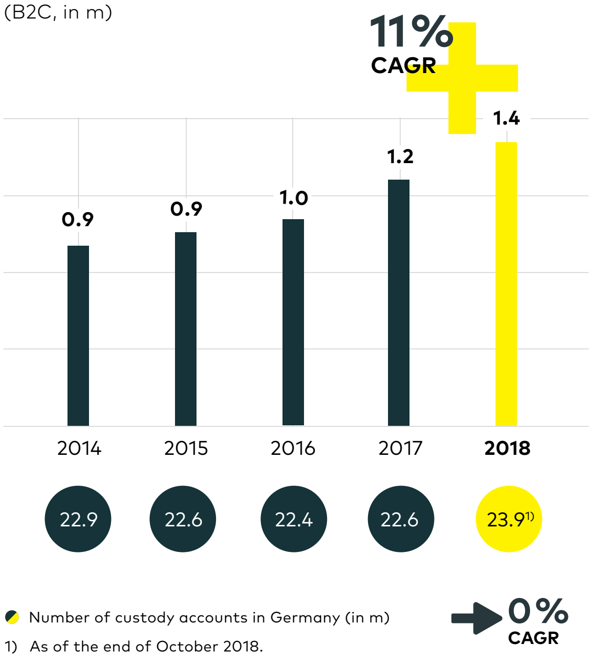
We are growing faster than the market

comdirect offers people a straightforward banking and brokerage infrastructure which complements modern life. Interest in our products and services is constantly growing as a result. By keeping the performance promises we have made to our customers, we are also moving closer to achieving the strategic objectives we have set ourselves with regard to the capital market. comdirect is – and will remain – a growth company.

Number of current accounts held at comdirect
(in m)

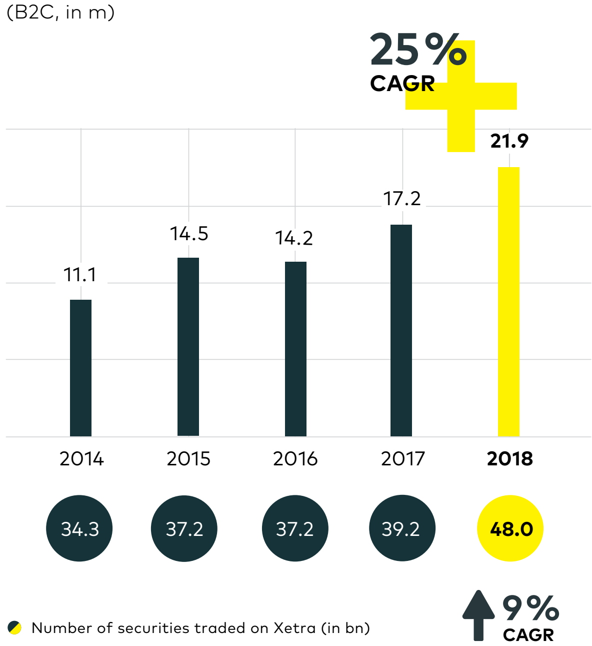


Number of custody accounts held at comdirect
(B2C, in m)



1) As of the end of October 2018.

Number of orders executed via comdirect
(B2C, in m)



Sources: Deutsche Bundesbank, Deutsche Börse.

Our mission: making profitable growth sustainable

Fair employer

Working together is the best way to overcome challenges, especially in an extremely dynamic market environment. Teamwork plays a key role at comdirect. Our working methods and environments also echo this principle: they are modern, flexible, interdisciplinary and direct with plenty of opportunities for dialogue. Everyone can – and should – make a difference, right from day one. Various continued professional development formats provide the professional and personal skills which staff need to do this. It is important to us that our members of staff have a healthy work-life balance. We work hard to ensure they can achieve this in line with their specific needs, offering everything from individual working patterns and emergency childcare to health programmes and the option of taking sabbaticals. In addition, we enhance the prospects of approximately 12 young people every year by enabling them to complete an apprenticeshhip. We received a number of awards in 2018, once again confirming our credible positioning as a fair employer.

Contributions to society

Making relevant contributions to society is part of our corporate vision. With this in mind, comdirect bank AG is the founding donor and initiator of the Stiftung Rechnen foundation. This organisation's mission is to share an enjoyment of working with numbers and improve the mathematical capabilities of young people in Germany – because arithmetic ranks alongside reading and writing as a key skill. The management and senior employees at comdirect sit on the foundation's Board of Directors and Committee. In this capacity, they are involved in extending the foundation's activities and consciously supporting youth education. Furthermore, female members of staff at comdirect have joined forces to set up the finanz-heldinnen initiative aimed at helping women become more proficient with financial topics. As well as offering a range of information resources, training courses and networking events, the initiative specifically creates female role models to help inspire other women on their way to financial independence.

Contents

Group management report

Foundations of comdirect group

Business model of comdirect group

comdirect is one of Germany's leading direct banks, with products and services that are as innovative as they are intelligent. Our objective is to serve as a smart financial companion for our customers and make their lives easier. At the same time, we aim to be Germany's top address when it comes to saving, investing and trading with securities. To this end, we make it possible to conveniently conduct banking transactions, trade in securities and implement investment decisions.

comdirect has long considered itself to be a growth company, which is demonstrated by over 2.5m B2C customers, around 1.4m custody accounts, around €62bn in assets under control and almost 22m executed securities transactions in the financial year 2018. This makes us one of the market leaders in the online securities business in Germany. Thanks to strong organic growth, we were able to further entrench our market position in the reporting period and boost both our customer base and assets under control to new record levels.

comdirect is excellently positioned in the brokerage and banking areas. Following the decision to sell ebase, we will be focusing on the core retail business in the future (B2C business segment) to further boost growth in that area. The closing of the transaction is pending subject to approval by the banking supervisory authority. The funds generated by the sale will be invested in the continued development and growth of our core business.

Organisational structure, segments and locations

comdirect bank AG is the parent company of comdirect group. It comprises the European Bank for Financial Services GmbH (ebase), onvista media GmbH and onvista AG. In July 2018, we concluded an agreement for the sale of the Aschheim-based ebase GmbH to the FNZ Group. The transaction is expected to be completed in the first half of 2019.

The group is managed on the basis of two business segments: business-to-customer (B2C) and business-to-business (B2B). The B2C business segment mainly covers the retail business, while the B2B business segment covers the business with institutional partners and their customers.

The B2C business segment includes comdirect bank AG and the onvista bank business area and its five special funds as well as onvista media GmbH and onvista AG. In banking, we generate interest income by reinvesting customer deposits in the money and capital markets and from interest on consumer loans, credit lines and overdrafts. There is also commission income in conjunction with payment transaction cards issued. In brokerage, which combines the trading and investing activities, we primarily generate commission income from securities trading and associated services, as well as from front-end loads and sales follow-up commission in its funds business. These are supplemented by interest income, in particular from loans against securities and deposits to clearing accounts.

comdirect bank AG has its registered office in Quickborn near Hamburg, and also has an office in Frankfurt am Main (onvista bank business area) and an IT centre in Rostock. onvista AG has its registered office in Frankfurt am Main, while onvista media GmbH relocated its registered office to Cologne in 2018.

Management and control

comdirect group is managed by the Board of Managing Directors of comdirect bank AG, the composition of which has changed from the previous year: the Supervisory Board appointed Matthias Hach as the new Chief Marketing Officer (CMO) for a period of three years. This appointment became effective upon the resolution of the European Central Bank (ECB) dated 30 January 2018. Matthias Hach will be assuming all of the duties formerly assigned to Dr Sven Deglow, who resigned his mandate with effect as of 31 December 2017 and has left the comdirect group of his own accord. Matthias Hach was also appointed as a member of the Supervisory Board of onvista AG and the European Bank for Financial Services GmbH (ebase), and was elected Chairman of the Supervisory Board of onvista media GmbH.

Martina Palte left the Board of Managing Directors of comdirect bank AG of her own accord on 31 March 2018 to continue her career outside the company. As Chief Representative of comdirect bank AG, Frauke Hegemann took over Martina Palte's previous areas of responsibility in April 2018. In addition to the Customer Management and Human Resources divisions, this also includes Legal, Data Protection & Organisation, Information Security and Outsourcing Management, and Home Loans and Provisioning. She is also a member of the Supervisory Boards of ebase GmbH and onvista AG. The appointment of Frauke Hegemann as a full member of the Board of Managing Directors remains subject to the approval of the supervisory authorities. Until such approval is granted, she reports directly to CEO Arno Walter.

As of the end of 2018, the responsibilities of the members of the Board of Managing Directors were as follows:

Arno Walter Chief Operating Officer (CEO)	• Corporate Strategy & Consulting • Corporate Communications • Internal Audit • Business Development & Innovation Management • Treasury & business partners • ebase (Chairman of the Supervisory Board)
Dietmar von Blücher	• Finance, Controlling & Investor Relations • Risk Management & Compliance • Information Technology • onvista bank Back Office Division
Matthias Hach	• Marketing • User Interface • Brokerage • Banking • onvista bank Market Division • onvista media GmbH
Frauke Hegemann	• Customer Management • Human Resources • Legal, Data Protection & Organisation • Information Security & Outsourcing Management • Home Loans & Provisioning

The Supervisory Board, which consists of six members, remains unchanged from the previous year. The Supervisory Board works closely with the Board of Managing Directors and monitors and provides advice to the Board of Managing Directors on a regular basis on all material issues relating to the management of the company.

Corporate Governance Statement

Management and control of comdirect group comply with generally accepted high standards. These are summarised in the Corporate Governance Statement pursuant to Section 289f and Section 315d of the German Commercial Code (HGB). This statement includes, among other items, the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) and is published alongside the Corporate Governance Report in accordance with Section 3.10 of the German Corporate Governance Code. comdirect group also details its compliance standards in the Corporate Governance Report.

The Corporate Governance Statement can be viewed on and downloaded from the website www.comdirect.de/ecg18. Previous versions of the published documents are also available on the website.

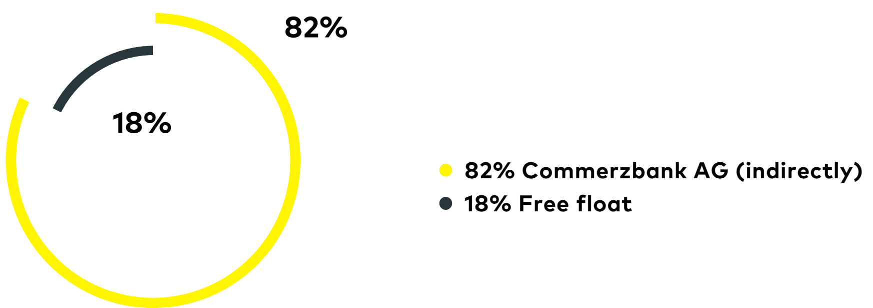
The main features of the compensation system of the Board of Managing Directors and the Supervisory Board as well as the breakdown by individual members are shown in the compensation report on pages 63 to 75.

Inclusion in the Commerzbank Group

comdirect bank AG is quoted on the Prime Standard (Regulated Market). Around 82% of the shares are held by Commerzbank Inlandsbanken Holding GmbH, a wholly-owned subsidiary of Commerzbank AG. Consequently, as of 31 December 2018, around 18% of the shares are in free float. Commerzbank AG provides services for comdirect bank AG, such as the processing of securities trading transactions as well as some of the payment transactions and the processes in risk management. The treasury department of comdirect bank AG also cooperates with Commerzbank AG in relation to a "liquidity transfer".

A detailed overview of the business relations can be found in the group notes on pages 112 to 115.

Shareholder structure at the end of 2018



Strategy

Strategic objectives

comdirect strives

- to raise interest among various target groups with tailored solutions and investment opportunities for securities and to be the **top address for saving, investing and trading with securities,**
- to introduce significantly more securities investors to investing and trading, and in doing so to take the **lead in the online brokerage market** in Germany (measured in trades),
- to be the preferred financial services provider for modern and independent clients and to be perceived as the **innovation leader** in the market with intelligent solutions,
- to be the **smart financial companion** for its customers with comparisons against and brokerage of other services, providing them with a convenient and transparent overview beyond their personal financial situation,
- to remain one of the most **profitable retail banks** in Germany in 2020, measured against return on equity.

Our customer-oriented performance promise can be divided into the following main strands:

- We aim to be the top address for our customers when it comes to saving, investing and trading with securities, for which we offer simple solutions and are available anywhere and any time – suitable for all life circumstances and adapted to the personal needs and risk inclinations of the customers. Whether they are beginners or professional investors, our customers can use our broad solution portfolio – which extends from individual investments to digital asset management, from saving with securities to trading tools – to make use of opportunities and avoid real interest rate losses. The strategic objectives of comdirect group are geared towards this performance promise.
- We are the smart financial companion that helps to make life easier in an increasingly mobile and digital society, and supports its customers in managing their finances in a remarkably simple and comprehensive fashion while providing them with an overview of their situation across multiple service providers, giving them the means to conduct financial transactions conveniently and finance their personal goals. To this end, we continuously improve the means of accessing financial services and develop intelligent, intuitive tools for payment transactions and financial overviews, and also build upon innovative functionalities.
- We focus on our cost and process management, which provides us with higher economies of scale for our business model, a superior digital customer experience and the ability to establish processes in a simple, automated and cost-efficient manner. In this regard, we also optimise our internal processes by fully digitalising them where possible. We make the user experience more customer-friendly by continuously reviewing processes in terms of their simplicity, streamlining and intuitiveness and optimising them where relevant. This results in lower costs paired with a superior customer experience.

Strategy implementation and product development

Saving, investing and trading with securities

In the B2C business segment, several focus teams, in which specialists from various divisions collaborate, work on the development of intelligent solutions for saving, investing and trading with securities. The focus teams achieve high-speed implementation by interlinking customer, market, technology and process expertise using agile working methods.

The following strategic topics are of particular note for 2018:

cominvest: Our digital asset manager cominvest was launched in May 2017. As of the end of 2018, the managed portfolio volume came to around €400m. cominvest prepares precisely tailored investment proposals based on five different risk profiles and a portfolio of managed funds, exchange-traded funds (ETFs) and exchange-traded commodities (ETCs). We expanded this range of securities investment opportunities in 2018 from 4,000 securities to a total of more than 40,000 securities. To implement the investment strategy, customers can choose between different management models. The cominvest portfolios are continuously optimised via an algorithm, which is permanently monitored by our experts. This method allows professional asset management from an investment amount of just €3,000. In 2018, cominvest was also expanded to include savings plan functions for existing customers to enable individual savings rates of €100 upwards to be set up.

Trading offensive: We have been strengthening our position in the brokerage market with a strategic trading offensive since 2017. Trading customers have been further motivated to trade on the markets with various measures, products and communications. For example, the look and feel of our website was revised for customers with an affinity for trading and attractive product campaigns were initiated. The launch of the comdirect Akademie at the end of March 2018marked the creation of a comprehensive learning platform that provides private investors with stock market training. Since October 2018, we have also offered a WhatsApp channel so that subscribers can keep up to date on market developments.

We also comprehensively overhauled our fund distribution formats in the reporting year. Since early 2018, our customers have been able to make use of motif investing, which allows them to invest selectively in certain areas or future trends. An expanded range of funds, ETFs and equities suitable for a diverse range of investment motives was launched in the third quarter, including in robotics, biotech, healthcare, sustainability, technology and consumer trends. December 2018 also marked the launch of the “AnlageSpezial” format, in which we offered selected funds at special conditions for a period of up to three months.

Since November 2018, we have been offering a modern brokerage interface (API) for our external partners’ trading, investing and analysis platforms. The first partner to be integrated was Guidants, one of the largest and most innovative investment platforms in Germany. Since the end of November 2018, traders have been able to trade with comdirect without leaving their Guidants-tailored information interface.

onvista bank: 2018 was another year characterised prominently by organic growth. For example, since March 2018, onvista bank has offered over 800 ETFs from its partners iShares, Lyxor, Amundi, Vanguard, WisdomTree and L&G free of order commission with a purchase volume of €1,500 or more via the Lang & Schwarz trading centre. In September 2018, the range of ETFs was doubled due to high demand to 166 ETFs that support savings plans. As part of its educational programme, onvista bank began offering a series of webinars for its existing customers in the second half of 2018. We are planning to expand this service in the financial year 2019 in light of its good reception.

Custody Account Manager: Another focus team is driving forward the evolution of this system from a simple overview of custody accounts to an intelligent and intuitive custody account manager. To simplify personal custody account management, the comdirect Custody Account Manager has been expanded to include a risk analysis tool. We have also added the custody account simulation to the risk analysis. A revised correlation matrix has been available since October 2018 for a simplified, intuitive presentation of data. A securities selector, which identifies potential securities to be added based on a few criteria, adds the finishing touch to the Custody Account Manager. This feature has been available to our customers since November 2018.

Smart financial companion

Banking: In the financial year 2018, we modernised our payment transaction handling and extended our range of products on all channels. Contactless payments are becoming increasingly important in Germany – both for customers and for retail. This is why we have been offering Google Pay to our customers since June 2018. The introduction of Apple Pay in December 2018 also underlined our role as a smart financial companion and innovator for the mobile generation. comdirect was a launch partner in Germany for both payment solutions. Another service that we have been offering to our customers since August 2018 is comdirect sparCheck. This allows customers and non-customers to optimise their outgoings by comparing electricity and gas providers. A comparison of alternative offers is just a click away for users, who can change providers within a matter of minutes online. Further expansions – such a comparison of ISPs or the ability to invest savings automatically in ETFs – are in the planning stage.

comdirect app: The comdirect app launched at the start of 2018 is a clear expression of our mobile-first approach. With it, we are pursuing an objective of providing our customers with mobile access to a complete range of banking functions through a single app that is available to them around the clock. Upon the launch of the app, chat transfers had already been enabled to make bank transfers as quick and easy as sending a text message. As of July 2018, the comdirect app also sends push notifications to its users, who can also perform bank transfers using photos and voice messages. The mobile-first functions are continuously undergoing further development, with planning under way for future enhancements such as the display of other bank accounts and order functions.

Voice control: Voice control services for B2C applications in the financial market environment have enabled us to reinforce our pioneering role in the German market. For example, we significantly enhanced the comdirect skill for Alexa in the financial year 2018. Support for new devices such as the Echo Spot has been added and new functions such as watchlists, push notifications and interactive stock market news have been integrated for all system variants. With the Google Voice Assistant, we have achieved a significant milestone in terms of integrating banking functionality into the voice assistant's ecosystem. This has enabled not only voice-controlled queries for account balances and custody account listings but also voice-controlled transfer orders to be implemented in Google Assistant.

Finance portal: onvista.de is one of Germany's leading finance portals. The interaction of the comdirect Informer and onvista.de platforms allows us to leverage synergies in connection with marketing. We have also developed shared content formats such as the "com'on" podcast and provided these as a new format for both our customers and users of comdirect and onvista websites.

Innovation management: Innovation management plays a key role at comdirect. We conceive innovations consistently from the perspective of our customers, relying to this end on both the wealth of ideas of our employees and on the intensive collaborations and strategic partnerships with innovators. The comdirect start-up garage for founders in the financial industry was continued with new members in the financial year 2018. comdirect sparCheck, for example, was developed and implemented by a start-up garage team. We also work with innovative minds on the "Entrepreneurs in Residence" programme, through which entrepreneurial ideas can be promoted within the comdirect environment. We also once again held our in-house Innovation Day in the reporting year. During this event, employees were given the opportunity to present their ideas in the "Antilopes' Den" and have them assessed by a jury. With this internal incubation approach, we received first place in the German Excellence Award.

Information and education formats: We also expanded our offerings in this area substantially in 2018. Specifically for the female target group, there has been a new initiative in place tailored to that group since the start of 2018 named "finanz-heldinnen" that aims to support women on their way to financial independence. This initiative, founded by female employees of comdirect, serves to inspire and inform using financial information for all life situations as well as with networking events and other information services.

Cost and process management

Digitalisation of processes: In 2018, we reviewed the numerous application processes. We focused on making the processes as simple, streamlined, intuitive and digital as possible for our customers. For example, we have digitalised communication in connection with opening bank and custody accounts. Another step in the continued development will be to establish digital account details for newly opened bank and custody accounts as a new process. Our customers will receive their new access code immediately and set their custom PIN themselves during the opening process without needing to wait for post to arrive. More streamlined and quicker opening processes can also be achieved by integrating a digital identity check process that allows custody accounts to be opened immediately. The custody account itself can be automatically opened in seconds after an expedited application approval process. The process improvement also allows existing customers who wish to open a custody account in addition to their current account to do so in a matter of seconds and begin trading immediately.

Artificial intelligence: In the reporting year, we intensified our use of artificial intelligence (AI). For instance, at the end of 2018, a new intelligent voice response system was introduced. We want to enable the automation and performance of standardised processes using this intelligent voice response system through further enhancements. AI was also used in the implementation of RPA processes (Robotic Process Automation) – a software-based robot now allows processing to be initiated and performed independently. The automation of standardised processes allows fast, around-the-clock processing and reduces the workload of Customer Management. An additional AI component was also introduced in the form of a chatbot that supports our customer care agents as they personally engage with the customers to respond with fast and precise suggestions. This AI is continuously improved through day-to-day use.

The aforementioned strategic objectives and the related individual project topics are dependent on customer growth and retention, increases in commission income and the reduction of costs. We are confident that these diverse measures will improve both our efficiency and our profitability.

Management

The Board of Managing Directors manages comdirect group, taking account of all material opportunities and risks and ensuring in particular that the balance between short-term profitability and long-term increase in value is maintained. The monthly global bank management reporting shows whether we are within the target range in terms of the strategic and operating goals of comdirect group or whether unexpected variances have occurred. Selected performance indicators are monitored and managed at shorter intervals.

The system of performance indicators remained unchanged in the financial year 2018.

comdirect group	• Return on Equity (RoE) • Assets under control
Business segment B2C	• Return on Equity (RoE) • Net fund flow to custody accounts • Number of custody accounts • Assets under control • Number of trades • Net Promoter Score (NPS)
Business segment B2B	• Return on Equity (RoE) • Assets under control

Our central financial performance indicators are geared towards the objectives specified as part of the strategy adopted at the end of 2015. Pre-tax return on equity (RoE) is the key performance indicator (KPI) for the group and its two segments. This is defined as the ratio of pre-tax profit to average equity (excluding revaluation reserves) in the reporting year. The pre-tax RoE is reported during the year on an annualised basis. In addition, we consider after-tax RoE at group level.

The key management parameter for the bank's growth is total assets under control, which is made up of both the custody account and deposit volumes. The performance of this depends on net fund flow but also in part on market value effects that are outside of comdirect group's control.

In addition to the financial indicators and their key influencing variables, non-financial performance indicators are also crucial for value-oriented global bank management. They reflect our relationship with our customers.

The net promoter score (NPS) is the most important non-financial performance indicator. It measures the willingness of our customers to recommend comdirect to friends and acquaintances and is thus important in gauging customer satisfaction and loyalty in the B2C business segment. It is based on customer feedback obtained at the end of customer phone calls and by email, and represents the proportion of customers who would actively recommend our customer services (promoters), minus the "detractors" who are unlikely to make a recommendation. Other possible non-financial performance indicators that are useful for our strategic development are continuously recorded and their development is observed.

Market and economic review

General commercial and regulatory conditions

Overall assessment of the general economic conditions

The market environment has changed only negligibly overall for comdirect since the 2017 financial year. In brokerage, the environment was shaped by a relatively high level of volatility on the equity markets and generally higher trading volumes in the first and fourth quarters. After incurring losses at the start of the year before subsequently recovering, losses were incurred again towards the end of the year, resulting in our customers' portfolio volume being only slightly below the value at the start of the year. Interest of private investors in funds and savings plans has continued to strengthen due to real interest rate losses on classic savings products.

The general conditions in banking were again influenced throughout the year by the expansive monetary policy of the ECB. Despite what continues to be a very adverse market environment, we have surpassed the interest income low point and are able to report an increase of more than 20% for 2018. On the other hand, the low-interest environment resulted in encouraging business performance in the brokerage of building finance solutions of partner companies.

The implementation of sophisticated regulatory projects, in particular the area of customer taxation, MiFID II (Markets in Financial Instruments Directive II) and the accompanying Markets in Financial Instruments Regulation (MiFIR), the revised Payment Services Directive and the EU General Data Protection Regulation (GDPR), continued to consume large volumes of internal company resources.

The negotiations on the United Kingdom's departure from the EU (Brexit) and the associated changes in the financial and corporate sector seem to have already been factored into market prices and thus had no notable impact on the business of comdirect group. Due to the largely stable development of the bond markets, no material effects were observable from the reinvestment of customer deposits.

Economic environment

The global economy grew by 3.7% in 2018. Both the US and Europe showed positive momentum.

The economy in the eurozone showed itself to be robust once again in 2018. The driver of the economic development was the ECB's monetary policy, which continued to be expansive in nature. The low interest rates meant that high indebtedness of companies and private households was sustainable and allowed consumption and investments to rise. The inflation rate in Germany rose noticeably over the course of the year, closing the year at 1.7%. The momentum of the German economy slowed over the course of the year. The third quarter of 2018 saw the first quarter-on-quarter decline in GDP for more than three years. For 2018 as a whole, economic growth in Germany was at 1.5%, putting it below the EU27 average of 2.2%.

General banking conditions

The ECB maintained its expansive monetary policy. The ECB has also been buying corporate securities denominated in euros in the eurozone since June 2016. In April 2017, the total monthly net bond purchases of €80bn were reduced to €60bn; in October 2017, it was announced that this monthly amount would be halved to €30bn from January 2018 onwards. The primary refinancing rate has been at 0.00% since March 2016, and the interest rate for deposits at the ECB remains unchanged at –0.40%. The announced expiry of the ECB bond purchases at the end of 2018 has so far not led to an increase in bond yields. The re-purchase of maturing bonds by the ECB – which holds around a third of the government bonds available on the market – will continue to generate low interest yields on the market.

Averaged out over the year, the three-month EURIBOR, which is the decisive rate for some of comdirect bank AG's investments, was only slightly above the level of the previous year at –0.32% (previous year: –0.33%), closing at –0.31% at year-end.

Issues of corporate bonds in the eurozone increased alongside slightly elevated yields. The credit spreads were most recently slightly wider despite the expansive ECB policy due to a deterioration in some economic indicators.

The average interest rate level in the new business with consumer loans has slightly fallen in comparison with the previous year. At the same time, demand for loans increased, which was reflected in a higher volume of new business.

General brokerage conditions

The main German equity index DAX increased further after a strong performance in 2017 to over 13,500 points at the start of the year. In light of the trade disputes between the US and China and between the US and the EU, however, this rally came to an end, with the value rising and falling regularly. Driven by increased geopolitical risks, the main German equtiy index closed the year at 10,559 points – an annual performance of –18.3%.

The trading volume in value terms on the German spot market (Xetra, Tradegate and the Frankfurt Stock Exchange) increased by 17.2% on the previous year's value. Equity order volumes rose by 18.0%, while order figures increased by 20.1%. Traded volumes and index fund trades – ETFs as well as ETCs and exchange-traded notes (ETNs) – rose by around 15.3% in comparison with 2017. In derivatives trading (Frankfurt Stock Exchange only), stock exchange turnover was a significant –5.5% below the previous year's value.

Over the period from January to November 2018, open retail funds recognised in the BVI investment statistics achieved a net average income of €22.9bn. This is well below the previous year's value of €67.4bn. Mixed funds saw particularly high demand, whereas fixed-income funds saw the highest outflows.

Industry and competitive environment

In 2018, the financial industry continued to be dominated by the requirement to implement complex regulatory standards such as PSD2, cost reduction initiatives such as branch closures and increasing pressure to innovate in established business models, something that is reflected particularly in the progressive digitalisation of services. Banks are faced with the need to address megatrends such as artificial intelligence (AI) and blockchain technology more aggressively than ever in order to determine how they apply to their own processes. Due to the persistent low interest environment and the decline in income that this entails, numerous institutions have increased their fees or introduced new ones. As a bank offering free-of-charge current accounts and custody accounts, comdirect continues to be positioned as an appealing option for customers. With the introduction of Google Pay and Apple Pay, we have also been able to emphasise our pioneering role in mobile payments, the importance of which continued to grow for customer payments in the year under review. The trend towards mobile banking is generally becoming increasingly tangible – in place of traditional online banking services via websites, customers more frequently make use of banking apps.

The competitive situation for banks was further intensified in the reporting year. Major players that were previously not in the industry entered the market, while former fintech companies were able to gain a foothold. Given this situation, banks are increasingly expected to offer more than just traditional banking services. In Germany, the management of assets by robo-advisors has continued to grow. Many private investors consider this low-cost form of investment in securities to be an alternative to low-interest daily money accounts and savings accounts. Our digital asset manager cominvest also gained many new customers in the year under review.

General regulatory conditions

The comprehensive and timely implementation of new legal and regulatory requirements was associated with significant costs across the entire financial industry, and thus also for comdirect, in the financial year 2018.

As in the previous year, of particular importance were the preparations for the MiFID II (Markets in Financial Instruments Directive – II) and the accompanying MiFIR (Markets in Financial Instruments Regulation), the national implementation of which (the Second Financial Market Amendment Act) became effective on 3 January 2018. Among other issues, MiFID II increases the requirements for investment advisory services and cost transparency. The MiFIR regulates, among other areas, OTC trading platforms with new pre-trade and post-trade transparency obligations and the duty to report transactions. Target markets for investment products must also be defined.

Another focus project in the reporting year was the implementation of the EU GDPR, which came into force on 25 May 2018 and governs the processing of personal data by private companies and public offices. In the course of implementing the EU GDPR, comdirect has reorganised its data protection management.

The revised Payment Services Directive (PSD2), which adapts the regulations for payment transactions to online and mobile payment systems, also puts in place stringent requirements for the adjustment of processes and systems. In particular, it provides for improvements in payment transactions, stricter security precautions for electronic payment transactions and greater competition.

comdirect bank AG also addressed the implementation of the following regulatory requirements in the reporting year:

- Investment tax reform: For example, it was necessary to introduce a new taxation system for retail investment funds as of 1 January 2018. Advance lump sums in connection with reinvestment funds first had capital gains tax deducted from them at the start of 2019.
- Anti-Tax Avoidance Act: Implementation work must be completed by 2020.
- Remuneration Regulation for Institutions 3.0 (IVV)
- “IT requirements in connection with banking regulation” – BAIT: The requirements published by the Federal Financial Supervisory Authority (BaFin) in November 2017 in connection with banking IT (“IT requirements in connection with banking regulation” – BAIT) were updated in mid-2018 with an additional chapter addressing critical infrastructures. The requirements specified in BAIT in connection with IT governance and information security are observed by comdirect. An analysis of the new requirements has been concluded and an implementation programme has been initiated.
- BaFin circular on the implementation of the ESMA/EBA guidelines regarding complaints handling
- ESMA suitability guidelines

Significant events

comdirect bank AG contractually agreed the sale of European Bank for Financial Services GmbH (ebase) to the FNZ Group on 10 July 2018. The purchase price was around €151m. Taking into account the costs related to the transaction and the book values of the assets and liabilities of ebase, we anticipate discontinued activities to contribute in excess of €85m to pre-tax profit. Because some of the closing conditions are still pending, for example the approval of the national and European banking supervisory authorities, the date the transaction will be concluded is currently uncertain and outside of our control, although we currently expect this to occur in the first half of 2019.

Following the sale of ebase, we will be focusing on our high-growth core B2C business, which we had already strengthened in the previous year with the acquisition of the former onvista group. We also boosted investment in our core B2C business in the financial year 2018.

The agreed sale of ebase affects the net assets, financial position and results of operations of comdirect group. In particular, due to the requirements of IFRS 5, the balance sheet and income statement differentiate between contributions from continued and discontinued activities. This is largely consistent with the former B2C and B2B business segments.

Overall assessment of the economic situation

comdirect group generated strong organic growth in the financial year 2018. The record values achieved as of the end of the year in customer numbers and assets under control in our core business as well as the strong growth in custody accounts and trades also underline our ambitions as a growth company.

€70.7m
Pre-tax consolidated profit

With a pre-tax consolidated profit of €70.7m (2017: €94.9m), we exceeded the full-year profit expectation stated in the middle of the year of over €60m, not including the non-recurring effect from the planned sale of ebase GmbH. As a result of the substantially increased investment in growth in the financial year under review, however, the pre-tax consolidated profit is below the value forecast in the last annual report, as is to be expected. For comdirect group, this results in a pre-tax RoE of 11.3% (2017: 15.8%).

We generated income of €334.3m from continued activities, which was slightly more than in the previous year (€320.6m). The recovery of net interest income also played an important role in this, as did an increase in net commission income. The expected significant reduction in income from the disposal of financial assets was more than offset by a substantial margin. Both net interest income and net commission income benefited from the growth in the number of customers, trades and assets under control. It is also important to note that only a proportional partial share of the contributions of the onvista group acquired in April 2017 were reflected in all income components of the previous year.

The growth path gained momentum in the financial year under review. This is a particular reason why the administrative expenses from continued activities were substantially higher at €279.6m than the same value of the previous year (€239.3m). Increased regulatory costs also had an impact, in particular contributions to deposit insurance schemes.

The financial, liquidity and risk status of comdirect group remains sound. We are well positioned to successfully overcome future challenges – particularly those of a regulatory nature – and to continue evolving into a smart financial companion in our effort to become the top address for saving, investing and trading with securities.

Comparison between forecast and actual performance

The ebase transaction announced in the middle of the year has meant that we have already extensively invested in our core business for the financial year. This will result in the financial and non-financial performance indicators developing differently than initially forecast in the 2017 forecast report, in some cases substantially so. We therefore adjusted our forecasts from the 2017 annual financial statements in the half-year financial report.

Despite the negative performance of the capital markets, our assets under control increased. This growth was generated by record net fund flow. We were also able to not only tangibly increase the number of custody accounts, but also to increase the number of trades in the B2C business segment substantially as expected by 27.4%.

+27%
more trades than in 2017

comdirect group's pre-tax consolidated profit of €70.7m notably exceeded the target of over €60m defined upon the publication of the half-year report, although it was far below the previous year's value due to the extra investments in growth, and was therefore also below the value forecast at the end of the previous year. This meant that the pre-tax RoE of 11.3% and after-tax RoE of 8.0% were, as expected, below the corresponding values of the previous year (15.8% and 11.9% respectively) and below the forecast values of the 2017 annual financial statements. The expected non-recurring income from the ebase transaction for the reporting year in the half-year report is expected to now be reportable in the first half of 2019 due to a number of conditions for completion not yet being fulfilled.

Taking the forecast report of the 2017 annual report as a reference, the comparison between the forecast performance and the actual performance is as follows.

Key performance indicator		Actual 2017	Outlook report 2017	Actual 2018	Change in % from 2017
comdirect group					
Pre-tax RoE	in %	15.8	Stable	11.3	–4.5[1]
Pre-tax profit	in €m	94.9	Stable	70.7	–25.4
Total AuC	in €bn	91.4	Moderate increase	92.3	+1.1
Business segment B2C					
Pre-tax RoE	in %	14.0	Stable	9.0	–5.0[1]
Pre-tax profit	in €m	81.2	Stable	54.7	–32.7
Total AuC	in €bn	59.0	Increase	62.1	+5.2
Net fund flow	in €bn	7.0	Increase	9.2	+31.4
Number of custody accounts	in k	1,202	Noticeable increase	1,384	+15.1
Number of trades	in m	17.18	Increase	21.88	+27.4
Net Promoter Score (NPS)	in %	56	Stable	54	–2[1]
Business segment B2B					
Pre-tax RoE	in %	31.4	Stable	31.0	–0.4[1]
Pre-tax profit	in €m	13.6	Stable	14.4	+5.5

1) in percentage points

Business performance and income situation

Growth of the B2C business segment

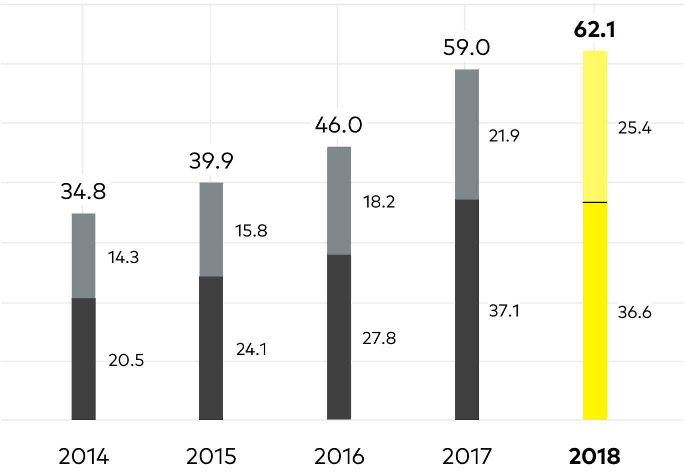
With strong organic growth in the financial year 2018, we have been able to maintain the robust momentum of past years and even exceeded it. At the end of the year, not only the number of customers but also the assets under control and the number of trades had reached new highs.

236k
net new customers

Compared to the end of 2017 (2,286k), the number of customers increased by around 236k to a new record value of 2,522k. In this connection, the number of custody accounts also increased by 181k to 1,384k (2017: 1,202k), as did the number of trades, rising 27.4% to 21,879k (2017: 17,177k).

The assets under control also rose in the reporting year by 5.2% to a new record of €62.1bn (2017: €59.0bn). This resulted in a noticeable increase of €3.5bn in the deposit volume to €25.4bn (2017: €21.9bn). Most of the increase was due to current accounts, securities accounts and settlement accounts. The larger share of net fund flow of €5.7bn attributable to the portfolio volume was not able to entirely offset the negative market value effects of €6.1bn. At the end of the reporting year, the portfolio volume came to €36.6bn (2017: €37.1bn).

Assets under control (B2C)
(in € bn)



Ø 15.6%
CAGR

Growth in asstes under control continued

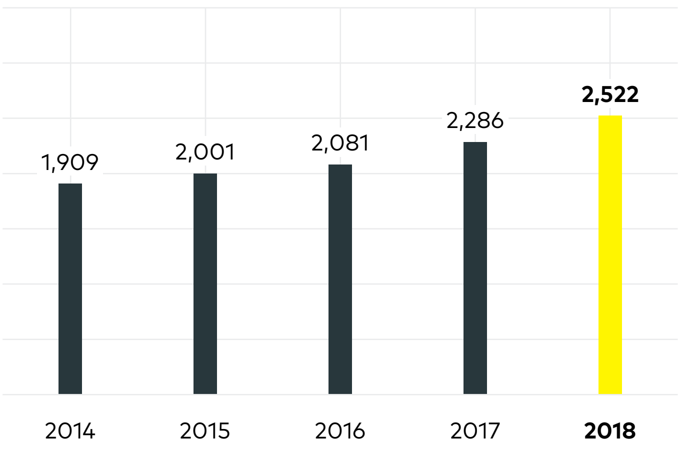
Deposit volume grows in 2018 around 16% and portfolio volume remains stable despite high negative market value effects.

- Deposit volume
- Portfolio volume

The volume of lending business grew by €162m to €609m – an increase of 36.2% – compared to the value at the end of 2017 (€447m). This increase was due not only to an increased utilisation on loans against securities and overdraft facilities but also for the most part due to the larger number of consumer loans granted.

+36%
credit volume

Customers (B2C)
(in k)



Ø 7.2%
CAGR

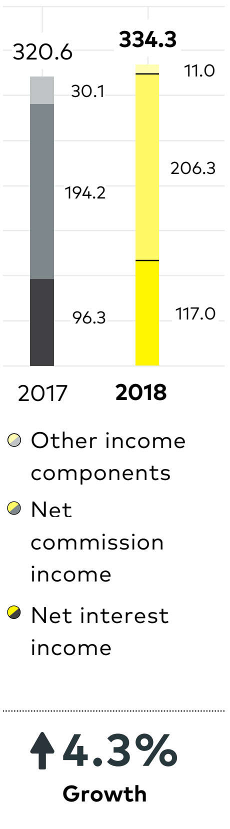
Customers base grows by 10% to more than 2.5m

Organic customer growth accelerated and more than doubled in 2018.

Profit from continued activities

Pre-tax profit from continued activities amounting to €54.7m remained below the previous year's value of €81.2m due to the decision taken during the year to make further growth investments. The positive performance of both the net interest income and net commission income were offset most notably by administrative expenses arising from additional growth investments. Pre-tax RoE came to 9.0% (2017: 14.0%).

Total income (B2C)
(in €m)



Development of total income from continued activities

The increase in total income of 4.3% to €334.3m (2017: €320.6m) was due both to the increase in net interest income and to the improvement in net commission income. This positive performance was offset by the anticipated decline in other income components, defined as total income minus net interest income after provisions for possible loan losses and net commission income.

Net interest income before provisions for possible loan losses rose significantly against the previous year (€94.8m) by 25.1% to €118.6m. This was caused not only by volume effects in the deposit and lending business but also by a moderate adjustment of the investment strategy. The costs pertaining to provisions for possible loan losses amounting to €1.7m (2017: income from provisions for possible loan losses amounting to €1.4m under IAS 39) reflect among other things the growth in portfolio loan loss provisions that goes hand in hand with a growing lending business. This was offset by reversals from the validation of the parameters in the risk models. Net interest income after provisions for possible loan losses was therefore €117.0m (2017: €96.3m).

Net commission income increased noticeably by 6.2% to €206.3m (2017: €194.2m). Adjusted for growth investments in the form of brokerage commissions, there was a year-on-year rise in net commission income of around 10%. This is mostly attributable to a higher net commission income from the securities business, which in turn is largely the result of the higher trade numbers. The net commission income from payment transactions also increased tangibly by 8.0% to €21.2m (2017: €19.6m). This was due not only to the increased card utilisation arising from the growth in the number of current account customers but also to the new contractual terms with a card provider in the previous year. There were also higher contributions from onvista, particularly given that it was only recognised in the previous year from the second quarter onwards.

The other income components fell below the value of the previous year, as expected, with the previous year shaped by a positive result from financial investments amounting to €21.5m, which had no equivalent in the reporting year. Beyond this, the other income components performed stably on the whole. The measurement result of €4.4m (2017: trading result of €–0.7m) contributed in particular to this. However, other operating result fell substantially to €6.7m (2017: €9.3m; this included negative goodwill of €1.2m from the acquisition of the former onvista group).

Development of administrative expenses from continued activities

The growth in total income after provisions for possible loan losses of 4.3% was offset by a rise in administrative expenses of 16.8% to €279.6m (2017: €239.3m). Aside from increased personnel expenses, depreciation of office furniture and equipment and amortisation of intangible assets, this growth was principally due to the significantly increased administrative expenses relating to the greater growth investments. The fact that the onvista group, first consolidated in April, was recognised for the entire year also had an impact, with only around nine months of its contributions from the previous year being recognised. The cost/income ratio rose to 83.2% (2017: 75.0%).

Personnel expenses increased by 5.2% to €79.4m (2017: €75.5m). The increased expenses are mainly due to the expansion of teams for the implementation of growth projects. Also, in addition to salary adjustments, the fact that the former onvista group was consolidated for the first time over the entire year resulted in an increase in expenses.

The substantial increase in administrative expenses by €34.4m to €185.3m (2017: €150.9m) is largely due to the way that the greater growth investments have increased expenses. In addition, greater mandatory contributions for deposit insurance schemes were incurred as a result of the increased deposit volume and changed assessment basis.

Depreciation of office furniture and equipment and amortisation of intangible assets increased by 14.9% to €14.9m (2017: €13.0m). This is due to the increased amount of amortisation related to increased holdings of internally generated software and the amortisation of intangible assets identified as part of the first-time consolidation of the former onvista group.

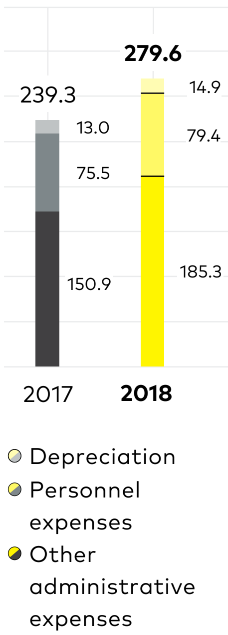
Profit from discontinued activities

Pre-tax profit from discontinued activities mainly includes the ongoing profit contributions from ebase. The pre-tax value substantially exceeded that of the previous year (€13.6m) at €16.0m. In the ongoing profit contributions of ebase, a slightly higher net commission income was offset mostly by stable administrative expenses, which is mainly due to how IFRS 5 requires depreciation and amortisation to be adjusted. Further information can be found in Note (4) starting on page 90.

Pre-tax consolidated profit and consolidated net profit

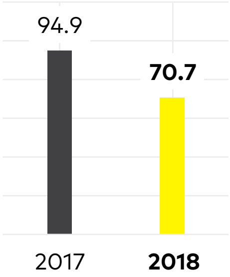
The pre-tax profit of comdirect group, comprising income from continued activities and income from discontinued activities, came to €70.7m, putting it above the full-year profit expectation of over €60m communicated halfway through 2018. This resulted in a pre-tax RoE of around 11.3%. Neither the pre-tax consolidated profit nor the pre-tax RoE therefore achieved the previous year's values of €94.9m and 15.8% respectively. This was mainly due to the higher administrative expenses arising from the increased growth investments, which were not fully offset by the increases in income.

Administrative expenses (B2C)
(in €m)



83.2%
CIR

Pre-tax consolidated profit (in €m)



11.3%
ROE before taxes

Consolidated net profit came to €50.4m (2017: €71.5m), which corresponds to earnings per share of €0.36 (2017: €0.51) and an after-tax RoE of 8.0% (2017: 11.9%). At 28.8%, the income tax rate is above that of the previous year (24.6%).

The comprehensive income of comdirect group, including the changes to the revaluation reserves recognised directly in equity, came to €43.7m (2017: €46.0m).

Proposal for appropriation of profit

The Board of Managing Directors and Supervisory Board will propose at the annual general meeting (AGM) on 9 May 2019 in Hamburg that the distributable profit of comdirect bank AG calculated in accordance with the German Commercial Code (HGB), amounting to €44.5m (2017: €113.4m), be appropriated for a dividend of €35.3m (€0.25 per share, 2017: €0.25) and that the remaining amount of €9.2m be transferred to retained earnings. Assuming that the proposal for appropriation of profit is accepted, this would result in a dividend payout ratio of 70,1% of consolidated net profit under IFRS. By transferring some of the consolidated net profit for 2018 to retained earnings, we are providing suitable equity resources for continued growth.

Financial situation and assets of comdirect group

Main features of financial management and Treasury

The main features of our financial management changed only negligibly in the reporting year. The comdirect Treasury continued to focus on counterparties with a good credit rating when reinvesting customer deposits in the money and capital markets, being mindful of wide-ranging matched maturities regarding the economic holding period of the deposits. In this context, it also ensures adequate cash holdings at all times and manages the liquidity and interest rate risk in particular.

During the reporting period, we again made the overwhelming majority of our investments with Commerzbank AG and selected other companies of the Commerzbank Group at conditions in line with the market. Treasury investments with these companies are comprehensively collateralised – either directly (Pfandbriefe), via general assignment agreements or via securities (pledged securities account) (see Note (21) on page 112).

Where required, we use derivative financial instruments to hedge interest rate risks from bonds, to manage the interest book in the Treasury portfolio and to hedge price and currency risks. In the reporting period, a small number of price and currency risks from a position in VISA preferred stock denominated in USD were hedged as a purely economic measure. As of the reporting date, the market value of the derivatives held came to a total of €1.1m.

Balance sheet structure of comdirect group

The continued growth of deposits was reflected in an increase in the balance sheet total to €26.91bn (end of 2017: €23.03bn).

On the liability side of the balance sheet, around 96% consisted of customer deposits, similarly to the previous year (around 97%), although the majority was due on demand and unlimited in time (see Note (50) on page 139). Other equity and liability items, in particular provisions and other liabilities, fell most notably due to the method of reporting required under IFRS 5 as a result of the ebase transaction. The debts of the B2B business segment are reported separately in the combined balance sheet item liabilities from discontinued activities (see Note (4) starting on page 90).

Equity fell by €4.7m to €634.2m (end of 2017: €638.9m). The main reasons for this were the year-on-year decline in consolidated net profit and the reduced revaluation reserves, which was mainly due to the reclassification of financial instruments in connection with the first-time application of IFRS 9 (see Note (8) starting on page 94). The partial reinvestment of the consolidated net profit from 2017 resulted in an increase in equity.

We reinvested most of the increase in deposit volume in companies of the Commerzbank Group. Overall, claims on banks rose by €4.04bn to €21.35bn. By contrast, the volume of financial investments fell from €2.77bn to €2.23bn. The maturity of securities had the largest impact here. Financial investments mainly comprise bonds and Pfandbriefe as well as the preferred stock held in VISA Inc. USA.

The rise in claims on customers of €135.3m to €630.5m is primarily due to the increased utilisation of loans against securities and to the growth in the consumer loan business. The increased use of credit cards and overdraft facilities also had an impact.

The cash reserve of €2.20bn (end of 2017: €2.36bn) was almost entirely attributable to bank balances with the Deutsche Bundesbank.

The fall in intangible assets is due to reporting in accordance with IFRS 5 in the wake of the ebase transaction. Other asset items, such as property, plant and equipment and other assets, have been affected accordingly. The assets of the B2B business segment are reported separately in the combined balance sheet item assets from discontinued activities (see Note (4) starting on page 90).

Cash flow statement of comdirect group

Overall, the cash flow statement has only limited informative value for comdirect group. It cannot substitute the liquidity or financial planning and is not used as a performance indicator. The cash flow from operating activities (see page 83) is mainly affected by the performance of customer deposits and how these are reinvested due to the nature of our business model. The cash flow from investing activities (mainly affected by the acquisition of the former onvista group in the previous year) is the result of acquisitions and disposals of tangible and intangible assets. The cash flow from financing activities corresponded to the dividend distribution by comdirect bank AG.

Deposit protection

Under the Compensation Scheme of German Private Banks (EdB), the statutory deposit insurance scheme covers customer deposits of up to an amount of €100k per person. comdirect bank AG is also a member of the Deposit Protection Fund of the Association of German Banks (Bundesverband deutscher Banken e. V.), through which each customer is insured for up to a deposit amount of currently 20% of the relevant liable capital. As of the 2018 reporting date, protection for comdirect customers came to €90.82m per customer.

Human Resources

We have a comprehensive understanding of what shapes employer attractiveness and structure ourselves at all levels – our work environment, employer contributions, management, team and employee development and networking – in such a way that wins over and secures the long-term loyalty of the talented staff of today and of the future. HR management is therefore an important component of our strategic development and essential for the bank's future growth.

1,384
FTEs

The number of employees in the comdirect group increased over the reporting year by around 89 to around 1,384 full-time equivalents. The growth exclusively concerned the B2C business segment and was predominantly due to the growth in IT.

In the competition for suitable human resources, focus continues to be on activities in HR marketing. For instance, we were represented at the Online Careers Day and the Graduation Congress in Hamburg, at the West Pomeranian IT Trade Fair in Stralsund and the connecticum Trade Fair in Berlin. These trade fair activities marked the first use of virtual reality glasses to provide a 360° view of comdirect's offices. We expanded our range of school and university education contacts through school partnerships and internal and external corporate presentations to student groups. The comdirect future-club, an intern retention programme for school students, was also implemented.

Skill and talent management continued to focus on the consistent implementation of the new management concept introduced at the end of 2016 and the strategic development of management talents. In this process, we are pursuing two closely interlinked courses of action: All managers participated in various joint efforts encompassing various levels of the hierarchy and across the various sections of the bank aimed at evolving our common leadership culture. All managers also participated in selected individual qualification measures aimed at encouraging personal development. The #yourock management development scheme was among the top four programmes of the HR Excellence Award 2018 in the SME Management Development category. The qualification opportunities offered to all employees relied not only on conventional methods but also continued to use innovative learning and networking methods, shared learning and direct application of the covered subject matter in practice.

By partially reforming the workplace, we once again took measures in 2018 to encourage fast, flexible and interdisciplinary collaboration and a culture of innovation at comdirect. Our existing healthcare programme comfit has been expanded to include additional measures and sporting activities. In order to promote harmony between work and private life and/or family, we offer part-time working arrangements for managers, a parent-child office, childcare for holidays and emergencies, as well as the opportunity to take sabbaticals. comdirect is also a member of the corporate network Erfolgsfaktor Familie ("Success Factor: Family").

32%
female managers

Specifically providing women in management positions with support is something that we attach great importance to. At least 25% of the leadership roles at the first management level below the Board of Managing Directors are expected to be filled by women. This minimum quota has been in place since 2015 and was confirmed in the reporting year as a target for 30 June 2022. The target quota for the second management level was increased from 20% to 30% as of 30 June 2022. As of the end of 2018, the proportion of women was 31.6% at the first level and 31.9% at the second level below the Board of Managing Directors.

comdirect promotes equality between men and women, for example through tailored working time solutions, options for telecommuting and special seminar places for women. Our compensation system is performance-based and meets all of the requirements for market conformity, fairness and transparency. In particular, the transparency and the clear structure of the compensation system ensure clarity and thus gender-neutral treatment of all employees. We prepared a detailed report on equal treatment and equal pay pursuant to Chapter 4 of the Equal Pay Act (Entgelttransparenzgesetz – Sections 21 and 22 EntgTranspG) for the first time in financial year 2017 and published it together with the 2017management report of comdirect bank AG in the Federal Gazette. As a company not bound by collective bargaining agreements, comdirect prepares its report on equal treatment and equal pay every three years.

Our comprehensive approach to human resource management also received several awards in 2018. For the first time, comdirect was awarded the "Fair Training" apprenticeship award from trendence and the "Best Employer for Women" seal from the magazine "Brigitte". We were also recognised by ABSOLVENTA for our trainee programmes and named as a "Fair Company" for university internships (karriere.de).

comdirect share

€1.45bn
market capitalisation

Compared to the 2017 closing price (€11.46), the comdirect share value changed by –10.6% to €10.24 over the course of the year. Our share price peaked in 2018 on 10 July at €12.92. The year-end closing price was equivalent to a market capitalisation of €1.45bn, €0.3bn of which was attributable to the free float. On average, 25.6k shares were traded on each trading day via Xetra (previous year: 27.1k).

2018 data and key figures regarding the share

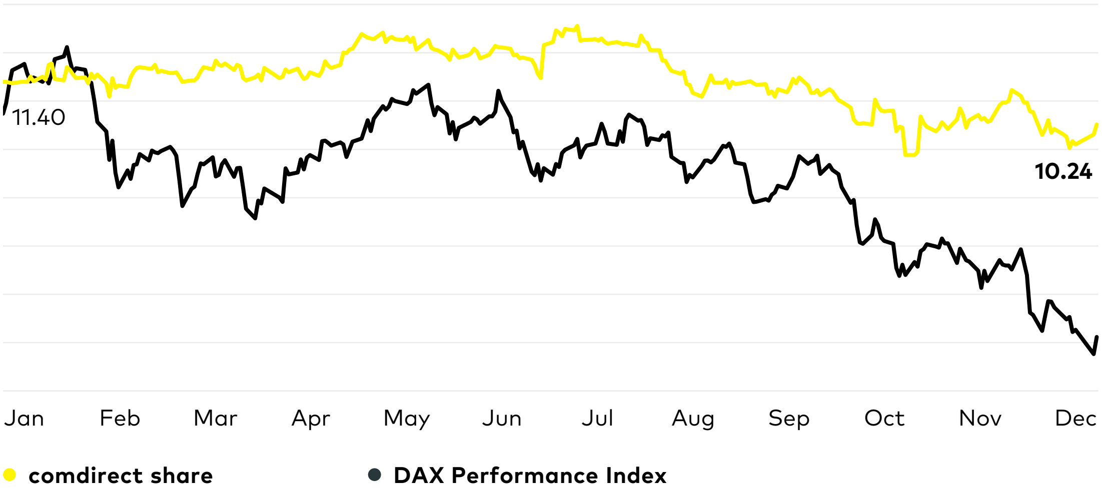
Data	
German securities code number	542 800
ISIN Code	DE0005428007
Stock exchange code	COM Reuters: CDBG.DE Bloomberg: COM GR
Stock exchange segment	Prime Standard
Number of shares issued	141,220,815 no-par-value shares
Designated sponsor	Commerzbank AG
Shareholder structure	82% Commerzbank AG[1] 18% Free float

1) Indirectly

Following the AGM on 4 May 2018, comdirect paid a dividend totalling €35.3m or €0.25 per share to the shareholders. This was equivalent to a dividend yield of 2.0% at the time of payment. Approximately €36.2m was transferred to retained earnings.

The comdirect share currently undergoes regular review by five analysts. As of year-end 2018, three of these analysts recommended buying the share, one analyst suggested reducing comdirect shareholdings and one analyst advised selling the share. The target price had a median of €12.30.

Changes in the price of the comdirect share in 2018
(in €)



Non-financial declaration

Non-financial declaration under www.commerzbank.com/NFR2018

In accordance with the requirements of the statute implementing the CSR regulation, certain companies are obliged to publish non-financial information about environmental, social and employee concerns, among other issues. According to Section 340a (1a) HGB, comdirect group must produce non-financial reports. Due to the inclusion of comdirect group in the separate summary non-financial report of the Commerzbank Group and the parent company Commerzbank AG, comdirect group makes use of the exemption option of Section 340a (1a) (3) HGB in conjunction with Section 289b (2) HGB. The separate summary non-financial report has been published in the online Federal Gazette and is available under the following link: www.commerzbank.com/NFR2018 Furthermore, there is information regarding certain aspects such as anti-corruption activities in the annually compiled Corporate Governance Statement of comdirect group.

Supplementary report

No major events or developments of special significance have occurred since the reporting date.

Outlook report

Forward-looking statements

We plan for our future development based on assumptions that are most plausible from today's perspective. However, comdirect group's planning and all statements regarding future development are associated with uncertainty, especially in the current market situation. The actual development of the market environment or the bank may vary from the assumed developments. The outlook is for the financial year 2019.

Anticipated economic environment

For 2019, we expect the economic environment in Europe to remain largely stable, even if temporary market upheaval resulting from political developments is possible. In the coming year, according to the expectations of Commerzbank's economists, the growth momentum of the global economy is likely to slow somewhat and come in at 3.6%, lower than 2018's value of 3.8%. Larger growth rates are expected for both the USA and China than in the reporting year.

The boost recorded for 2018 as a result of the expansive fiscal policy of the US government for businesses and private individuals will cease to apply in the following year. Low inflation and a moderate debt level mean that this should not lead to a recession, but it will cause a moderate decline in economic growth. Expressed in figures, this means that growth of the US economy is expected to decline from 2.9% in 2018 to just 2.5% in 2019.

In China, the government is going to great lengths to neutralise the adverse effects of the trade war with the USA through a loosening of its monetary policy. The minimum reserve rate has been reduced to enable highly indebted Chinese businesses to reduce their debts. The Chinese government is likely to succeed in preventing an economic crash on this occasion with these measures. Despite these measures, we expect China's economic growth to slow from 6.5% in 2018 to 6.2% in 2019.

Ultimately, the eurozone economy should also benefit from a stable Chinese economy. The economic upswing is likely to continue, albeit with a slightly weaker momentum, further reducing unemployment. The looser monetary policy of the ECB is likely to further boost domestic demand within the eurozone. Given the urging by the southern European member states to maintain an expansive monetary policy, it is likely that the ECB will increase its key lending rate no earlier than 2020. However, the cooling of the global economy is also being felt in the eurozone, where just 1.8% growth is expected for 2019 after 2.0% in 2018. The ten-year federal bond yields are expected to continue levelling out in 2019. Assuming that there are no interest rate increases and that the ECB continues to purchase maturing bonds even after the end of the bond buying programme, yields are likely to remain at their current level.

For the equity markets, we expect a globally less expansive monetary policy to slow global economic growth but it is unlikely that recessions with heavy price drops will occur.

We expect a high level of volatility on the equity markets due to political risks.

Volatile markets, however, mean high levels of trading activity in brokerage, which is why the trading environment for comdirect is expected to be favourable. The persistently low interest environment is likely to continue to boost demand for direct investments in funds and fund-based savings plans.

Meanwhile, the regulatory environment is likely to remain challenging in the coming year. The implementation of new requirements governing securities trading (including those arising from the ESMA Suitability Guidelines) and shareholding regulations (arising from the Second Shareholder Rights Directive – SRD II) are on the agenda for 2019.

Expected business performance and income situation

The growth-centric strategy adopted at the end of 2015 and pursued in subsequent years (pages 22–25) continues to apply. However, we substantially accelerated the pace of growth in the financial year 2018 and will continue to maintain this pace of growth in the financial year 2019.

Specifically, following the completion of the sale of ebase expected in mid-2019, we intend to maintain a leading position as a digital asset manager in our core business, to assert market leadership in online brokerage, to be perceived as an innovation leader on the market and thus to become among the most profitable retail banks in Germany.

Also in 2019, we intend to substantially increase the number of customers, custody accounts and assets under control, and thus also to increase the number of executed securities orders.

Assuming that the capital markets will substantially recover in relation to year-end 2018, assets under control are expected to increase significantly in 2019. This growth is likely to result mainly from a substantial increase in portfolio volume. A rise caused by changes in valuation as a result of expectations of noticeably higher year-end share indices will have an impact here. A net fund flow above that of 2018 is also expected, with the net fund flow from deposits expected to increase substantially while the net fund flow to custody accounts is likely to be slightly above the 2018 value. Deposits will therefore substantially increase overall, which will be reflected in a continued rise in the balance sheet total.

The following developments are forecast for continued activities:

Regarding net interest income from continued activities, there was a positive development apparent in the reporting year after previously bottoming out, resulting in a higher value. We expect this development to continue in principle and that net interest income after provisions for possible loan losses for 2019 will see a moderate increase over the 2018 value, in particular due to increased investment volumes and further optimisations to the investment strategy.

The level of order activity of our customers depends to a great extent on the stock market environment and is very difficult to forecast in the short term. However, we are confident that we will again outperform the general market in 2019. This is due to the ongoing growth offensive initiated in 2018 and the even more attractive range of products in brokerage. This is likely to increase the number of custody accounts noticeably. As long as the equity markets are not negatively influenced by the ECB's interest rate policy, and in particular if market volatility is at a high level, the trading activity of our customers may once again significantly exceed that of the reporting year. Assuming that this generates higher order figures and persistently high sales follow-up commissions from the funds business as a result of higher index values and increasing portfolios, a net commission income that is noticeably above that of 2018 is expected.

With our numerous product developments, we intend to maintain satisfaction of our customers at a high level and, as in the previous year, strive to keep the Net Promoter Score (NPS) stable.

Other income components, comprising other operating result, the trading result and the result from hedge accounting as well as the disposals and measurement result from financial assets, is expected to be well under the value from 2018.

Overall, total income will be noticeably above that of the reporting year.

Administrative expenses for continued activities will rise moderately. These administrative expenses are expected to include persistently high regulatory expenses as well as growth expenses at the same level as expenses from 2018. We will continue to critically monitor our implementation efficiency to ensure that spending is purposeful, thus limiting an increase in administrative expenses.

For continued activities, an overall pre-tax profit well above that of the reporting year is expected, resulting in an anticipated pre-tax and after-tax RoE that will also be well above the value of 2018.

Pre-tax profit from discontinued activities includes the ongoing profit contribution of ebase until the completion of the transaction (expected in the first half of 2019) and the non-recurring effect resulting from the deconsolidation of ebase. In the reporting year, this position only included the ongoing income contributions of ebase due to the transaction not yet being completed. Income from discontinued activities is expected to reach a value of more than €85m, well above the value from 2018, due to the non-recurring effect.

Overall, we are looking at another growth year ahead, for which we believe we are well positioned as a result of our numerous strategic initiatives. For comdirect group in 2019, we expect the pre-tax profit to be substantially above the value for 2018 due to the non-recurring effect from the completed sale of ebase. The jump in profit will be even more noticeable in the after-tax profit, because the sales proceeds for ebase will be largely tax-free. The pre-tax and after-tax RoE equity will therefore also be substantially above the comparative values for 2018.

Expected financial situation

For comdirect group, we are not expecting any material change in its financial situation compared with the position at year-end 2018.

Risk report

Risk-oriented overall bank management

Our primary objective is to sustainably increase the value of the company while keeping risks manageable at all times. At the same time, we strive to achieve a good balance between attractive income for the period and investments in potential future sources of income through customer and asset growth.

comdirect pursues business models that are geared towards generating net commission income and net interest income in brokerage and banking. The associated risks are transparent and limits are set for risks that can be quantified, and utilisation and compliance with these limits is monitored on a continual basis.

We do not assess risks in isolation, instead considering them as an integral part of global bank management. In every market and corporate phase, the aim is to secure an optimal risk/return ratio while taking external and internal influencing factors into consideration, allowing for comdirect's risk-bearing capacity as well as regulatory requirements.

A consistent risk strategy is developed on the basis of our business strategy and adopted by the Board of Managing Directors of comdirect bank AG. This strategy specifies the extent to which we are prepared to take on risk to utilise opportunities and provide the equity to do this. We have defined separate risk strategies for all material individual risks in our overall risk strategy.

In accordance with the minimum requirements for risk management (MaRisk), we have established a process for planning, adjusting, implementing and assessing our strategies that facilitates a target/actual comparison of objectives and identifies the progress of implementation to date.

Risk management
Our risk management system constitutes the basis for the implementation of the risk strategy. The system enables us to identify risks at an early stage, assess them under various assumptions and scenarios, and carefully manage them. We are therefore in a position to take steps immediately to limit risk in the event of any adverse developments. The procedures with which we measure, aggregate and manage risks are enhanced continually in keeping with best practice principles. In this respect, we are closely integrated into the risk management systems of the Commerzbank Group.

comdirect bank AG's Board of Managing Directors is responsible for the suitability of the risk management system. The Board specifies the permissible overall risk and its allocation across the individual types of risk and business divisions. The Internal Capital Adequacy Assessment Process (ICAAP) ensures that sufficient equity is available to cover all risks, while the Internal Liquidity Adequacy Assessment Process (ILAAP) ensures that enough liquidity is available to be able to comply with our payment obligations at any given time. The risk management system is therefore in line with the comdirect profile and strategy.

The CFO (Chief Financial Officer), who is also responsible for risk management, is responsible for monitoring and implementing the risk strategy – regardless of the general responsibility incumbent upon the Board of Managing Directors.

Risk management at comdirect is based in the Risk Management & Compliance division. The Risk Controlling, OpRisk & ICS and Credit Risk Management departments are responsible for operative risk controlling. They monitor, aggregate and evaluate risks for the bank as a whole. In addition, the departments implement the corresponding regulatory requirements and monitor compliance with them.

The task of risk management is to identify, measure, assess and manage as well as monitor and communicate all risks in the respective risk categories. It has the necessary authority to execute these tasks. Some of this management is carried out on a centralised basis, for example, management relating to market and liquidity risks, while the rest are handled on a decentralised basis, such as operational risks (OpRisk) and reputation risks. With the aid of a risk inventory, we obtain a regular overview of the material risks and examine whether and to what extent these risks may adversely affect our capital resources, income situation or liquidity situation. Taking risk concentrations into account, we define tolerances for all material risks as part of the risk strategy, which is updated at least once a year. The guidelines for risk provisioning, risk hedging and risk mitigation are also derived from these. The effect of the existing risk concentrations across all risk types is also analysed.

Comprehensive and up-to-date risk reporting is an essential part of our risk management system. The Board of Managing Directors and the Supervisory Board receive regular risk status reports in a timely manner. Key risk ratios are included in the global bank management of comdirect. Risk status reports provide information on the current development of major risk categories, among other things. This allows us to identify any developments that require countermeasures at an early stage.

We have an escalation process in place for risk provisioning, risk hedging and risk mitigation reduction in the event that the defined risk limits are exceeded. This process establishes not only the delivery of ad hoc reports to the Board of Managing Directors (and to the Supervisory Board where necessary) but also regulates the measures implemented for risk mitigation.

Internal Audit regularly checks the functionality and suitability of risk management activities pursuant to MaRisk.

Inclusion in the Commerzbank Group

comdirect is included in the risk management processes of the Commerzbank Group to identify, measure, assess, manage, monitor and communicate risks. In light of this, we make use of the "waiver regulation" under Section 2a of the German Banking Act (KWG) in connection with Article 7 of the Capital Requirements Regulation (CRR). As a subsidiary of the Commerzbank Group, comdirect is exempt from applying the regulations of Sections 2–5, 7 and 8 CRR (complying with and reporting own funds/equity resources, major loans of more than 10% of the liable capital, the leverage ratio and compliance with disclosure requirements).

Risk categories of comdirect

We classify risks in line with the German Accounting Standard DRS 20 and distinguish between market risk, credit risk, liquidity and operational risk. The other risks are business risk and the risk relating to deposit modelling, which are also classified as material types of risk and are included in the risk-bearing capacity analysis. Reputation risk is also a material type of risk, but as a non-quantifiable risk is managed on a purely qualitative basis and not backed by economic capital required as part of the ICAAP. The general model risk is also managed on a qualitative basis.

Market risk (including interest rate risks in the banking book) develops as a result of changes in market prices or market parameters. A distinction is made between general changes in market prices/market parameters and a specific market risk related to individual financial instruments. With regard to risk factors, we distinguish between interest rate, credit spread, equity price, fund price and currency risks. The main market risks for comdirect are equity price and interest rate risks, as well as credit spread risks in the banking book. The equity price risk describes the loss risk resulting from market price fluctuations of the share exposure. The interest rate risk arises in particular from maturity transformations, i.e. mismatches in fixed-interest periods between the assets and liabilities side. The credit spread risk results from changes in risk premiums on bonds against a low risk reference interest rate. Most hedged items are bonds and promissory notes as well as money market transactions with other banks used for the investment of surplus customer deposits. If required, interest rate swaps, forward rate agreements and forward-exchange contracts (FX forwards) are concluded for the purposes of hedging and general interest book management.

The credit risk describes the risk of a financial loss that arises when a borrower is unable to pay the contractually agreed consideration on time or at all, or if the borrower's creditworthiness deteriorates. This primarily includes counterparty and issuer risks arising from business involving money and capital market transactions, as well as credit risks in retail business.

Liquidity risk in the narrower sense is understood as the risk that the bank will be unable to meet its current or future payment obligations on time or at all. The broader definition of liquidity risk also encompasses refinancing risk, which is the risk that liquidity will only be available from the money and capital markets in insufficient amounts or at terms that are significantly less favourable than expected, as well as market liquidity risk. The latter describes the risk of being unable to unwind or close out securities positions to the desired extent or only at a loss as a result of inadequate market depth or market disruptions. The solvency, borrowing and market liquidity risks influence one another. Liquidity risk is a material risk for comdirect and is adequately taken into account in the risk management and controlling processes.

Operational risk is understood to be the possible losses resulting from the unsuitability or unreliability of operating processes and systems and the risk of human error or external events such as natural disasters or terrorist attacks. Operational risks also encompass the legal risks resulting from contractual agreements or a change in the overall legal framework. Personnel risks, which can arise as a result of having a qualitatively and quantitatively inadequate workforce due to insufficient recruitment opportunities, are also classified as operational risks. Risks arising from outsourcing services to third parties are also monitored in the context of operational risk.

Reputation risk is understood as the risk of the public or our customers losing confidence in the bank as a result of negative events in the course of its operating activities. Such risks often arise as secondary effects resulting from operational risks such as those relating to IT, compliance or legal risks, as well as data security risks.

Business risk encompasses potential losses resulting from adverse deviations from plans that can result, for example, from changes in market parameters and competitive behaviour or from improper planning.

The risk relating to deposit modelling (close-out risk) describes the risk of losses from the early sale of Treasury investments in response to unexpectedly high deposit outflows.

General model risk describes the risk of poor management decisions due to an inaccurate representation of reality in the models used for risk management.

Risk measurement concepts

The risk-bearing capability concept primarily aims to maintain comdirect's ability to continue as a going concern. With the Internal Capital Adequacy Assessment Process (ICAAP), we aim to have sufficient capital resources, while with the Internal Liquidity Adequacy Assessment Process (ILAAP), we aim to ensure that our liquidity and refinancing positions are adequate. Both ICAAP and ILAAP address normative and economic perspectives. The normative perspective ensures that all regulatory requirements related to capital resources and liquidity availability are adhered to. The economic perspective considers all risks that may adversely affect capital resources, earning capacity and liquidity availability. To this end, we make use of in-house models that undergo regular independent validation to ensure that our risk models are robust, adequately stable, risk-sensitive and suitably conservative. Time-based risk quantification is supplemented by a forward-looking assessment of capital and liquidity adequacy for the medium term. In this context, we also consider adverse scenarios through a stress testing programme.

In connection with the ICAAP, we focus on the economic perspective due to our use of the waiver granted by Section 2a of the German Banking Act (KWG). The economic capital required is measured using the value-at-risk (VaR) method based on a confidence level of 99.91% and a holding period of one year. When combining individual risk types into an overall risk position, we do not recognise any correlations that may potentially have a risk-mitigating effect.

The overall risk position is matched by the risk cover potential. This risk cover potential comprises the subscribed capital, open reserves (capital reserves and retained earnings), actual after-tax profit and revaluation reserves (including hidden liabilities/securities reserves) after tax. Other intangible assets such as licences to use software or internally generated software and deferred taxes are deducted from the risk cover potential as adjustment items. The risk-bearing capacity is guaranteed when utilisation of the risk cover potential by comdirect's overall risk position is less than 100%. Countermeasures are initiated as soon as the utilisation level reaches the defined early warning thresholds. Corresponding early warning thresholds are also defined for the individual types of risk.

In the context of ILAAP and for the normative perspective, we consider the regulatory minimum liquidity requirements using the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) performance indicators. For the economic perspective, we prepare a liquidity progress review (LPR), in which all future cash flows from all balance sheet items and off-balance sheet financial instruments are considered for the purpose of identifying a potential future funding requirement. To calculate cash flows, we use internal models that simulate, for example, the stability of non-maturing customer deposits, the utilisation of open credit lines and the fungibility of securities. Such models apply a confidence level of 99% and assume that there are no refinancing opportunities within three months. A key limit for testing the suitability of liquidity resources in connection with the economic perspective is the cumulative net liquidity being positive within one year. In our stress test programme, integrated stress tests that cover all risk types are considered. These are used to test the robustness of our portfolio under extreme yet plausible scenarios with a low probability of occurrence. For the integrated stress tests, we make use of macroeconomic scenario analyses as defined by the minimum requirements for risk management (MaRisk). These are applied at comdirect group level. They include all objectively quantifiable risks that are deemed material in accordance with the risk inventory carried out on a regular basis. The results of the integrated stress tests are taken into account in the assessment of suitable capital resources and liquidity availability, and the risks are mitigated collectively.

In addition to the macroeconomic stress tests, we carry out specific stress tests for each type of risk as part of operational management. These take into consideration both historical and hypothetical extreme events. The third type of stress test carried out is the inverse stress test in accordance with MaRisk. Based on the sensitivity and scenario analyses, extreme events are identified both for each individual type of risk as well as those covering all types of risk that would each jeopardise the existence of comdirect if they occurred. The aim of these analyses is to critically assess the results and any associated implications for our business model and risk management.

Risk situation in financial year 2018

At the end of 2018, comdirect's overall risk position based on the ICAAP economic perspective stood at €137.0m (end of 2017: €189.1m) with a confidence level of 99.91% and a holding period of one year.

The reduced economic capital required in the financial year 2018 is due to the mitigation of the credit and business risk resulting from changes in modelling.

The limit utilisation level remained non-critical with respect to the aggregate risk throughout the whole year. At the end of 2018, the utilisation level of the overall limit was 27.4% (end of 2017: 37.8%). Even under stress conditions, the economic risk-bearing capacity remained in effect throughout the year; with an overall risk of €271.5m under stress, the utilisation level of the economic capital was 54.3%.

The economic capital required for market risks was above that of the previous year, amounting to €19.8m at the end of 2018 (end of 2017: €15.0m). Credit risks with a total Credit Value at Risk (CVaR) of €80.9m (end of 2017: €126.8m) was reflected in the total level of risk of comdirect group – the decline being attributable to changes in modelling. For operational risks, the economic capital required declined slightly over the course of the year, but rose at the end of the year and was slightly above the previous year's level as of 31 December. This reflects comdirect's ongoing low level of OpRisk losses in the past, which are taken into account in the loss data-based allocation of economic capital required (earnings response coefficient, ERC) in Commerzbank's AMA model. At year-end 2018, the ERC OpRisk amounted to €12.1m (previous year: €11.2m).

Liquidity availability

Our liquidity situation remained comfortable in the reporting year, with surplus liquidity available.

The liquidity indicator LCR was significantly above the minimum limit at all times during the reporting year, standing at 211% at the end of the year. The liquidity indicator NSFR, which is to be observed in the future, stood at 132% at the end of the year and was therefore also higher than the future minimum requirements.

The cumulative net liquidity positions consistently exceeded the defined minimum values. In the stress scenario, the total net liquidity amounted to €42m as of the balance sheet date (end of 2017: €53m) and €106m on average over the course of the year (previous year: €190m).

Summary

To summarise, comdirect still has a comfortable risk buffer to reliably withstand even lengthy weak market phases. From a current perspective, there are no realistic risks in evidence that could jeopardise comdirect's viability as a going concern.

Breakdown of economic capital required 2018 (in €m)

	As of 31.12.2018
Market risk	19.8
Credit risk	80.9
Operational risk	12.1
Business risk	0.0
Close-out risk	24.2
Economic required capital	**137.0**

Market risk

Risk quantification, management and reporting

All comdirect trading transactions must comply with the requirements of our market risk strategy. The aim of the market risk strategy is to control market price risks and in particular to optimise and limit these on a risk/return basis by means of a conservative investment policy for the prudent investment of customer funds in the money and capital markets solely for the purpose of supporting the acquisition of customers and deposits. We monitor market risks – especially equity price, interest rate risks and credit spread risks in the banking book – on a daily basis. A VaR model based on a holding period of one day and a confidence level of 97.5% is used for operational management.

To monitor extreme market movements and the extent of losses in the portfolio under worst-case conditions, the VaR calculations are supplemented by operational stress tests, whereby possible scenarios such as reversals and shifts in various market price curves are simulated. In addition to interest rate, credit spread and currency scenarios, we also carry out daily stress test calculations for equity price and fund price risks for the special funds held by comdirect.

The methodology is described in detail in Note (54) starting on page 146.

Current risk situation

As of the reporting date for 2018, the VaR for market risk was €0.8m (end of 2017: €0.7m) and fluctuated over the course of the year between €0.6m and €1.5m. At €80.0m, the overall stress value was below the previous year's figure (€89.1m). The limits for all types of market risk were complied with consistently.

The majority of the market risk in this year comprised equity price risk, followed by credit spread risks. The proportion of general market risk attributable to interest rate risk remains at a low level. Given the low level of exposure, fund price risk and currency risk continued to play only a minor role.

Credit risks

Risk quantification, management and reporting

Credit risks at comdirect primarily exist in the form of counterparty and issuer risks in connection with money and capital market transactions. In addition, retail lending involves credit risks.

The aim of the separate risk strategy for our Treasury activities is to control credit risks and, in particular, to limit them on a risk/return basis. As well as the established and collateralised liquidity transfers both with Commerzbank as a "preferred partner" and within comdirect group, we have implemented a balanced asset allocation and minimum requirements for the credit quality of counterparties/issuers for this purpose. An additional aim of the separate risk strategy is to effectively manage lending to customers, in particular by limiting loan defaults and risk costs. We continuously develop credit processes and rating and scoring systems to achieve this.

Treasury acts as the front office for counterparty and issuer risks, while Customer Services is responsible for retail lending. In accordance with MaRisk, other tasks are to be carried out by departments other than the front office departments. Risk controlling for the retail lending business is anchored in the Credit Risk Management department and the Finance department is responsible for processing the Treasury's transactions.

Treasury investments are carried out within the limits approved by the Board of Managing Directors of comdirect bank AG as well the Group-wide requirements of Commerzbank. These limits are defined for both the respective counterparties and issuers as well as the underlying transactions. In the capital market, comdirect only makes direct investments in the investment grade segment, that is with an external rating of BBB– (Standard & Poor's) or Baa3 (Moody's) or better. When assessing the credit rating, we use both the internal ratings of Commerzbank AG – in accordance with the AIRB approach – as well as those of the external rating agencies.

In retail lending, a distinction is made between the customer credit products of loans against securities, overdraft facilities on comdirect current accounts, Visa credit cards and consumer loans. The decision to grant a loan is taken with the aid of internal scoring models.

Loans against securities are secured by pledged securities furnished as collateral. Potential losses may arise if the market value of the pledged securities falls as a result of the general market development or specific market risks of individual securities and it is no longer sufficient to secure the claims on customers.

We maintain an early warning system for the credit risks associated with the customer lending business that allows for necessary adjustments or the termination of credit lines.

Credit risks are quantified on a monthly basis by calculating the CVaR for Treasury transactions (excluding intragroup receivables) and retail lending.

The provisions of IFRS 9 for the accounting of expected credit risks (provisions for possible loan losses) are based on an expected credit loss model. These require a provision for possible loan losses to be recognised for all loans and off-balance sheet transactions that are not shown in the income statement at fair value.

Debt instruments that are not shown in the income statement at fair value and off-balance sheet loan commitments are allocated to one of three stages, which serve as the basis for calculating the expected credit losses. While debt instruments with no default criteria are assigned to stage 1 and stage 2, stage 3 comprises debt instruments that have been identified as in default. For financial instruments in stage 1, provisions for possible loan losses equal to the "12-month expected credit loss" are recognised. For financial instruments in stage 2 and stage 3, the amount of the provision for possible loan losses is calculated using the "lifetime expected credit loss".

The most important parameters for the calculation of the expected credit loss in stages 1 and 2 and in connection with non-major business in stage 3 are the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

The methodology behind the recognition of loan loss provisions is detailed in Note (9).

Using a similar method, we recognise provisions for risks arising from existing retail credit lines, taking conversion factors into account.

Terminated retail receivables, which we hand over to collection agencies for recovery, are written down in the amount of the loss incurred.

Current risk situation

At the end of 2018, the total CVaR for credit risks amounted to €80.9m (previous year: €126.8m). As in the previous year, the average rating in the Treasury portfolio outside the Commerzbank Group stood at Aa1 (Moody's). Measured against external ratings, 100% of the portfolio remained within the investment grade range.

At the end of 2018, 15.0% (previous year: 15.8%) of the banking book portfolio was used for short-term investments in the money market. The relative share of capital market investments increased accordingly, with the investment focus on promissory notes/fixed-term deposit investments as in the previous year. Of the capital market investments, €0.61bn (previous year: €0.61bn) was attributable to five special funds, most of which were invested in fixed-income securities.

As in the previous year, more than 90.0% of the portfolio was ascribed to German counterparties, with the rest primarily accounted for by other European countries with a focus on northern Europe.

In comdirect's securities credit business, the average total utilisation of loans against securities of €250.5m was above the previous year (€182.3m). At €1.95bn, the credit facility for loans against securities fell compared to the level at the end of 2017 (€2.52bn). However, potential utilisation of the credit facility is restricted by the specific collateral value of the respective securities. As a result of the equity market environment, this value decreased slightly over the course of the year from €1,150.3m to €1,036.1m. Equities accounted for nearly three quarters of the collateral portfolio.

On average during the reporting year, taking account of collateral values, the utilisation rate of the credit facility for loans against securities stood at 24.2% (previous year: 17.4%); as of year-end, the volume of loans against securities amounted to €269.1m (previous year: €215.9m). The overdraft volume was marginal and amounted to 0.8% (€2.13m) of the volume of loans against securities.

The growth-related increase in the number of current accounts with a credit facility led once again to a higher credit volume on average in overdraft facilities than in the previous year. The volume fluctuated over the course of the year between €53.0m and €64.5m and stood at €64.5m as of the 2018 reporting date; this equated to 6.1% of the overdraft facilities of €1,057.4m made available (end of 2017: €952.7m). At 6.0%, the share of overdrawn credit facilities relative to the number of current accounts in the financial year 2018 was slightly below the previous year's level.

The credit volume utilised in the Visa card portfolio at the end of the year amounted to €133.4m, corresponding to 7.9% of the overall limit granted of €1,695.6m.

The number of consumer loans granted has risen continuously since their introduction in April 2016. At the end of the year, there were 9,308 consumer loans with a total net loan volume of €139.5m.

The total receivables in the retail business (including ebase) came to €612.8m at the end of 2018, well above the previous year (€450.2m). Provisions for possible retail loan losses amounted to €4.6m as of the reporting date (end of 2017: €3.8m). Allocations stood at €12.7m, while reversals amounted to €11.0m and utilisation was €1.2m. Due to the change in methodology from IAS 39 to IFRS 9, it is not possible to compare the data on movements relative to the previous year. The regular review of the parameters applied revealed a need for adjustment of the credit conversion factor (CCF).

As in the previous year, specific loan loss provisions were not needed in the significant lending business.

Liquidity risk

Risk quantification, management and reporting

The objective of our liquidity risk strategy is to ensure that comdirect is solvent at all times, which necessitates the constant availability of sufficient liquidity. This is determined in particular by the regulatory requirements placed upon the LCR and NSFR, by the advanced liquidity progress review (LPR) model implemented throughout the Commerzbank Group and by the regular performance of stress tests or a comdirect-specific contingency plan.

In order to cover a possible removal of liquidity by customers, we maintain a sufficient volume of funds due at call as well as highly liquid securities, which can be used as collateral to obtain liquidity.

To limit our liquidity risk, we are also guided by regulatory requirements and internal management indicators. In addition to the required regulatory indicators, liquidity risk is also managed using a limit system based on the LPR. Future funding requirements are calculated using the combined future cash flows plus the expected impact of business policy decisions on liquidity and assumptions about customer behaviour. The liquidity progress review is calculated and monitored for defined stress scenarios.

The LPR and LCR are prepared daily. The NSFR is calculated monthly. Regulatory compliance with the NSFR is not to be expected before the end of 2019.

Current risk situation

The liquidity position is presented in the liquidity availability section of the chapter "Risk situation in the financial year 2018" on page 48.

Operational risk

Risk quantification, management and reporting

Operational risks depend on the various underlying business activities and are generally function-dependent. The aim of our OpRisk strategy is to control operational risks and in particular to avoid/minimise these risks through the systematic and continuous optimisation of all company processes and IT systems, including anchoring such systems and processes within its organisation at an institutional and cultural level. Operational risks are therefore managed in a decentralised fashion. Regularly performed scenario analyses are one instrument used to monitor such risks. All operational risks are continuously monitored and loss incidents have to be reported immediately. The operational risks are valued and aggregated centrally by means of Commerzbank's AMA model to form the VaR indicator for operational risks.

In addition to the physical infrastructure (especially hardware), the system architecture (for example, multi-tier server structure and software) is of special importance for comdirect. In general, both have built-in redundancy or have a modular structure in order to guarantee a constantly high level of availability for all required systems and components. As part of business contingency planning for IT, we also take into consideration external providers and their business contingency plans. With regard to this, we have formulated requirements with regard to availability and synchronised them with the business contingency measures of key service providers.

As part of a continuous improvement process, organisational and technical measures serve to prevent or limit loss for all areas of operational risk. For example, organisational instructions, staff training, IT project management, quality management and business continuity management should all be mentioned in this context.

Personnel risks are countered by implementing suitable measures to strengthen personnel retention and by providing professional development programmes (see the Personnel section on pages 38 to 39).

The Legal, Data Protection & Organisation division at comdirect is responsible for preparing the company for any legal changes in advance. The department carefully follows relevant developments and, if necessary, identifies any impact they may have and promptly informs the divisions concerned. The sources of information it uses include comdirect's membership of the Association of German Banks (Bundesverband deutscher Banken e. V.) and its general circulars, membership in the working group for direct banks, evaluation of trade magazines and its cooperation with the Group Legal department of Commerzbank AG.

Potential liability risks in financial advisory services are minimised through the documentation of advisory meetings and contractual regulations. We also strategically use insurance as an additional measure for minimising damage. Furthermore, the insurability of risks is regularly reviewed and rated economically.

Current risk situation

The VaR for operational risks (OpVaR) stood at €12.1m at the end of 2018, compared with €11.2m as of the 2017 reporting date. There were fewer cases of misuse in online banking than in the previous year, while misuse connected with cards is increasing.

,In addition to the continued improvement of fraud prevention related to card transactions and tackling cybercrime, the central purpose behind the management of operational risk is to drive forward the design and further development of the security measures, taking into account an appropriate cost-benefit ratio. Legal risks have risen due to the increased number of new regulations and directives at EU level as well as the corresponding national laws required to implement them. The systems and technical processes used by comdirect were once again very stable. System availability averaged 99.95% for the year, which was on par with the previous year's level. Personnel risks in terms of ensuring the quality and quantity of the personnel available were reduced by measures taken to increase the company's appeal as an employer.

Reputation risks

Risk quantification, management and reporting

The aim of our reputation risk strategy is to secure and strengthen the reputation of comdirect group as well as to identify developments that could harm the reputation of the group at an early stage and to be able to counter them effectively.

In most cases, reputation risks are perceived as consequential risks arising from other types of risk. All business divisions are therefore tasked with identifying reputation risks and dealing with them in an equally sensitive and responsible manner. The risks identified as part of the risk inventory are also checked for potential reputation risk drivers and any impacts are assessed on a qualitative basis as a preventative measure.

Furthermore, a reputation working group across the various sections of the bank has been established, which includes representatives from Risk Management & Compliance, Corporate Communications, Customer Management, Information Security & Outsourcing Management and Legal, Data Protection & Organisation. This working group examines and assesses potential reputation risks and discusses suitable measures. The reputation working group reports on reputation-related incidents to the Board of Managing Directors. This information is also included in the content of the regular report on operational risks to the management.

Current risk situation

There were no critical reputation risks over the course of the reporting year. The topics discussed in the reputation working group related to isolated cases that were conclusively dealt with. At present, there are no risks of material significance for comdirect.

Business risk

Risk quantification, management and reporting

The business risk strategy is aimed at minimising negative deviations from plans by means of restrictive/prudent budgeting, ongoing management of target/actual variances and by making use of the options to adjust the business model if applicable.

Our business risk encompasses the risk of losses due to negative deviations from target figures for income and expenses. Both the business strategy and the bank's internal budgeting process as well as changes in general conditions, such as the market and competitive environment, customer behaviour and advances in technology, are key influencing factors. Our business risk is also (in)directly affected by increasingly tougher regulatory requirements.

Budget variances from past business periods with the net operating profit (NOP) are used to assess business risk. Using a risk model that simulates variances between the future target NOP and the planned result, a VaR for business risk is calculated. The economic capital required is calculated by setting the NOP off against the VaR (i.e. there is a need for capital if a negative result is expected after deduction of the VaR).

Strategic decisions regarding the further development of the business model are made on the basis of extensive analysis by the Board of Managing Directors with the approval of the Supervisory Board.

Current risk situation

The VaR of €20.3m at the end of 2018 was an increase on the previous year (€15.7m), but remains low. There is no economic capital required as the VaR is entirely covered by the planned result. In the previous year, the planned result was accounted for in the economic capital – meaning that the economic capital required was consistent with the VaR. The concept was revised in the interest of conservativeness in the first quarter of 2018.

Risks relating to deposit modelling

Risk quantification, management and reporting

In terms of the risk strategy, the aim of deposit model management is to ensure integrated earnings and risk controlling in order to meet the objectives in the business strategy while taking into account comdirect's tolerance for risk. The risk relating to deposit modelling stems from managing non-maturing customer deposits. When these are invested by comdirect's treasury department, certain assumptions are made regarding future customer behaviour in the form of deposit models. Loss risks from deposit modelling can result if deposit outflows are higher than anticipated and Treasury assets have to be sold prematurely as a result. This could mean that market value losses have to be realised as a result of interest rate rises and/or wider credit spreads in the intervening period (close-out risks).

The deposit models for customer deposits are managed by an interdisciplinary team across the various sections of the bank with clear roles and responsibilities as part of integrated earnings and risk controlling using state-of-the-art deposit models. In addition to close monitoring of and comprehensive reporting on material key indicators for the development of deposits, customer behaviour and the competitive environment, the model assumptions are regularly reviewed and potential model adjustments are developed using defined triggers.

When calculating the close-out risk, we use the same risk models (VaR and stress) to simulate potential future losses as we do to determine the market risk for reasons of consistency.

Current risk situation

comdirect's deposit volume was very stable in the reporting year and expanded significantly as a result of the increase in the number of current and daily money accounts in particular. The close-out risk remained within the prescribed limits at all times during the reporting period. The economic capital required amounted to €24.2m at the end of the year (previous year: €20.5m).

General model risk

Risk quantification, management and reporting

For the respective types of risk, comdirect's risk management necessitates the use of quantitative risk models that help to mathematically formulate the causal relationships of the economic reality relevant for banking purposes.

General model risk stems from the potential discrepancy between the loss potential as forecast by the models and the actual loss potential for each type of risk. For comdirect, this can have an impact when used as a basis for defining management measures.

In terms of risk strategy, the aim of our general model risk management is to identify and – where possible – avoid or take appropriate account of known model risks.

To this end, the models used at comdirect are tested for an accurate and reliable representation of reality both during development and calibration as well as during regular independent validation and any necessary recalibration. Management of general model risk on a purely qualitative basis is accordingly carried out separately and in each case within the respective individual type of risk.

Current risk situation

The respective validation processes have shown that all of the models in use at comdirect are appropriate and sufficiently conservative. There were no high-risk findings.

Opportunity report

Categorisation of opportunities

We group our opportunities into the following three categories:

- Strategic opportunities that stem from strategic initiatives such as intensive market cultivation and innovative product developments or from potential strategic business acquisitions.
- Performance opportunities that relate to improvements in our operating processes and utilisation of cost and income synergies.
- Opportunities arising from developments in general external conditions that refer to growth potential resulting from favourable market developments, amendments to legislation, as well as industry and customer behaviour trends.

Identification, management and assessment of opportunities

comdirect group uses various methods of analysis to systematically identify opportunities.

Monitoring of the market and competitive environment provides us with information about changes in customer behaviour and an indication of how other banks will react with product and market initiatives to such changes and also to regulatory changes. We supplement this regular scrutiny of the market environment with the use of market surveys, some of which are conducted on our behalf. We also gain insights from the feedback provided by customers and staff, for example regarding new product initiatives. This information is collected through an annual customer satisfaction analysis and the receipt of daily customer feedback, and is analysed in anonymised form. An actively used company ideas and innovation tool is a further source of innovation.

Beyond the immediate market environment, we monitor international trends, focusing in particular on product innovations in the fintech segment. We actively review opportunities for non-organic growth upon receiving relevant offers.

Opportunities are assessed in terms of their potential and estimated probability of occurrence on the basis of empirical data. During the annual strategy process, the Board of Managing Directors decides on the extent to which the company will use its income to exploit opportunities for growth and returns. Reports on the current status of opportunities accounted for in the strategy are delivered on a quarterly basis, or more frequently if required. This enables opportunities to be regularly reprioritised and expanded upon.

Based on the methods we use, we generally consider ourselves able to identify opportunities early, to assess these opportunities in accordance with the defined strategic, income and risk objectives and to make use of them accordingly.

Current opportunities

For 2019, comdirect has the following opportunities:

Strategic opportunities

The availability of new technological solutions – aimed at offering our customers a competitive advantage in trading – provides us with the opportunity to encourage even more customers with an affinity for trading to select comdirect as their broker.

Even as we more actively market the securities savings plan and employ robo-advisor solutions such as cominvest, we still have not yet been able to gradually familiarise such customers with the trading environment with a view to acquiring them as future traders.

We also make use of opportunities that develop as a result of our lending offensive, which has created a stronger balance between the deposit and lending businesses.

Performance opportunities

In order to mitigate the need to boost our workforce in proportion to the increased growth in customers, trades and assets under control, we are increasingly using robotic process automation (RPA). Furthermore, opportunities may arise from the development of new solutions based on technological innovations such as chatbots.

Opportunities from changes in general external conditions

The capital market environment for brokerage may perform better than assumed in business planning. For instance, an extraordinary rise in market volatilities would have an advantageous effect on the trading activity of our customers and thus on the net commission income.

A significant rise in the share price level on the equity markets would cause the portfolio volume to rise, which would have a positive effect on the sales follow-up commission included in the net commission income. In addition, in a scenario of increasing prices, securities may become more important for the asset accumulation of private households. This could raise the net fund flow to the portfolio, which would also have a positive impact on our net commission income.

Also, market interest rates may rise more quickly than assumed in planning despite the ECB's continued expansive monetary policy, contrary to expectations. This would have a positive impact on the interest margin and in some circumstances also on deposit volumes, although a negative development in brokerage could offset these effects.

Given the industry environment, the ongoing reduction of the bank branch network may have a positive impact on our business. This could lead to a more rapid acceptance of direct banking models and a faster increase in the use of smart solutions for banking and investment transactions than previously expected.

Details in accordance with Sections 289a (1), 315a (1) of the German Commercial Code (HGB) and explanatory report of the Board of Managing Directors of comdirect bank Aktiengesellschaft

The information provided in the management report/group management report of comdirect bank AG in accordance with Sections 289a (1) and 315a (1) of the German Commercial Code (HGB) aim to provide third parties potentially interested in acquiring shares in comdirect bank AG with the information about the company relevant for such an acquisition.

Composition of the subscribed capital: As of the end of the financial year, the subscribed capital of the company amounted to €141,220,815.00. It is divided into 141,220,815 no-par-value shares. The rights and obligations associated with these ordinary shares arise in particular from Sections 12, 53a et seq., 118 et seq., 186 of the German Stock Corporation Act (AktG). The shares are bearer shares.

Restrictions affecting voting rights or the transfer of shares: There are no known restrictions relating to voting rights or the transfer of shares.

Direct or indirect investments above 10% of the voting rights: Commerzbank Inlandsbank Holding GmbH, Frankfurt am Main, which is a wholly-owned subsidiary of Commerzbank AG, Frankfurt am Main, in turn holds 82.27% of the capital of comdirect bank AG. There are no other direct or indirect investments that exceed 10% of the voting rights.

Holders of shares with special rights that grant controlling powers: There are no holders of shares with special rights conferring controlling powers. In particular, there are no rights to appoint members of the Supervisory Board pursuant to Section 101 (2) of the German Stock Corporation Act (AktG).

Type of control conferred by voting rights where employees participate in the capital and do not exercise their controlling rights directly: where employees of comdirect bank AG hold interests in the capital of the company, they exercise the controlling rights conferred by their voting rights directly.

Appointment and removal of members of the Board of Managing Directors/amendments to the Articles of Association: The members of the Board of Managing Directors are appointed and removed by the Supervisory Board in line with the provisions of Section 84 of the German Stock Corporation Act (AktG) and Article 6 (2) of the Articles of Association. If the Board of Managing Directors is missing a required member and the Supervisory Board has not made an appointment accordingly, one is appointed in urgent cases by a court in line with Section 85 of the German Stock Corporation Act (AktG). Any change to the Articles of Association requires a resolution by the annual general meeting in line with Section 179 (1) of the German Stock Corporation Act (AktG). Unless a greater majority is required by law, a simple majority of the capital represented is sufficient (Article 20 sentence 2 of the Articles of Association). The authority to make amendments to the Articles of Association that only affect the wording has been assigned to the Supervisory Board by Article 8 (2) of the Articles of Association in accordance with Section 179 (1) sentence 2 of the German Stock Corporation Act (AktG).

Powers of Board of Managing Directors to issue or buy back shares: In accordance with the more detailed provisions of the resolutions of the annual general meeting of 7 May 2015, the company is authorised to purchase treasury shares in accordance with Section 71 (1) nos. 7 and 8 of the German Stock Corporation Act (AktG). The company has not made any use of this authorisation. New shares may be issued, particularly as part of the authorisations pursuant to Article 4 (3), (4) of the Articles of Association (authorised and conditional capital). The company has not made any use of this authorisation either.

Major agreements that would come into effect in the event of a change in control as a result of an acquisition offer: There are no material agreements between comdirect bank AG and third parties that would come into effect, change or be terminated in the event of a change in control as a result of an acquisition offer.

Compensation agreements concluded with members of the Board of Managing Directors or employees in the event of an acquisition offer: comdirect bank AG has not concluded any compensation agreements with members of the Board of Managing Directors or employees in the event of an acquisition offer.

Information and explanations of the accounting-related internal control and risk management system

The goal of the accounting-related internal control and risk management system is to ensure that the annual and consolidated financial statements to be published comply with generally accepted accounting principles and thus provide a true and fair view of the net assets, financial position and results of operations. This goal is achieved by anchoring the system group-wide in the organisational structure and in the different components of the system.

Organisation

The internal control and risk management system relating to the accounting process fall within the remit of the Chief Financial Officer (CFO). The CFO's remit includes the Finance, Controlling and Investor Relations division, which is responsible for financial reporting in accordance with legal regulations and internal and external guidelines. Within this division, the Finance department is responsible for external financial reporting and for the calculation of current and deferred taxes. Internal reporting is the responsibility of the Controlling department. The Risk Management department is responsible for identifying, measuring, managing, monitoring and communicating risks on a bank-wide basis as well as managing the retail credit risk. While Internal Audit reports to the CEO, Compliance reports to the CFO. The Supervisory Board monitors the accounting process primarily via the Risk and Audit Committee, which is responsible in particular for accounting matters, ensuring the required independence of the auditor of the financial statements, the formal appointment of the auditor, determining the focal points of the audit and the fee agreement. The Risk and Audit Committee also monitors Compliance. The Rules of Procedure for the Supervisory Board demand that the Chairman of the Risk and Audit Committee must have particular expertise and experience in the application of accounting principles and internal control procedures.

Control functions relating to financial reporting are assumed by the Board of Managing Directors and the Supervisory Board as well as various units within Finance.

On behalf of the full Board of Managing Directors, Internal Audit provides independent, objective and risk-oriented auditing and advisory services aimed at optimising the business processes of comdirect group in terms of compliance, security and cost-effectiveness. Internal Audit supports the Board of Managing Directors by systematically and purposefully assessing the effectiveness and appropriateness of the Internal Control System and business processes, providing auditing support for key projects and making recommendations. This helps to safeguard business processes and assets. A meeting is held between the Chairman of the Risk and Audit Committee and the Head of Internal Audit before the meeting of the Supervisory Board dealing with the approval of the annual accounts.

Internal Audit reports directly to the Board of Managing Directors. It carries out its tasks autonomously and independently. The reporting and evaluation of the audit findings are not bound by any instructions. In accordance with the minimum requirements for risk management (MaRisk), the Chairman of the Risk and Audit Committee may obtain information directly from the Head of Internal Audit. The Internal Audit department of comdirect reports directly to the comdirect Board of Managing Directors and the Board is responsible for its management. Information is frequently exchanged between the Internal Audit department of comdirect and Group Audit department of Commerzbank, with regular reporting also taking place.

comdirect is solely responsible for preparing all of the accounts, for which the company possesses the required expertise, in particular due to its qualified personnel.

Components

Clear and binding accounting standards are in place within comdirect group that comply with legal regulations and the accounting standards of Commerzbank, the parent company. These standards are continuously reviewed to determine any necessary updates and are amended accordingly.

In addition to the accounting guidelines, various organisational measures ensure reliable financial reporting. For instance, there are clear lines of authority at comdirect that ensure that specialist tasks and responsibilities are appropriately assigned. Decisions are made exclusively in accordance with the granted powers of attorney. These arrangements make a significant contribution to ensure that accounting is error-free at all times.

The double-check principle is another principle applied to ensure that accounting is performed correctly. This principle stipulates that critical actions performed by one person must always be reviewed by another person. The Finance units are also organised in such a way that ensures separation of functions. Activities that are not compatible with one another are separated organisationally and performed in isolation from one another to prevent conflicts of interest.

The IT systems are also a key component in the preparation of the annual financial statements and must therefore comply with the requirements of the internal control and risk management system. Various software systems are used within comdirect group for the preparation of the financial statements. For the most part, comdirect makes use of Commerzbank systems. comdirect uses the Internal Audit department at Commerzbank to monitor and audit the systems used. Furthermore, comdirect receives extracts from the report of the auditors of Commerzbank on an annual basis. In addition to standard software, programmes that are specifically customised for the requirements of the bank are also used for accounting purposes.

All programmes include numerous plausibility checks, which are an essential part of the accounting system landscape. All of the systems used in the Finance unit are protected by an effective authorisation concept.

The entire accounting and consolidation process and all instructions are documented in writing in the company manual. The system described here is reviewed annually and is updated, in particular to reflect changes in the law, directives and accounting standards.

Compensation report

Compensation of the Board of Managing Directors

With compensation experts from the Commerzbank Group, comdirect bank AG examined the need to amend the compensation system for the members of the Board of Managing Directors – in the context of Germany's Remuneration Regulation for Institutions (IVV) – and revised it accordingly. An additional bonus cap had already been specified for the financial year 2014 based on the amount of the individual variable compensation at the time of its definition. This ensures that the individual variable compensation cannot exceed the annual fixed salary. A multi-year assessment basis also applies when determining the overall volume of variable compensation for the Board of Managing Directors. comdirect bank AG was categorised for the first time as a significant institution in the financial year 2016 pursuant to Section 17 (1) IVV. Consequently, comdirect bank AG is also obligated to meet the IVV's special requirements for Significant Institutions. In this context, the share of the long-term incentive (LTI) relating to the variable compensation of the members of the Board of Managing Directors was increased from 40% to 60% from 2016 onwards, which is the same level as has been applicable to the CEO since 2011. The third edition of the IVV came into force on 4 August 2017. This will result in an adjustment to the compensation system for members of the Board of Managing Directors in connection with the legal requirements taking effect from 2019. These changes mainly concern an increase in the waiting period for the LTI to five years (previously three years) and the lock-out period for share-based compensation components to twelve months (previously six months), the compensation from share-based components of variable compensation in connection with comdirect bank AG shares, the cancellation of the compensation for dividends and subscription rights during the waiting period and the introduction of a claw-back provision.

In this regard, comdirect bank AG endeavours to ensure appropriate and sustainable compensation for the Board of Managing Directors that provides effective incentives to act in the interest of achieving the targets specified in the bank's strategy while avoiding incentives to take disproportionately high risks. The compensation policy should therefore contribute towards comdirect group continuing to perform well. The details of the compensation system for the 2018 financial year are described extensively below.

Main features of the compensation system

The compensation system for the Board of Managing Directors of comdirect bank AG is specified and reviewed annually by the Supervisory Board. It takes into account the legal and regulatory requirements. The Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) as part of the Corporate Governance Statement can be viewed on the website at www.comdirect.de/ecg18 under the Corporate Governance section. The Supervisory Board considered the matter of compensation of the Board of Managing Directors on a total of four occasions in the 2018 financial year, both during its ordinary meetings and by circular resolution.

The total compensation of the Board of Managing Directors comprises non-performance-related fixed compensation and a variable compensation component linked to the success of the company and personal performance. Furthermore, the members of the Board of Managing Directors receive a company pension in respect of their activities for comdirect bank AG. The compensation components are specified in the contracts of employment of the respective members of the Board of Managing Directors.

The compensation of the Board of Managing Directors is based on the duties of the individual members of the Board of Managing Directors and the current economic position and future prospects of the bank, as well as the level of compensation paid in comparable environments. The relationship between fixed compensation and the variable compensation component is appropriate, thereby preventing the members of the Board of Managing Directors from being significantly dependent on the variable compensation while also incentivising effective conduct. For the active members of the Board of Managing Directors, the target amount for the variable compensation component is currently limited to 36% of the overall target compensation. The appropriateness of the compensation is reviewed annually, also in consultation with independent, external compensation advisers.

Non-performance-related fixed compensation

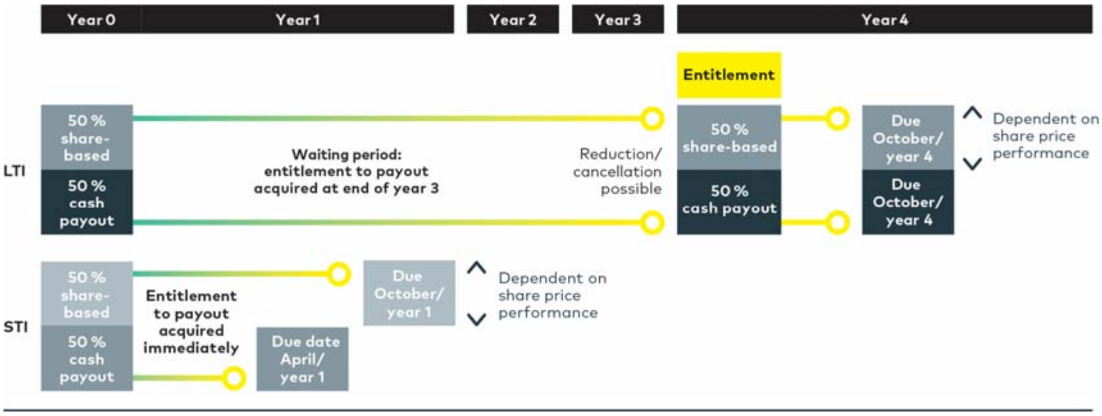
The non-performance-related fixed compensation comprises an annual fixed salary and fringe benefits. Without prejudice to the possibility of a review by the Supervisory Board, the annual fixed salary for members of the Board of Managing Directors is set for the entire term of their respective contract of employment and is paid in twelve monthly instalments. The Supervisory Board has defined fixed upper limits to the annual fixed salary. In addition to a fixed salary, the members of the Board of Managing Directors receive fringe benefits in the form of payments in kind, which essentially comprise the payment of expense allowances, insurance premiums and the taxes and social security contributions due upon these. The actual amount varies according to the individual situation of the respective member of the Board of Managing Directors. Moreover, the Commerzbank Group maintains a D&O insurance policy with a deductible that covers the members of the Board of Managing Directors and Supervisory Board of comdirect bank AG.

Performance-related variable compensation

The system described below applies for the performance-related variable compensation of the Board of Managing Directors.

The volume of the performance-related variable compensation depends on the achievement of corporate targets of comdirect bank AG and the Commerzbank Group and also of individual goals in the financial year to be assessed in conjunction with the target value for the variable compensation component for members of the Board of Managing Directors. The goals are agreed annually between the Board of Managing Directors and the Supervisory Board, are in line with the bank's strategic objectives and in particular take into account risks entered into and the cost of capital. A multi-year assessment basis is necessary for determining the volume of the variable compensation. The target attainments of the last three financial years are taken into account, although the individual financial years are weighted differently. Target attainment can amount to a minimum of 0% and a maximum of 200% of the target amount for the variable compensation component, which limits (caps) the volume of the variable compensation of the Board of Managing Directors accordingly. The amount of the individual variable compensation can likewise be a minimum of 0% and a maximum of 200% of the individual target amount at the time of its definition. At the same time, this individual variable compensation may not exceed the fixed salary for the financial year in question (bonus cap).

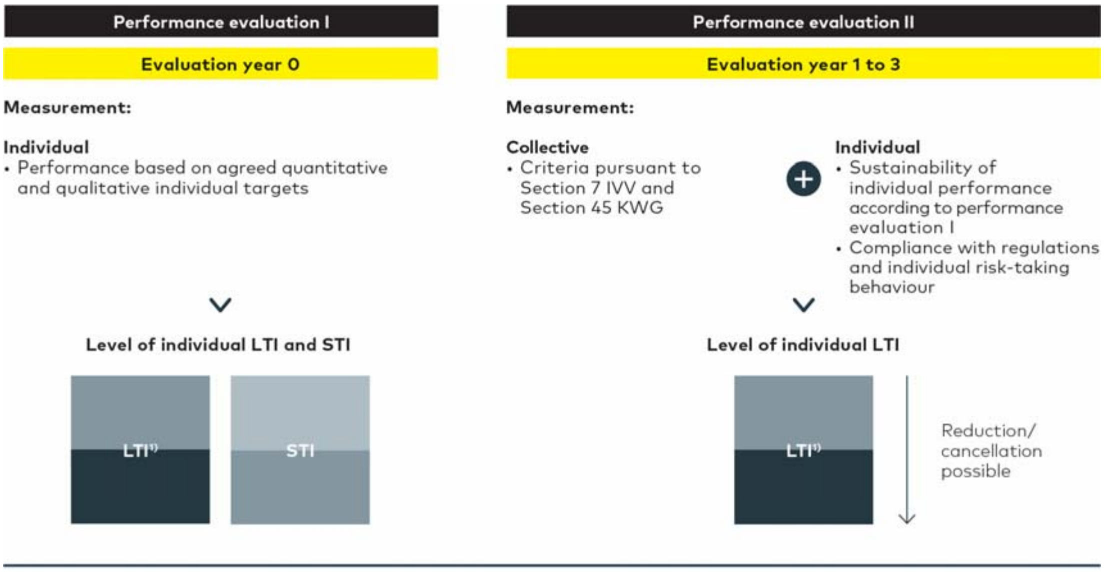
The individual variable compensation for the members of the Board of Managing Directors is split into two parts: a long-term incentive (LTI), which comprises 60% of total variable compensation and is paid out at the earliest three and a half years after the end of the financial year, and a short-term incentive (STI) paid out within ten months of the end of the financial year. Entitlement to the LTI is only conferred upon expiry of the three-year waiting period. Entitlement to the STI is conferred immediately. Half of both the LTI and STI components is settled as a cash payout and the remaining half in the form of shares in Commerzbank AG after a six-month lock-out period. Entitlements and due dates for the LTI and STI components are shown in the chart below.



With regard to variable compensation for the 2018 financial year, the STI will therefore fall due in financial year 2019 (year 1) and the LTI will fall due in 2022 (year 4) unless the entitlement is reduced or cancelled. If the variable compensation granted for the 2018 financial year is less than €50k, payment will be made in full in April 2019 (year 1).

The amount of the individual variable compensation for both the LTI and STI is determined in an individual performance evaluation based on the agreed individual quantitative and qualitative targets for the respective financial year (performance evaluation I). These individual targets are also agreed annually with the Supervisory Board and are aligned with the strategic objectives of the bank. To measure the level of the LTI component, further collective and individual reviews are carried out in performance evaluation II after the end of the three-year waiting period. In the course of this evaluation, compliance with the criteria of Section 7 of the Remuneration Regulation for Institutions (IVV) and Section 45 of the German Banking Act (KWG) is checked at the collective level. At the individual level, the sustainability of the individual performance ascertained in performance evaluation I is rated, along with compliance with regulations and the risk-taking behaviour of the individual members of the Board of Managing Directors. Negative individual performance contributions and non-fulfilment of the criteria of Section 7 IVV and Section 45KWG reduce the respective compensation from the LTI component (penalty).

The performance evaluations are carried out individually by the Supervisory Board. The following overview depicts the measurement of the variable compensation based on performance evaluations I and II.



1) Value ascertained in performance evaluation I only indicative; reduction or cancellation possible up to time of payout depending on results of performance evaluation II.

Safeguards that restrict or rescind the risk orientation of the variable compensation are contractually excluded. The current LTI components do not apply if, based on defined criteria, the respective member of the Board of Managing Directors leaves the bank as a "bad leaver". In the event of extraordinary developments, the Supervisory Board can, at its reasonable discretion, adjust the targets and parameters for the STI and LTI and appropriately limit the level of individual variable compensation. The payout of the variable compensation components is cancelled if the payment is prohibited or restricted by the Federal Financial Supervisory Authority (BaFin).

Pensions

For their work at comdirect bank AG, the members of the Board of Managing Directors receive a pension entitlement, whereby the active members of the Board of Managing Directors acquire a claim to an annual pension element amounting to a fixed percentage of their respective basic annual salary. The level of the pension thus depends solely on the length of time they have been a member of the Board of Managing Directors. The rights to a pension are non-forfeitable after five years of service in the Commerzbank Group. The company has recognised pension provisions for these future claims on the basis of the International Financial Reporting Standards (IFRS), the level of which depends on the number of service years, the pensionable salary and the current actuarial interest rate. These are calculated according to the project unit credit method on the basis of actuarial opinions drawn up by an independent actuary (see note (67) starting on page 173).

Premature termination benefits

If comdirect bank AG prematurely terminates the appointment of a member of the Board of Managing Directors, the respective contract of employment is in principle continued until the end of the original term of office. The members of the Board of Managing Directors would receive a maximum amount of up to two years' compensation, with the calculation based on the compensation for the last full financial year prior to termination. There is no entitlement to further compensation in the event of termination for cause.

Total compensation for active members of the Board of Managing Directors

The total compensation for active members of the Board of Managing Directors for their activities in the 2018 financial year amounted to €1,369k (previous year: €1,656k). In accordance with Section 314 of the German Commercial Code (HGB), the cash payment portion of the performance-related variable compensation with long-term incentive effect granted for 2014 and paid out in 2018must also be reported in the 2018 financial year as compensation alongside the non-performance-related fixed compensation, the performance-related variable compensation due in the short term granted for 2018 and the share-based portion of the performance-related variable compensation with long-term incentive effect granted for 2018.

In addition to the compensation granted for the year under review and the compensation to be reported for the year under review in accordance with Section 314 of the German Commercial Code (HGB), the tables below show the cumulative payouts made for the individual reporting years up to the 2018 reporting date as well as the payouts made in 2018 on an individual basis for each of the active members of the Board of Managing Directors.

	Arno Walter CEO (from 15 March 2015)			
€k	from 15.3.2015	2016	2017	2018
Non-performance-related fixed compensation				
Fixed salary				
Value upon payout	287	410	410	470
Fringe benefits				
Value upon payout	46	33	30	23
Performance-related variable compensation due in short term (STI component)				
STI cash payout				
Value upon granting and payout	34	54	46	40
Share-based STI[1]				
Value upon granting	34	54	46	40
Value upon payout	26	77	32	
Performance-related variable compensation with long term incentive effect (LTI component)[2]				
LTI cash payout				
Value upon granting	51	81	70	60
Value upon payout				
Share-based LTI				
Value upon granting	51[6]	81[5]	70[4]	60
Value upon payout				
Compensation paid in 2018 for respective reporting year[3]			**78**	**493**
Cumulative compensation paid for respective reporting year as of 31.12.2018	**393**	**574**	**518**	**493**
Compensation granted for respective reporting year	**503**	**713**	**672**	**693**
Amount to be reported for respective reporting year in accordance with Section 314 HGB	**452**	**632**	**602**	**633**

1) Figure determined in performance evaluation I. The actual value varies depending on share price performance up until date of payout.
2) Indicative values determined as part of performance evaluation I for the performance-related variable compensation with long-term incentive effect (LTI component) reported at the value upon granting. Entitlement to payout is acquired after expiration of the three-year waiting period at the earliest, i.e. in the 2019 financial year for the 2015 tranche, in the 2020 financial year for the 2016 tranche, in the 2021 financial year for the 2017 tranche and in the 2022 financial year for the 2018 tranche. The amount can be reduced or cancelled depending on the results of performance evaluation II and is paid out at the earliest in the financial years 2019 (2015 tranche), 2020 (2016 tranche), 2021 (2017 tranche) and 2022 (2018 tranche) respectively. The actual payout amount also fluctuates depending on the share price development up to the payout or issue date.
3) In addition to the non-performance-related fixed remuneration for 2018, the STI component granted for the 2017 financial year was also paid out.
4) Valuation of LTI component granted for 2017 as of 31.12.2018: share-based LTI €31k.
5) Valuation of LTI component granted for 2016 as of 31.12.2018: share-based LTI €62k.
6) Valuation of the LTI component granted for 2015 as of the 2018 balance sheet date: Share-based LTI €36k.

€k	Dietmar von Blücher Member of the Board of Managing Directors (from 18 July 2016) from 18.7.2016	2017	2018
Non-performance-related fixed compensation			
Fixed salary			
Value upon payout	82	180	230
Fringe benefits			
Value upon payout	14	35	21
Performance-related variable compensation due in short term (STI component)			
STI cash payout			
Value upon granting and payout	10	19	20
Share-based STI[1]			
Value upon granting	10	19	20
Value upon payout	14	13	
Performance-related variable compensation with long term incentive effect (LTI component)[2]			
LTI cash payout			
Value upon granting	15	28	31
Value upon payout			
Share-based LTI			
Value upon granting	15[5]	28[4]	31
Value upon payout			
Compensation paid in 2018 for respective reporting year[3]		**32**	**251**
Cumulative compensation paid for respective reporting year as of 31.12.2018	**120**	**247**	**251**
Compensation granted for respective reporting year	**146**	**309**	**353**
Amount to be reported for respective reporting year in accordance with Section 314 HGB	**131**	**281**	**322**

1) Figure determined in performance evaluation I. The actual value varies depending on share price performance up until date of payout.
2) Indicative values determined as part of performance evaluation I for the performance-related variable compensation with long-term incentive effect (LTI component) reported at the value upon granting. Entitlement to payout is acquired after expiration of the three-year waiting period at the earliest, i.e. in the 2022 financial year for the 2018 tranche. The amount can be reduced or cancelled depending on the results of performance evaluation II and is paid out at the earliest in the 2022 financial year (2018 tranche). The actual payout amount also fluctuates depending on the share price development up to the payout or issue date.
3) In addition to the non-performance-related fixed remuneration for 2018, the STI component granted for the 2017 financial year was also paid out.
4) Valuation of LTI component granted for 2017 as of 31.12.2018: share-based LTI €13k.
5) Valuation of LTI component granted for 2016 as of 31.12.2018: share-based LTI €11k.

With effect from 30 January 2018, Mr Matthias Hach was appointed as a member of the Board of Managing Directors for a period of three years.

€k	Matthias Hach Member of the Board of Managing Directors (from 30 January 2018) from 30.1.2018
Non-performance-related fixed compensation	
Fixed salary	
Value upon payout	211
Fringe benefits	
Value upon payout	20
Performance-related variable compensation due in short term (STI component)	
STI cash payout	
Value upon granting and payout	19
Share-based STI[1)]	
Value upon granting	19
Value upon payout	
Performance-related variable compensation with long term incentive effect (LTI component)[2)]	
LTI cash payout	
Value upon granting	28
Value upon payout	
Share-based LTI	
Value upon granting	28
Value upon payout	
Compensation paid in 2018 for respective reporting year[3)]	**231**
Cumulative compensation paid for respective reporting year as of 31.12.2018	**231**
Compensation granted for respective reporting year	**325**
Amount to be reported for respective reporting year in accordance with Section 314 HGB	**297**

1) Figure determined in performance evaluation I. The actual value varies depending on share price performance up until date of payout.
2) Indicative values determined as part of performance evaluation I for the performance-related variable compensation with long-term incentive effect (LTI component) reported at the value upon granting. Entitlement to payout is acquired after expiration of the three-year waiting period at the earliest, i.e. in the 2022 financial year for the 2018 tranche. The amount can be reduced or cancelled depending on the results of performance evaluation II and is paid out at the earliest in the 2022 financial year (2018 tranche). The actual payout amount also fluctuates depending on the share price development up to the payout or issue date.
3) In addition to the non-performance-related fixed remuneration for 2018, the STI component granted for the 2017 financial year was also paid out.

Mr Hach also received a payment of €19k from the STI component, which was granted to him in his capacity as Divisional Manager in the 2017 financial year.

Martina Palte resigned from the Board of Managing Directors with effect from 31 March 2018. The current payments up to 31 March 2018 are shown in the table below under non-performance-related fixed compensation. The performance-related variable compensation for 2018 granted up to this point is also reported in the respective items in the table.

	Martina Palte Member of the Board of Managing Directors (until 31 March 2018)			
€k	2015	2016	2017	until 31.3.2018
Non-performance-related fixed compensation				
Fixed salary				
Value upon payout	205	250	270	68
Fringe benefits				
Value upon payout	11	12	12	8
Performance-related variable compensation due in short term (STI component)				
STI cash payout				
Value upon granting and payout	35	30	26	5
Share-based STI[1]				
Value upon granting	35	30	26	5
Value upon payout	27	43	24	
Performance-related variable compensation with long term incentive effect (LTI component)[2]				
LTI cash payout				
Value upon granting	23	45	39	7
Value upon payout				
Share-based LTI				
Value upon granting	23[9]	45[8]	39[7]	7
Value upon payout				
Compensation paid in 2018 for respective reporting year[3]				**76**
Cumulative compensation paid for respective reporting year as of 31.12.2018	**278**	**335**	**282**	**76**
Compensation granted for respective reporting year	**332**	**412**	**412**	**100**
Amount to be reported for respective reporting year in accordance with Section 314 HGB	**309**	**378[6]**	**394[5]**	**117[4]**

1) Figure determined in performance evaluation I. The actual value varies depending on share price performance up until date of payout.
2) Indicative values determined as part of performance evaluation I for the performance-related variable compensation with long-term incentive effect (LTI component) reported at the value upon granting. Entitlement to payout is acquired after expiration of the three-year waiting period at the earliest, i.e. in the 2018 financial year for the 2014 tranche, in the 2019 financial year for the 2015 tranche, in the 2020 financial year for the 2016 tranche, in the 2021 financial year for the 2017 tranche and in the 2022 financial year for the 2018 tranche. The amount can be reduced or cancelled depending on the results of performance evaluation II and is paid out at the earliest in the 2018 financial year (2014 tranche), in 2019 (2015 tranche), in 2020 (2016 tranche), in 2021 (2017 tranche) and in 2022 (2018 tranche) respectively. The actual payout amount also fluctuates depending on the share price development up to the payout or issue date.
3) Only the non-performance-related fixed compensation for 2018 was paid out prior to the resignation on 31 March 2018.
4) In addition to the non-performance-related fixed compensation, the STI component granted and the share-based LTI granted for the financial year 2018, the 2014 LTI cash payout made in the financial year 2018 is also a component of the compensation package to be reported for the financial year 2018 pursuant to Section 314 of the German Commercial Code (HGB).
5) In addition to the non-performance-related fixed compensation, the STI component granted and the share-based LTI granted for the financial year 2017, the 2013 LTI cash payout made in the financial year 2017 is also a component of the compensation package to be reported for the financial year 2017 pursuant to Section 314 of the German Commercial Code (HGB).
6) In addition to the non-performance-related fixed compensation, the STI component granted and the share-based LTI granted for the financial year 2016, the 2012 LTI cash payout made in the financial year 2016 is also a component of the compensation package to be reported for the financial year 2016 pursuant to Section 314 of the German Commercial Code (HGB).
7) Valuation of the LTI component granted for 2017 as of the 2018 balance sheet date: Share-based LTI €17k
8) Valuation of the LTI component granted for 2016 as of the 2018 balance sheet date: Share-based LTI €34k
9) Valuation of the LTI component granted for 2015 as of the 2018 balance sheet date: Share-based LTI €16k

The contract of employment with Ms Palte was terminated with effect as of 30 June 2018. All the entitlements acquired up to 30 June remain in place. In the period between 1 April 2018 and 30 June 2018, Ms Palte received current payments totalling €70k from comdirect bank. In addition, performance-related variable compensation was granted for this period totalling €24k. Payouts may still be effected on the basis of the ongoing STI and LTI components as scheduled up to the 2022 financial year. After 31 March 2018, €86k was paid out in this regard for the share-based STI component granted for 2017 and the LTI component granted in 2014.

Details regarding pensions for the active members of the Board of Managing Directors in 2018 are shown individually in the following table.

€k	Pension obligation (DBO) under IFRS as of 31.12.2018	Vested rights as of 31.12.2018
Arno Walter	1,248	69
Dietmar von Blücher	454	16
Matthias Hach	13	15
Martina Palte	111	131
Total	**1,826**	

The amounts reported for Mr Walter and Mr von Blücher include the entitlements acquired in the course of their work at Commerzbank AG. The amounts reported for Mr von Blücher include the entitlements acquired during his time as Chief Representative of comdirect bank AG. The annual pension entitlement for Mr Walter and Mr von Blücher and the entitlement to a one-off principal payment upon retirement for the other members of the Board of Managing Directors are entered in the "Vested rights" column.

In the past financial year, no member of the Board of Managing Directors received payments or corresponding commitments from a third party in relation to their activities as a board member. Members performing board functions at subsidiaries only received reimbursement for expenses. The insurance premium for the group-wide D&O insurance for Managing Directors and supervisory bodies of comdirect bank AG is paid by the company. The company incurred expenses of €51k in this regard in the year under review. No loans or advance payments were granted in the reporting year. The model tables for the presentation of the compensation of the Board of Managing Directors, as recommended by the German Corporate Governance Code (GCGC), are shown below.

In accordance with the GCGC, the compensation granted for a financial year is to be presented in the table "Benefits granted". Variable compensation is stated as the sum to be granted in the event of 100% target attainment for the year under review.

Benefits granted

€k	Arno Walter CEO (from 15 March 2015)				Dietmar von Blücher CFO (from 18 July 2016)			
	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)
Fixed compensation[1]	410	470	470	470	180	230	230	230
Fringe benefits[1]	30	23	23	23	35	21	21	21
Total	**440**	**493**	**493**	**493**	**215**	**251**	**251**	**251**
One-year variable compensation[2]	54	47	0	94	22	26	0	46
Multi-year variable compensation	216	189	0	376	88	104	0	184
Share-based STI for 2017 or 2018[3]	54	47	0	94	22	26	0	46
LTI cash payout for 2017 or 2018[4]	81	71	0	141	33	39	0	69
Share-based LTI for 2017 or 2018[5]	81	71	0	141	33	39	0	69
Total	**710**	**729**	**493**	**963**	**325**	**381**	**251**	**481**
Benefit expense[6]	90	85	85	85	58	54	54	54
Overall compensation awarded according to GCGC	800	814	578	1,048	383	435	305	535

€k	Matthias Hach CMO (from 30 January 2018)				Martina Palte COO and HR Director (until 31 March 2018)			
	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)
Fixed compensation[1]	0	211	211	211	270	68	68	68
Fringe benefits[1]	0	20	20	20	12	8	8	8
Total	**0**	**231**	**231**	**231**	**282**	**76**	**76**	**76**
One-year variable compensation[2]	0	24	0	42	30	8	0	14
Multi-year variable compensation	0	96	0	169	120	30	0	54
Share-based STI for 2017 or 2018[3]	0	24	0	42	30	8	0	14
LTI cash payout for 2017 or 2018[4]	0	36	0	63	45	11	0	20
Share-based LTI for 2017 or 2018[5]	0	36	0	63	45	11	0	20
Total	**0**	**351**	**231**	**442**	**432**	**114**	**76**	**144**
Benefit expense[6]	0	0	0	0	25	24	24	24
Overall compensation awarded according to GCGC	0	351	231	442	457	138	100	168

1) Compensation granted for the respective financial year.
2) Target STI cash payout for the respective financial year in the event of 100% target attainment; maximum amount: target attainment is limited to 200% based on the variable compensation target specified for the financial year. At the same time, the total amount of variable compensation specified for the financial year at the time of calculation may not exceed the fixed salary granted for that financial year.
3) Share-based STI target for the respective financial year in the event of 100% target attainment; maximum amount: target attainment is limited to 200% based on the variable compensation target specified for the financial year. At the same time, the total amount of variable compensation specified for the financial year at the time of calculation may not exceed the fixed salary granted for that financial year. The variable compensation amount may still fluctuate subsequent to being calculated, based on share price developments.
4) Target LTI cash payout for the respective financial year in the event of 100% target attainment; maximum amount: target attainment is limited to 200% based on the variable compensation target specified for the financial year. At the same time, the total amount of variable compensation specified for the financial year at the time of calculation may not exceed the fixed salary granted for that financial year.
5) Share-based LTI target for the respective financial year in the event of 100% target attainment; maximum amount: target attainment is limited to 200% based on the variable compensation target specified for the financial year. At the same time, the total amount of variable compensation specified for the financial year at the time of calculation may not exceed the fixed salary granted for that financial year. The variable compensation amount may still fluctuate subsequent to being calculated, based on share price developments.
6) Service cost in accordance with IAS 19 from pension schemes and other pension benefits for the respective financial year.

In accordance with the GCGC, the compensation received for or in a financial year is to be presented in the table “Allocation”. Compensation is deemed to have been allocated insofar as all the benefit conditions were met by the end of the year under review and there can be no more changes in its value.

Allocation

€k	Arno Walter CEO (from 15 March 2015)		Dietmar von Blücher CFO (from 18 July 2016)	
	2018	**2017**	**2018**	**2017**
Fixed salary[1]	470	410	230	180
Fringe benefits[1]	23	30	21	35
Total	**493**	**440**	**251**	**215**
One-year variable compensation[2]	40	46	20	19
Multi-year variable compensation	32	77	13	14
Share-based STI for 2017 and 2016[3]	32	77	13	14
LTI cash payout for 2014 and 2013	n/a	n/a	n/a	n/a
Share-based LTI for 2014 and 2013	n/a	n/a	n/a	n/a
Other	0	0	0	0
Total	**565**	**563**	**284**	**248**
Pension expenses[4]	85	90	54	58
Overall compensation granted according to GCGC	**650**	**653**	**338**	**306**

€k	Matthias Hach CMO (from 30 January 2018)		Martina Palte COO and HR Director (until 31 March 2018)	
	2018	**2017**	**2018**	**2017**
Fixed salary[1]	211	n/a	68	270
Fringe benefits[1]	20	n/a	8	12
Total	**231**	**n/a**	**76**	**282**
One-year variable compensation[2]	19	n/a	5	26
Multi-year variable compensation	n/a	n/a	n/a	82
Share-based STI for 2017 and 2016[3]	n/a	n/a	n/a	43
LTI cash payout for 2014 and 2013	n/a	n/a	n/a	21
Share-based LTI for 2014 and 2013	n/a	n/a	n/a	18
Other	0	n/a	0	0
Total	**250**	**n/a**	**81**	**390**
Pension expenses[4]	0	n/a	24	25
Overall compensation granted according to GCGC	**250**	**n/a**	**105**	**415**

1) Compensation granted for the respective financial year.
2) STI cash payout for the relevant financial year, taking target attainment into account (falling due in April 2019 or April 2018).
3) Share-based STI payout in the financial year, taking target attainment and share price development up to the maturity date into account (October 2018 or October 2017).
4) Service cost in accordance with IAS 19 from pension schemes and other pension benefits for the respective financial year.

Overall compensation for former members of the Board of Managing Directors

The overall compensation for former members of the Board of Managing Directors amounted to €426k in the financial year (previous year: €343k). In 2018, a payout of €111k was made (previous year: €98k) for the LTI component for former members of the Board of Managing Directors granted in the financial year 2014 (2013). As of the reporting date, pension obligations to former members of the Board of Managing Directors pursuant to IFRS totalled €4,882k (previous year: €4,959k).

Compensation of the Supervisory Board

The compensation of the Supervisory Board of comdirect bank AG is stipulated in the Articles of Association. The regulations underlying the Articles of Association regarding the compensation of the Board of Supervisory Board were passed on 16 May 2013 by the annual general meeting upon the proposal of the Board of Managing Directors and the Supervisory Board. They correspond to the recommendations of the German Corporate Governance Code. The compensation of the Supervisory Board comprises the following:

In addition to reimbursement of expenses, the individual members of the Supervisory Board receive fixed compensation of €20k after the end of the financial year, with the Chairman of the Supervisory Board receiving €60k and his Deputy receiving €30k.

Members of the Risk and Audit Committee additionally receive fixed compensation amounting to €10k. Compensation of €5k is paid for membership of all other committees. The Chairman of a committee receives double the amount of compensation of an ordinary member. Shareholder representatives on the Supervisory Board who act as members of the Board of Managing Directors of a group company of the majority shareholder do not receive any compensation for their Supervisory Board activities.

The compensation paid to members of the Supervisory Board, including statutory VAT payable on the compensation where applicable, is shown individually in the following table.

€k	Fixed compensation		Compensation for committee activities		Total	
	2018	2017	2018	2017	2018	2017
Michael Mandel	0	0	0	0	0	0
Frank Annuscheit	0	0	0	0	0	0
Sandra Persiehl	24	24	9	6	33	30
Georg Rönnberg	24	24	27	24	51	48
Sabine Schmittroth	24	24	15	12	39	36
Maria Xiromeriti	24	24	0	0	24	24

Declaration of the Board of Managing Directors on Section 312 of the German Stock Corporation Act (AktG)

As a result of the integration of comdirect bank AG including its subsidiaries in the Commerzbank Group, the Board of Managing Directors is obliged to prepare a dependency report in accordance with Section 312 of the German Stock Corporation Act (AktG).

Based on the circumstances known to us at the time at which legal transactions or measures were effected or omitted, comdirect bank AG received adequate consideration for each legal transaction and ultimately suffered no disadvantage from measures either being effected or omitted.

Reportable measures were neither effected nor omitted.

Contents

Consolidated financial statements

Income statement

Income statement of comdirect group according to IFRS

€k	Notes	1.1. to 31.12. 2018	2017[1]
Interest income accounted for using the effective interest method	(22)	130,523	-
Interest income, other	(22)	1,575	-
Total interest income	**(22)**	**132,098**	**111,693**
Interest expenses	(22)	13,480	16,869
Net interest income before provisions for possible loan losses	**(22)**	**118,618**	**94,824**
Provisions for possible loan losses	(9), (23)	–1,651	1,449
Net interest income after provisions for possible loan losses		**116,967**	**96,273**
Commission income	(24)	256,095	223,775
Commission expenses	(24)	49,775	29,540
Net commission income	**(24)**	**206,320**	**194,235**
Valuation result	(25)	4,373	-
Result from the disposal of financial assets measured at amortised cost	(25)	–586	-
Result from the disposal of financial assets measured at fair value through other comprehensive income	(25)	480	-
Disposals and valuation result from financial assets	**(25)**	**4,267**	**-**
Trading result and result from hedge accounting	(26), (27)	-	–692
Result from financial investments	(28)	-	21,463
Other operating result[2]	(30)	6,710	9,285
Total income[2]		**334,264**	**320,564**
Personnel expenses[2]	(29)	79,404	75,501
Other administrative expenses[2]	(29)	185,305	150,871
Depreciation on office furniture and equipment and intangible assets[2]	(29)	14,877	12,952
Administrative expenses	**(29)**	**279,586**	**239,324**
Pre-tax profit from continued activities		**54,678**	**81,240**
Taxes on income	(16), (31)	15,665	19,496
After-tax profit from continued activities		**39,013**	**61,744**
Pre-tax profit from discontinued activities		16,045	13,621
After-tax profit from discontinued activities		11,356	9,800
Pre-tax consolidated profit		**70,723**	**94,861**
Consolidated net profit		**50,369**	**71,544**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: contributions of ebase GmbH separately as income from discontinued activities, disclosures relating to continued activities without contributions of ebase.
2) Voluntary changes in the method of presentation taking into account the respective value from the previous period for continued activities. Additional details can be found in Note (3).

Undiluted/diluted earnings per share

	Notes	1.1. to 31.12. 2018	2017
Consolidated net profit (€k)		50,369	71,544
Average number of ordinary shares (number)	(48)	141,220,815	141,220,815
Undiluted/diluted earnings per share (€)	**(18)**	**0.36**	**0.51**

No shares were issued in the financial year. The average number of ordinary shares therefore corresponds to the number of ordinary shares outstanding as of 31 December 2018. Earnings per share of €0.28 (2017: €0.44) were attributable to continued activities. There is no difference between undiluted and diluted earnings per share.

Statement of comprehensive income

Statement of comprehensive income of comdirect group according to IFRS

		1.1. to 31.12.	
€k	Notes	2018	2017[1]
Consolidated net profit		**50,369**	**71,544**
Items which cannot be reclassified to the income statement			
Changes in actuarial gains/losses recognised in equity	(48)	–195	150
Other comprehensive income for the period from equity instruments		–3,695	-
Items which can be reclassified to the income statement			
Changes in the revaluation reserves after tax	(48)		
Changes in value recognised in equity		–1,650	–5,605
Reclassification to the income statement		–329	–20,687
Other comprehensive income for the period from continued activities		**–5,869**	**–26,142**
Other comprehensive income for the period from discontinued activities		–850	625
Total other comprehensive income		**–6,719**	**–25,517**
Comprehensive income		**43,650**	**46,027**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: contributions of ebase GmbH separately as income from discontinued activities, disclosures relating to continued activities without contributions of ebase.

Consolidated net profit and comprehensive income for the reporting period are attributable in full to the shareholders of comdirect bank AG.

The tax amounts included in other comprehensive income for the period are as follows:

Other comprehensive income for the period

€k	Before tax	Tax	After tax
1 January to 31 December 2018			
Actuarial gains and losses	–274	79	–195
Other comprehensive income for the period from equity instruments	–3,740	45	–3,695
Other comprehensive income for the period from debt instruments	–2,782	803	–1,979
Other comprehensive income for the period	**–6,796**	**927**	**–5,869**
1 January to 31 December 2017[1]			
Actuarial gains and losses	154	–4	150
Change in the revaluation reserves	–34,736	8,444	–26,292
Other comprehensive income for the period	**–34,582**	**8,440**	**–26,142**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: all values excluding contributions of ebase.

Balance sheet

Balance sheet of comdirect group according to IFRS

Assets

€k	Notes	as of 31.12.2018	as of 1.1.2018	as of 31.12.2017
Cash reserve	(8), (32)	2,195,423	2,362,901	2,362,901
Claims on banks	(8), (33), (55)	21,351,216	17,306,556	17,306,695
Claims on customers	(8), (34), (55)	630,487	494,972	495,214
Positive fair values from derivative financial instruments	(35)	1,099	0	0
Financial investments	(8), (36)	2,227,650	2,752,329	2,770,145
Intangible assets	(11), (37), (39)	40,654	50,098	50,098
Fixed assets	(12), (38), (39)	19,707	18,596	18,596
Current income tax assets	(16), (40)	5,176	4,352	4,352
Deferred income tax assets	(16), (40)	3,472	5,200	0
Other assets	(41)	25,872	24,533	24,533
Assets from discontinued activities	(4)	414,079	-	-
Total assets		**26,914,835**	**23,019,537**	**23,032,534**

Liabilities and equity

€k	Notes	as of 31.12.2018	as of 1.1.2018	as of 31.12.2017
Liabilities to banks	(14), (42)	214,261	9,288	9,288
Liabilities to customers	(14), (43)	25,459,751	22,274,039	22,274,039
Provisions	(15), (44)	23,173	33,611	33,501
Current income tax liabilities	(16), (46)	4,927	234	234
Deferred tax liabilities	(16), (46)	0	0	74
Other liabilities	(47)	39,783	76,514	76,514
Liabilities from discontinued activities	(4)	538,744	-	-
Equity	**(48)**	**634,196**	**625,851**	**638,884**
Subscribed capital	(48)	141,221	141,221	141,221
Capital reserve	(48)	223,296	223,296	223,296
Retained earnings	(48)	219,453	184,885	182,078
Revaluation reserves	(48)	–143	4,905	20,745
Consolidated net profit	(48)	50,369	71,544	71,544
Total liabilities and equity		**26,914,835**	**23,019,537**	**23,032,534**

The first-time application of IFRS 9 as of 1 January 2018 had effects on comdirect group's opening balance sheet for the current financial year. These are explained in detail in Note (8).

Statement of changes in equity

€k	Notes	Sub-scribed capital	Capital reserve	Retained earnings	Revalu-ation reserves	Consoli-dated net profit	Total
Equity as of 1.1.2017	(48)	141,221	223,296	123,769	47,365	92,511	628,162
Net profit from 1.1. to 31.12.2017		-	-	-	-	71,544	71,544
Changes in actuarial gains/losses recognised in equity	(15), (44)	-	-	1,103	-	-	1,103
Change in the revaluation reserves		-	-	-	–26,620	-	–26,620
Comprehensive income 2017		**-**	**-**	**1,103**	**–26,620**	**71,544**	**46,027**
Profit distributions	(17)	-	-	-	-	–35,305	–35,305
Allocation to reserves/transfer from reserves		-	-	57,206	-	–57,206	0
Equity as of 31.12.2017		**141,221**	**223,296**	**182,078**	**20,745**	**71,544**	**638,884**
Effects arising from the first-time application of IFRS 9		**0**	**0**	**2,807**	**–15,840**	**0**	**–13,033**
Equity as of 1.1.2018	**(48)**	**141,221**	**223,296**	**184,885**	**4,905**	**71,544**	**625,851**
Net profit from 1.1. to 31.12.2018		-	-	-	-	50,369	50,369
Changes in actuarial gains/losses recognised in equity	(15), (44)	-	-	–1,045	-	-	–1,045
Change in the revaluation reserves		-	-	-	–5,665	-	–5,665
Contributions from the disposal of equity instruments in the measurement category FVOCI	(57)			–626	617	0	–9
Comprehensive income 2018		-	-	–1,671	–5,048	50,369	43,650
Profit distributions	(17)	-	-	-	-	–35,305	–35,305
Allocation to reserves/transfer from reserves		-	-	36,239	-	–36,239	0
Equity as of 31.12.2018		**141,221**	**223,296**	**219,453**	**–143**	**50,369**	**634,196**

In financial year 2018, dividend payments totalling €35,305k (2017: €35,305k) were distributed to shareholders of comdirect bank AG. This corresponds to €0.25 (2017: €0.25) per share.

In financial year 2018, comdirect bank AG did not make use of either the existing authorisations of the annual general meeting to purchase own shares for the purpose of securities trading pursuant to Section 71 (1) No. 7 German Stock Corporation Act (AktG) or of the resolutions of the annual general meeting authorising the purchase of own shares pursuant to Section 71 (1) No. 8 German Stock Corporation Act (AktG) for purposes other than securities trading.

Cash flow statement

		1.1. to 31.12.	
€k	Notes	2018	2017
Consolidated net profit		**50,369**	**71,544**
Non-cash items contained in net profit and transfer to cash flow from operating activities			
Depreciation, loan loss provisions, additions to assets, change in provisions and net changes due to hedge accounting and trading	(23), (26), (27), (29), (30), (39), (44), (56)	33,105	32,576
Result from the disposal of assets	(28), (56)	115	–21,911
Other adjustments	(22), (24), (30), (31)	–72,448	–31,966
Sub-total		**11,141**	**50,243**
Change in assets and liabilities from operating activities after adjustment for non-cash items			
Claims			
on banks	(33)	–4,088,360	–3,722,406
on customers	(34)	–173,903	–39,964
Positive/Negative fair values from derivative hedging instruments and trading assets		0	–87
Securities	(36)	491,077	569,087
Other assets from operating activities	(41)	–1,917	947
Liabilities			
to banks	(42)	213,393	–6,289
to customers	(43)	3,697,458	3,025,430
Other liabilities and equity from operating activities	(44), (47)	–75,226	–50,662
Interest and dividends received	(22), (56)	124,557	118,273
Interest paid	(22), (56)	–15,435	–18,562
Income tax payments	(31), (40), (46)	–14,486	–24,949
Cash flow from operating activities		**168,299**	**–98,939**
Cash inflows from the disposal of fixed assets and intangible assets	(37), (38), (39)	–8	–22
Cash outflows for the acquisition of fixed assets and intangible assets	(37), (38), (39)	–25,868	–22,125
Payout for the acquisition of company holdings		0	381,127
Cash flow from investing activities		**–25,876**	**358,980**
Dividend payment		–35,305	–35,305
Cash flow from financing activities		**–35,305**	**–35,305**
Cash and cash equivalents as of the end of the previous period		**2,362,901**	**2,138,165**
Cash flow from operating activities		168,299	–98,939
Cash flow from investing activities		–25,876	358,980
Cash flow from financing activities		–35,305	–35,305
Cash and cash equivalents as of the end of the period	**(32)**	**2,470,019**	**2,362,901**

Cash and cash equivalents correspond to the balance sheet item "Cash reserve" and include cash on hand and balances held at central banks. As of 31 December 2018, this item includes a contribution of €275m from discontinued activities which, in accordance with IFRS 5, is not recognised in the cash reserve but within the item "Assets from discontinued activities". The cash flows disclosed encompass both the continued and discontinued activities.

The cash flow from operating activities is essentially determined by taking in customer deposits and reinvesting them in the money and capital markets. In 2017, cash outflows from transaction costs in connection with the acquisition of the onvista group amounted to €1.4m.

In the previous year, the sharp rise in cash flow from investing activities resulted from the addition of cash amounting to €420,850k and the purchase price of €39,723k paid in connection with the acquisition of the onvista group. The cash flow from investing activities also results from the acquisition and disposal of intangible assets and property, plant and equipment.

The cash flow statement is of minor importance for the comdirect group. It cannot substitute the liquidity or financial planning and is not used as a performance indicator. It does not give any indication of the actual liquidity position. This is essentially dependent on operating activities and not on cash on hand and balances held with central banks.

Notes

Basis of accounting principles

The consolidated financial statements of comdirect group as of 31 December 2018 were prepared in accordance with Section 315e (1) of the German Commercial Code (HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as further regulations on the adoption of certain international accounting standards in accordance with the International Financial Reporting Standards (IFRS), which were approved and published by the International Accounting Standards Board (IASB). Furthermore, the additional standards to be applied under Section 315e (1) of the German Commercial Code (HGB) were observed.

comdirect bank Aktiengesellschaft, Pascalkehre 15, 25451 Quickborn, Germany, is the parent company of comdirect group and is listed at Pinneberg district court under commercial register number HRB 4889.

The subgroup financial statements of comdirect group are included in the consolidated financial statements of our ultimate parent company, Commerzbank AG, Frankfurt am Main. The consolidated financial statements of Commerzbank AG as of 31 December 2017 were published in the online Federal Gazette on 17 April 2018.

In addition to the consolidated balance sheet, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated financial statements include the statement of changes in equity, the cash flow statement and the Notes. The group management report, including the risk report in accordance with Section 315 of the German Commercial Code (HGB), forms part of our annual report.

The consolidated financial statements were approved for publication by the Board of Managing Directors on 21 February 2019.

Accounting and measurement methods

1 Basic principles and estimation uncertainties

The consolidated financial statements are based on the going concern principle.

Income and expenses are recognised on a pro rata basis; they are shown in the income statement for the period to which they may be assigned in economic terms. In principle, income is accounted for at the fair value of the consideration. Interest income and interest expenses are recognised in net interest income on the basis of the effective interest method, taking into account all the contractual agreements relating to the financial assets or liabilities. Commission for services delivered over a specific period is recognised for the period during which the service was delivered. Fees relating to the full delivery of a specific service are recognised at the time at which the service was delivered in full (e.g. commission income from securities trading). For charges relating to specific periods (e.g. custody charges, account charges), the fees are deferred on the reporting date.

An asset is recognised in the balance sheet if it is probable that there will be future economic benefits for the company and if the cost or another value can be reliably measured. A liability is recognised in the balance sheet if it is probable that fulfilment of a current obligation will result in a direct outflow of resources with economic benefits and the amount to be paid can be measured reliably.

In principle, assets and liabilities are shown at (amortised) cost (assets) and the issue amount or amount to be paid (liabilities) respectively, unless an IFRS standard requires a different measurement approach. This affects certain financial instruments, which are carried at fair value.

In the previous year, financial instruments were recognised and measured as per IAS 39 and the various classification and measurement principles set out in this standard. However, the provisions of IFRS 9 have applied to these instruments since the reporting year. In the previous year, the requirements of IAS 39 for hedge accounting were used to record derivative hedging instruments in the balance sheet.

Where estimates and assessments are necessary in recognising assets and liabilities, these are based on empirical values and other factors such as forecasts and, from today's viewpoint, the probable expectations and forecasts of future events. Estimates and assessments are subject to ongoing reviews and are performed in accordance with the relevant standard. Uncertainties relate in particular to determining expected credit losses, the fair value of financial instruments and pension obligations.

The consolidated financial statements are prepared in euros, the group's reporting currency. For technical accounting reasons, differences due to rounding of a unit (e.g. €k, %) may appear in the following figures.

2 Standards to be applied for the first time, revised and new standards

All the standards and interpretations to be compulsorily applied in the EU in financial year 2018 were taken into account in the consolidated financial statements of comdirect group.

A number of new standards and interpretations were applicable in 2018. In addition to IFRS 9, IFRS 15 and the clarification to IFRS 15 published in April 2016, these were the amendments to IAS 40, IFRS 2, IFRS 4, IFRIC 22 and the annual improvements to IFRS (2014–2016 cycle).

IFRS 9 includes requirements for the recognition, measurement and impairment of financial instruments and for the accounting of hedging relationships. It therefore replaces IAS 39. Further information about this and the effects of the first-time application of IFRS 9 on comdirect group's consolidated financial statements can be found in Note (8).

IFRS 15 introduces a principle-based five-stage model that regulates the nature, amount and timing of collection of income and replaces the standards IAS 11 and 18, as well as the interpretations IFRIC 13, 15, 18 and SIC-31. This standard additionally calls for the disclosure of a substantial amount of qualitative and quantitative information regarding contractual agreements, performance obligations and significant discretionary decisions and assessments. The clarification to IFRS 15 published in 2016 addressed three issues (identification of payment obligations, principal/agent considerations and licences) and aimed to facilitate transition for modified contracts and concluded contracts. comdirect group has been applying IFRS 15 "Revenue from Contracts with Customers" using the modified retrospective approach since 1 January 2018. This does not have a material impact on the consolidated financial statements. There are no contract assets or remaining performance obligations. A breakdown of revenue from contracts with customers by service nature can be found in Note (24).

The amendments to IAS 40 clarify transfers to or from holdings of investment property, while the amendments to IFRS 2 clarify to the classification and measurement of share-based payment transactions. The amendments to IFRS 4 address concerns regarding the different initial application dates for IFRS 9 and IFRS 17. The interpretation IFRIC 22 covers the accounting for transactions that include the receipt or payment of consideration in a foreign currency. As part of the annual improvements to IFRS (2014–2016 cycle), temporary exemptions in IFRS 1 were deleted and both IFRS 12 and IAS 28 were amended for clarification purposes. The amendments to the standards IAS 40, IFRS 2 and IFRS 4, the newly applicable interpretation IFRIC 22, and the annual improvements to IFRS (2014–2016 cycle) had no effect on the consolidated financial statements of comdirect group.

Additional standards and interpretations to be applied in future:

Standard	**Title**	**Date of application**
IAS 19 (amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019[1)]
IAS 28 (amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019[1)]
IFRS 9 (amendments)	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
	Annual Improvements to IFRS (2015 – 2017 cycle)	1 January 2019[1)]
IAS 1/IAS 8 (amendments)	Definition of Material	1 January 2020[1)]
IFRS 3 (amendments)	Definition of a Business	1 January 2020[1)]
IFRS 17	Insurance Contracts	1 January 2021[1)]
IFRS 10/IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	indefinite

1) The application dates are subject to timely endorsement of the standards by the European Commission.

No use was made of the early application option for the standards and interpretations which are compulsory for the 2019 financial year or later.

After completing its long-term project on lease accounting, the International Accounting Standards Board (IASB) issued IFRS 16 "Leases" in January 2016. This applies to financial periods beginning on or after 1 January 2019 and will replace IAS 17 and the associated interpretations IFRIC 4, SIC-15 and SIC-27.

While lessees previously classified leases as operating or finance leases and only entered finance leases in their balance sheet, IFRS 16 requires almost all leases to be reported in the balance sheet in future. To do this, the lessee recognises an asset for the right to use the leased item on one side and an obligation for future lease payments on the other side of the balance sheet. Lessees can choose whether to use IFRS 16 for the recognition of short-term leases, leases of low-value assets and certain intangible assets. Furthermore, there is an option to treat all the elements of leases comprising both lease components and non-lease components as lease components.

IFRS 16 will be applied at comdirect for the first time as of 1 January 2019 using the modified retrospective approach. The previous year's figures will not be adjusted. For leases previously classified as operating leases, the circumstances on the date of initial application will be utilised. The relevant leases were primarily identified by searching the central contract database and implementing the option of automatically analysing contracts identified as leases in the future. The corresponding contracts were classified as relating to land and buildings, IT, vehicles or other assets. Recognising assets for rights of use and liabilities for the corresponding obligations resulted in a slight balance sheet extension of €22m in each case. The majority of this relates to real estate rented by comdirect group. A weighted average incremental borrowing rate of 0.28% was used for the discounting of property as of 1 January 2019. Discounting had an insignificant effect on the other groups of assets; no discounting was performed. Use is made of the option not to recognise leases of low-value assets. We elected not to account for lease and non-lease components separately in the categories IT and other assets. Furthermore, the rental of intangible assets, such as software, is not recognised as a lease. Instead of recording other administrative expenses from leases as was previously the case, depreciation of the right-of-use asset and interest expenses from discounting the lease liability will be recognised in the income statement in future.

The other provisions to be applied in the future are not expected to have any material effects on the comdirect group's consolidated financial statements.

3 Amendments to accounting policies and estimates

Changes in the method of presentation

In the reporting period, there were several changes in the method used to present items in the financial statements compared with the previous year. Alongside changes in the method of presentation resulting from the first-time application of IFRS 9, these resulted from the forthcoming disposal of ebase GmbH, the associated reporting as per IFRS 5, and from voluntary changes in the method of presentation to improve the structure and legibility of the income statement. The adjustments are made retrospectively where required by IFRS 5 or IAS 8. In accordance with the transition regulations of IFRS 9, none of the previous year's values were restated in this regard.

Change in the method of presentation due to the application of new standards (IFRS 9)

As a result of changes in the requirements of IAS 1.82 (a) in connection with IFRS 9, the items "Interest income accounted for using the effective interest method" and "Interest income, other" were introduced to the income statement. In the previous year, the values were totalled and presented in the item "Interest income".

Based on the requirements of IAS 1.82 (aa), the item "Result from the disposal of financial assets measured at amortised cost" was introduced. There was no income from comparable sources in the previous year.

The figures calculated for 2018 as per IFRS 9 are shown under "Provisions for possible loan losses". The previous year's value was determined based on the regulations of IAS 39. In the previous year, this item was also called "Provisions for possible loan losses".

comdirect does not hold instruments for trading purposes. However, the application of IFRS 9means that individual financial assets must be measured at fair value through profit or loss, unlike in the previous year. The item "Valuation result" has therefore been introduced, which includes contributions from the fair-value measurement of financial instruments, effects of foreign currency translation and any income from hedging relationships. In the previous year, the item "Trading result and result from hedge accounting" included effects from foreign currency translation and income from hedging relationships.

In the previous year, the item "Result from financial investments" incorporated earnings contributions from the disposal of financial instruments which were reported in the balance-sheet item "Financial investments". Due to the requirements of IFRS 9, the amounts are not comparable with the current year. The new item "Result from the disposal of financial assets measured at fair value through other comprehensive income" was therefore added to the income statement.

Impairments on financial assets which were reported under "Result from financial investments" in the previous year are recognised in the item "Provisions for possible loan losses".

To summarise, a total item "Disposal and valuation result from financial assets" was added to the income statement for the disclosures mentioned for the values of the reporting period to allow identification of further contributions from financial instruments in a single amount alongside the net interest income after provisions for possible loan losses.

The item "Other comprehensive income for the period from equity instruments" was added to "Other comprehensive income for the period". It results from the first-time application of IFRS 9 and includes contributions from equity instruments which are measured at fair value through other comprehensive income.

The item "Contributions from the disposal of equity instruments in the measurement category FVOCI" was added to the statement of changes in equity as a result of the introduction of IFRS 9. Changes in retained earnings in relation to equity instruments which are measured at fair value through other comprehensive income are presented here.

The first-time application of IFRS 9 did not lead to a retrospective restatement of the previous year's values.

Changes in the method of presentation from the application of IFRS 5
Changes in the method of presentation resulting from IFRS 5 are outlined in the section "Disclosures on discontinued activities" (Note (4)).

Retrospective adjustment of fair value levels
In the financial year under review, a retrospective adjustment was made to the levels allocated to selected sub-portfolios of bonds which are measured at fair value through other comprehensive income as per IFRS 9. Until the previous year, use was made of inputs from a service provider which were classed as Level 2 as per IDW RS HFA 47 because the prices came from price-service agencies. The determination method used was standardised in the reporting year. As of 31 December 2017 and 1 January 2018, this meant an additional €365m was classified as Level 1, leading to a corresponding reduction in Level 2. This better reflects the market liquidity of the securities in question.

Voluntary changes in the method of presentation
Contrary to the previous year, the item "Other operating result" is shown before administrative expenses in order to include the new total item "Total income". This information was previously given in the management report. This did not result in any changes to the amounts reported. However, the previous year's value must be adjusted due to the requirements of IFRS 5.

This comprises the income statement items "Net interest income after provisions for possible loan losses", "Net commission income", "Disposals and valuation result from financial assets" and "Other operating result". The previous year's figure includes the items "Trading result and result from hedge accounting" and "Result from financial investments" instead of the item "Disposals and valuation result from financial assets".

The sub-items "Personnel expenses", "Other administrative expenses" and "Depreciation on office furniture and equipment and intangible assets" were added to the item "Administrative expenses" in the income statement. These disclosures were previously only made in the Notes. The previous year's figures were restated due to the requirements of IFRS 5.

Changes in estimates
In the reporting period, there was a partial reversal of provisions for credit risks due to a validation of the parameters applied in the risk models. The change in estimates amounted to €662k. The effect on future periods depends on the development of lending volumes and open lines as well as credit quality.

The use of the updated Heubeck mortality tables which were published this year resulted in a one-off measurement effect during the financial year. This stemmed from revised demographic assumptions and led to an increase in pension obligations. A negative measurement effect of €518k was recorded in other comprehensive income for the period as a consequence. Of the total amount, €119k relates to continued activities and €399k to discontinued activities.

4 Disclosures on discontinued activities (IFRS 5)
On 10 July 2018, comdirect bank AG agreed to sell its wholly-owned subsidiary ebase (European Bank for Financial Services GmbH) to the FNZ Group, a London-based financial technology provider. The reason for the sale is a sharper focus on the core business of comdirect bank.

The sale is subject to the approval of the banking supervisory authorities and antitrust authorities and fulfilment of the contractually agreed closing conditions. The purchase price is approximately €151m. After factoring in the anticipated costs and the book value of the assets and liabilities of ebase GmbH, the sale is expected to contribute over €85m to income from discontinued activities in financial year 2019. The profit contribution is made up of current earnings contributions and non-recurring income on completion of the transaction. It is expected to be generated in the first half of 2019.

Until all suspensive conditions are met, the former B2B business segment will be run and reported as a discontinued activity in accordance with IFRS 5.

IFRS 5 is applicable when non-current assets or disposal groups are classified as held for sale. This happens when their book value is primarily determined by a disposal transaction rather than by continued use and when disposal is highly probable.

The corresponding assets are then measured at book value or fair value less costs of disposal if this is lower. There are a number of exceptions to this: deferred tax assets and liabilities, assets resulting from employee benefits, financial assets and liabilities, investment property, and contractual rights from insurance contracts. To this extent, the descriptions of accounting methods in this document also apply to assets and liabilities from discontinued activities.

Non-current assets classified as held for sale are not depreciated. Furthermore, assets and liabilities in a disposal group which is classified as held for sale are recognised in the balance sheet separately from other assets and liabilities. The previous year's assets and liabilities are not reclassified retrospectively, however, as per IFRS 5.

ebase is also classed as a discontinued operation as defined in IFRS 5.32, as it is part of the company which is classified as held for sale and constitutes a separate major line of business. IFRS 5.33 requires earnings contributions from discontinued business activities to be reported separately. In accordance with IFRS 5.34, this change in the method of presentation also applies to the previous year.

All contributions to comprehensive income are no longer presented in the individual line items but instead separately as aggregated contributions from discontinued activities. The contributions from continuing activities correspond to those from B2C, the only remaining business segment. No new reportable segments were identified.

The tables section of the Notes provides details of the remaining B2C business segment along with the income and expenses from discontinued operations. The segment reporting section contains the earnings contributions made by the B2C and B2B business segments. It also reconciles the figures for the purpose of presentation as per the requirements of IFRS 5 in the comdirect group income statement. The corresponding figures from the previous year have been restated retrospectively. Tax expenses from discontinued activities amounted to €4,689k (2017: €3,821k).

Earnings per share of €0.08 (2017: €0.07) were attributable to discontinued activities. There is no difference between undiluted and diluted earnings per share.

The assets and liabilities from discontinued activities are made up as follows:

as of 31.12.2018	€k
Cash reserve	274,596
Claims on banks	59,142
Claims on customers	36,170
Financial investments	23,172
Intangible assets	15,685
Fixed assets	1,253
Income tax assets	1,001
Other assets	3,060
Total assets	**414,079**
Liabilities to banks	8,420
Liabilities to customers	510,327
Provisions	14,085
Other liabilities	5,912
Total liabilities	**538,744**

ebase GmbH holds overnight money and fixed-term deposits with comdirect bank AG totalling €171.6m. The value of the claims on banks from discontinued activities is the figure contained in the consolidated financial statements for ebase's liabilities to comdirect after consolidation. Following the deconsolidation of ebase once the transaction has been closed, the consolidated financial statements of comdirect without ebase would contain comdirect's previously consolidated liabilities to ebase GmbH.

The following cash flows were generated from discontinued activities:

€k	1 January – 31 December 2018	1 January – 31 December 2017
Cash flow from operating activities	178,225	125,854
Cash flow from investing activities	–4,887	–4,760
Total cash flow	**173,338**	**121,095**

5 Consolidated companies

As in the previous year, the scope of consolidation comprises the following companies in addition to the parent company comdirect bank AG, Quickborn, on the 2018 reporting date:

- ebase GmbH domiciled in Aschheim
- five special funds included in the consolidated financial statements as structured entities
- onvista AG domiciled in Frankfurt am Main
- onvista media GmbH domiciled in Cologne

comdirect bank AG holds 100% of the shares in each of the consolidated group units. All of the consolidated companies prepared annual financial statements as of 31 December 2018. A statement of comdirect bank AG's holdings can be found in the tables section of the Notes.

There are no further legal relationships in which comdirect bank AG has control. No investments are held in associates or joint ventures.

6 Principles of consolidation

Subsidiaries are companies controlled by comdirect bank AG whereby the power to take decisions about relevant activities lies with comdirect. There is also an entitlement to variable returns connected with the option of affecting the amount of these returns.

Like subsidiaries, structured entities are consolidated if comdirect controls these.

In the consolidation of the capital accounts, the historical cost of the holding in the subsidiary is set off against the proportion of the subsidiary's equity share as of the date of acquisition. For this purpose, all identifiable assets, liabilities and contingent liabilities of the subsidiary are reassessed as of the date of acquisition.

Intra-group claims and liabilities as well as expenses and income are eliminated as part of debt, income and expense consolidation. Interim gains or losses reported in the consolidated financial statements are eliminated.

7 Disclosures on accounting methods relating to business combinations

Business combinations are reported according to the acquisition method as soon as the group has obtained control. In the previous year, this occurred in relation to the former onvista group when the transaction was closed on 3 April 2017. Prior to this date, there had been no possibility of influencing business activity. comdirect group was only entitled to the profits generated by the onvista group from the date of closing onwards.

Transaction costs incurred in the course of the business combination were immediately recognised as expenses.

Discretionary decisions relating to the determination of the fair value of the identifiable acquired assets and assumed liabilities are required in connection with the reporting of business combinations. The valuations required for this are based on the information available at the date of acquisition, as well as on expectations and assumptions.

In the course of the previous year's transaction, previously unrecognised assets were identified and recognised in the consolidated financial statements of comdirect group. In addition to the customer base of the former onvista bank GmbH, these concerned internally generated software, the value of the onvista brand including the www.onvista.de internet domain and an advantageous contract in the form of a sales cooperation.

A capital-value oriented procedure based on expected cash flows is used for the customer base and sales cooperation. For this purpose, the forecast turnover originating from the corporate planning was calculated, taking into account expected leaving rates. This income was viewed in relation to future administrative expenses, user charges and taxes and discounted using interest rates appropriate for the term.

The fair values were estimated using the relief-from-royalty method both for software and for trademarks. For this purpose, series of payments for corresponding user charges were set up using licence costs of comparable user rights or assets and discounted using interest rates appropriate for the term. Taking interim depreciation into consideration, the production cost expended was used to determine the fair values for some of the software.

Assumptions had to be made, in particular relating to the future behaviour of customers of onvista bank GmbH, useful economic lives of intangible assets and achievable revenues.

Furthermore, financial instruments had to be measured at their fair value as of the closing date. Deviations from the values previously reported by the onvista group arose as a result in the case of promissory notes in particular. This was because the promissory notes were recognised at amortised cost as receivables in the "Loans and receivables" category.

8 Financial instruments: recognition, measurement and presentation

Basic principles and recognition

Since 1 January 2018, comdirect group has applied IFRS 9 "Financial instruments" for the accounting of financial assets and financial liabilities. IFRS 9 includes requirements for the recognition, measurement and impairment of financial instruments and for the accounting of hedging relationships. It therefore replaces IAS 39 "Financial Instruments: Recognition and Measurement".

In accordance with IFRS 9 in conjunction with IAS 32, a financial instrument is a contract by which one company holds a financial asset and another holds a financial liability or equity instrument at the same time.

A financial asset or financial liability is reported on the balance sheet if comdirect group becomes a contractual party to the financial instrument.

Financial assets and financial liabilities are measured at fair value when they are recognised for the first time.

Following their first-time recognition, financial assets are measured either at amortised cost or at fair value, depending on their classification, while changes in their value are shown in other comprehensive income or in the income statement. After initial recognition, financial liabilities are measured at amortised cost as a rule, and at fair value through profit or loss in exceptional cases only.

For additions and disposals of financial assets under the balance sheet item "Financial investments", trade date accounting is used. Additions and disposals of all other financial assets are reported as of the settlement date.

Financial assets are derecognised if rights to cash flows have expired or lapsed, or if contractual rights have been transferred, meaning that the majority of risks and rewards are transferred. The approach for continuing involvements can be considered in the case of a partial transfer of risks and rewards and retention of dispositive power. There are no continuing involvements within comdirect group.

Financial liabilities are derecognised when they are extinguished, that is, when the obligations specified in the contract are either fulfilled or cancelled or expire.

Measurement – financial assets
The classification and associated measurement of financial assets is based on the business model underlying the financial assets and on the characteristics of the contractual cash flows of the financial assets.

IFRS 9 differentiates between three business models here. While the objective of the first business model is to hold financial assets for the purpose of collecting the contractual cash flows ("Hold" business model), the financial assets in the second business model are held for the purpose of both collecting the contractual cash flows and selling them ("Hold and Sell" business model). Financial assets which cannot be assigned to either of the two aforementioned business models are assigned to the third business model ("Other" business model). In particular, financial assets which are held for trading fall under this category. This business model does not exist at comdirect group.

When assessing the characteristics of the contractual cash flows of financial assets, their SPPI compliance (solely payment of principal and interest) is to be examined. They are compliant if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost (AC)
Financial assets are measured at amortised cost if they are assigned to the "Hold" business model and their contractual cash flows are SPPI-compliant.

All financial instruments in the balance sheet items "Cash reserve", "Claims on banks" and "Claims on customers" of comdirect group are assigned to the "Hold" business model and fulfil the SPPI criterion, with the result that they are measured at amortised cost. Bond portfolios in the balance sheet item "Financial investments" which are assigned to the "Hold" business model and whose contractual cash flows are SPPI-compliant are also measured at amortised cost. Financial instruments within other assets are also allocated to this IFRS category.

Fair value trough other comprehensive income (FVOCI) with recycling
Financial assets which are assigned to the "Hold and Sell" business model and whose contractual cash flows are SPPI-compliant are measured at fair value, while all changes in fair value are recognised in other comprehensive income for the period until the financial asset is derecognised. If the financial asset is derecognised, the cumulative gain or loss shown previously in other comprehensive income for the period is recycled from revaluation reserves to profit or loss.

At comdirect group, bond portfolios in the balance sheet item "Financial investments" which are assigned to the "Hold and Sell" business model and whose contractual cash flows are SPPI-compliant are measured at fair value through other comprehensive income.

Fair value through profit or loss (mFVPL)
Both derivative financial assets and financial assets which are assigned neither to the "Hold" business model nor to the "Hold and Sell" business model and are therefore assigned to the "Other" business model, or whose contractual cash flows are not SPPI-compliant, are measured at fair value, and all changes are shown in the income statement. In addition, financial assets can be designated irrevocably as measured at fair value through profit or loss when they are recognised for the first time if this removes or significantly reduces incongruences in measurement or recognition (fair value option).

Although investment fund units held by comdirect group in the balance sheet item "Financial investments" are assigned to the "Hold and Sell" business model, they are measured at fair value through profit or loss because their contractual cash flows are not SPPI-compliant. In addition, VISA preferred stocks, which were acquired in 2016 as part of the disposal of member interests, are measured at fair value through profit or loss since they are not classified as equity instruments according to the criteria of IAS 32 and do not meet the SPPI criterion. Furthermore, derivative assets – which are stand-alone derivatives in the banking book for economic hedging – are measured at fair value through profit or loss and reported in the balance sheet item "Positive fair values from derivative financial instruments". There are no financial instruments for which the fair value option is used.

Fair value through other comprehensive income (FVOCI) without recycling
Changes in the fair value of equity instruments which are not held for trading can be recognised in other comprehensive income without a subsequent reclassification from equity to profit or loss.

comdirect group makes use of this option and measures all equity instruments in the balance sheet item "Financial investments" at fair value through other comprehensive income as of the reporting date. This balance sheet option is the best way to show the long-term investment intention with the primary objective of collecting dividends. In contrast to the previous year when IAS 39 was applied, equity instruments in this category are not later recycled to the income statement. Gains realised here are reclassified to retained earnings.

Measurement – financial liabilities
Financial liabilities are measured at amortised cost as a rule. The exceptions to this are financial liabilities held for trading purposes and those for which the fair value option has been utilised. Financial liabilities held for trading purposes include derivative liabilities which are not reported in the balance sheet as hedging instruments. The measurement effect from the financial liabilities designated as at fair value – which results from the entity's own credit-standing risk – is recognised directly in equity under retained earnings. Other changes in the fair value are recognised in profit or loss in the income statement.

comdirect group measures its financial liabilities using the effective interest method at amortised cost. These include the two balance sheet items "Liabilities to banks" and "Liabilities to customers" along with financial instruments reported under other liabilities. Derivative liabilities which are not recognised in the balance sheet as hedging instruments are measured at fair value through profit or loss and shown under the balance sheet item "Negative fair values from derivative financial instruments". Measurement at fair value through profit or loss as a result of utilisation of the fair value option does not occur.

Financial instruments: recognition, measurement and presentation as per IAS 39

The following disclosures result from the use of IAS 39 for the accounting and measurement of financial instruments in the previous year.

Fundamentals

Pursuant to IAS 39, all financial assets and liabilities, including derivative financial instruments, must be recognised in the balance sheet. A financial instrument is a contract by which one company holds a financial asset and another holds a financial liability or an equity instrument at the same time. Financial instruments are to be measured at their fair value upon initial recognition.

In subsequent measurement, financial instruments are recognised in the balance sheet at either (amortised) cost or fair value, depending on the category.

A financial asset or financial liability is always reported on the balance sheet if comdirect group becomes a contractual party under the contractual provisions of the financial instrument.

Additions and disposals of financial assets in the "Loans and receivables" categories are reported as of the settlement date (settlement date accounting). For all other IAS 39 categories, additions and disposals are reported as of the trading date (trade date accounting).

Financial assets are derecognised if rights to cash flows have expired or lapsed, or if contractual rights have been transferred, meaning that the majority of risks and rewards are transferred. The approach for continuing involvements can be considered in the case of a partial transfer of risks and rewards and retention of dispositive power. There are no continuing involvements within comdirect group.

Loans and receivables

Financial assets in the "Loans and receivables" category are reported in the balance sheet at amortised cost. Premiums and discounts are recognised in the income statement in net interest income on the basis of the effective interest method. Negative interest incurred in the financial year due to financial assets is recognised as interest expenses.

All claims on banks and customers originated by comdirect group companies are included in the "Loans and receivables" category. Loans and receivables also include the financial instruments reported in the balance sheet item "Cash reserve". The holdings are mainly balances held with central banks.

Assets available for sale

Bonds, other fixed-income securities, equities and other variable-yield securities (investment fund units) are assigned to the "Available for sale" category. They are reported under the "Financial investments" item in the balance sheet.

Financial instruments in the "Available for sale" category are recognised and measured at fair value. The valuation results are recognised in equity in the revaluation reserves, taking deferred taxes into account. Premiums and discounts on debt instruments are recognised in the income statement in net interest income throughout the instrument's term using the effective interest method. Interest income, dividends and current profits and losses from equity holdings classified in this category are also reported under net interest income. If financial assets are sold, the cumulative valuation result previously recognised in equity in the revaluation reserves is reversed and recognised in the income statement.

Where there is an effective hedging relationship between securities and a derivative financial instrument, the proportion of the change in the fair value attributable to the hedged risk is reported in the income statement under "Result from hedge accounting".

Other financial liabilities

All financial liabilities in the consolidated financial statements of comdirect group are posted in the "Other financial liabilities" category. Liabilities to banks and customers belong to this category. The measurement is performed at amortised cost. Premiums and discounts are recognised in the income statement in net interest income throughout the term of the instrument using the effective interest method.

Financial assets or financial liabilities measured at fair value through profit or loss

At comdirect group, only derivative financial instruments not used as hedging instruments in hedge accounting are allocated to this category. The instruments are measured at fair value. Valuation results and disposal gains and losses are recorded in the income statement under the trading result. Interest income and expenses from trading are reported under net interest income. They are reported in the balance sheet in either trading assets or trading liabilities depending on the fair value as of the reporting date. Existing offsetting agreements are reported in the income statement and balance sheet on a net settlement basis.

Hedging relationships

The rules on hedge accounting under IAS 39 apply to derivatives demonstrably used to hedge risks arising from non-trading transactions. Fair value hedge accounting is exclusively used within comdirect group.

The application of the hedge accounting rules is contingent on the comprehensive documentation of the hedging relationship and evidence of the effectiveness of the hedge. Its prospective effectiveness is evidenced using a critical term match. Its effectiveness is evidenced retrospectively using the dollar-offset method, where the ratio of changes in value of hedged items and hedging instruments must always lie in a range of between 0.8 and 1.25.

At comdirect, individual assets or groups of assets may be considered hedged items. Portfolio hedge accounting is not conducted.

comdirect uses interest rate swaps and foreign currency forwards as hedging instruments. In the case of interest rate swaps, a hedging relationship within comdirect group is designated for a hedging instrument in its entirety. If foreign currency forwards are used to hedge against value fluctuations arising from foreign currency translation prices, the derivative's interest and spot components are separated.

The fair values of the derivatives determined are reported in the balance sheet as "positive fair values from derivative hedging instruments" or "negative fair values from derivative hedging instruments". The changes in fair value of the hedges and hedged items resulting from the hedged risk are recognised in the income statement under "Trading result and result from hedge accounting".

In an effective hedge, the changes in value of a hedged item and the hedge recorded in the income statement will largely offset one another. Value changes that do not result from hedged risks are recorded pursuant to the rules of the relevant category of financial instruments. There were no designated hedging relationships in the current financial year.

Effects of the first-time application of IFRS 9 on comdirect group's consolidated financial statements

The following tables show the reconciliation of the book values of assets, liabilities and equity between IAS 39 as of 31 December 2017 and IFRS 9 as of 1 January 2018. Changes in measurement and in the method of presentation resulting from IFRS 9 affect the reporting period. In accordance with the transition regulations of IFRS 9, no previous year values were restated.

Reconciliation of financial assets

Assets

€k	Presentation IAS 39	Book value IAS 39 31.12.2017	Presentation IFRS 9	Reclassification	Revaluation	Book value IFRS 9 1.1.2018
Cash reserve	LAR	2,362,901	AC	2,362,901	0	2,362,901
Claims on banks	LAR	17,306,695	AC	17,306,695	–139	17,306,556
Claims on customers	LAR	495,214	AC	495,214	–242	494,972
Financial investments		2,770,145		2,770,145	–17,816	2,752,329
	AFS		mFVPL[1]	27,594	0	27,594
	AFS		FVOCI with recycling	737,132	0	737,132
	AFS		AC	1,974,945	–17,816	1,957,129
	AFS		FVOCI without recycling	30,474	0	30,474
Intangible assets		50,098		50,098	-	50,098
Fixed assets		18,596		18,596	-	18,596
Current income tax assets		4,352		4,352	-	4,352
Deferred income tax assets		0		0	5,200	5,200
Other assets		24,533		24,533	0	24,533
of which financial instruments	LAR	20,482	AC	20,482	0	20,482
Total		**23,032,534**		**23,032,534**	**–12,997**	**23,019,537**

1) VISA preferred stocks previously reported under equity instruments are now classified as debt instruments under IFRS 9 and allocated to the mFVPL measurement category. The adjustment is necessary, since under IFRS 9 the assessment of equity and capital takes place on the basis of the issuer.

Reconciliation of financial liabilities and equity

Liabilities and equity

€k	Presentation IAS 39	Book value IAS 39 31.12.2017	Presentation IFRS 9	Reclassification	Revaluation	Book value IFRS 9 1.1.2018
Liabilities to banks	OLI	9,288	AC	9,288	0	9,288
Liabilities to customers	OLI	22,274,039	AC	22,274,039	0	22,274,039
Provisions		33,501		33,501	110	33,611
Current income tax liabilities		234		234	-	234
Deferred tax liabilities		74		74	–74	0
Other liabilities		76,514		76,514	0	76,514
of which financial instruments	OLI	48,557	AC	48,557	0	48,557
Equity		**638,884**		**638,884**	**–13,033**	**625,851**
Subscribed capital		141,221		141,221	-	141,221
Capital reserve		223,296		223,296	-	223,296
Retained earnings[1]		182,078		182,078	2,807	184,885
Revaluation reserves[1]		20,745		20,745	–15,840	4,905
Consolidated net profit 2017		71,544		71,544	-	71,544
Total		**23,032,534**		**23,032,534**	**–12,997**	**23,019,537**

1) VISA preferred stocks previously reported under equity instruments are now classified as debt instruments under IFRS 9 and allocated to the mFVPL measurement category. The adjustment is necessary, since under IFRS 9 the assessment of equity and capital takes place on the basis of the issuer.

Under IAS 39, all of comdirect group's bonds were assigned to the measurement category "Available for sale". They were measured at fair value through other comprehensive income. Under IFRS 9, selected bond portfolios have been assigned to the "Hold" business model with the result that they have been measured at amortised cost since 1 January 2018. This results in a reduction in the book value in the amount of €17.7m.

This corresponds to a decrease in the revaluation reserves, which is lower as a result of taking deferred taxes into consideration. Due to the netting out of deferred taxes on the assets and liabilities side, income tax assets rose by €5.2m.

Reconciliation of equity according to cause

€k	Presentation IAS 39	Presentation IFRS 9	Retained earnings	Revaluation reserves
As of 31 December 2017 (IAS 39)			**182,078**	**20,745**
Financial investments	AFS	mFVPL[1]	3,623	–3,623
	AFS	FVOCI with recycling	–509	509
	AFS	AC	–102	–17,714
Claims on banks	LAR	AC	–139	0
Claims on customers	LAR	AC	–242	0
Loan provisions			–110	0
Deferred tax effects			286	4,988
As of 1 January 2018 (IFRS 9)			**184,885**	**4,905**

1) VISA preferred stocks previously reported under equity instruments are now classified as debt instruments under IFRS 9 and allocated to the mFVPL measurement category. The adjustment is necessary, since under IFRS 9 the assessment of equity and capital takes place on the basis of the issuer.

In addition to the effects outlined above from the measurement of bonds at amortised cost, there are further effects on equity as a result of the conversion of provisions for possible loan losses under IFRS 9 to an expected credit loss model. In addition, the scope is extended to include instruments which are measured at fair value through other comprehensive income (FVOCI) with recycling. These instruments were not in the scope of IAS 39.

Within financial investments, a number of debt instruments are now measured at fair value through profit or loss under IFRS 9. Under IAS 39, these were measured at fair value through other comprehensive income. This led to a €3.6m reduction in revaluation reserves and an increase in retained earnings of the same amount.

The first-time application of IFRS 9 led to a reduction in the equity ratio of one percentage point, based on the figure as of 31 December 2017 (40.87%). It should be noted that we elected to use the "waiver regulation" under Section 2a of the German Banking Act (KWG) in connection with Article 7 of the Capital Requirements Regulation (CRR). For further details, please refer to Note (49).

Reconciliation of provisions for possible loan losses

€k	Presentation IAS 39	Presentation IFRS 9	Provisions for possible loan losses and security impairments IAS 39 31 December 2017	Revaluation	Provisions for possible loan losses IFRS 9
Financial investments	AFS	FVOCI with recycling	0	508	508
	AFS	AC	0	102	102
Claims on banks	LAR	AC	0	139	139
Claims on customers	LAR	AC	1,927	242	2,169
Provisions for possible loan losses for off-balance-sheet risks in the lending business			1,865	110	1,975
Total			**3,792**	**1,101**	**4,893**

€k	Presentation IAS 39	Presentation IFRS 9	Provisions for possible loan losses IFRS 9	of which stage 1	of which stage 2	of which stage 3
Financial investments	AFS	FVOCI with recycling	508	246	262	0
	AFS	AC	102	72	30	0
Claims on banks	LAR	AC	139	139	0	0
Claims on customers	LAR	AC	2,169	1,037	476	656
Provisions for possible loan losses for off-balance-sheet risks in the lending business			1,975	1,564	373	38
Total			**4,893**	**3,058**	**1,141**	**694**

The increase in provisions for possible loan losses essentially results from the extension of the scope of application to include debt instruments which are measured at fair value through other comprehensive income – which resulted in amounts totalling €0.6m being posted under financial investments as of 1 January 2018 – as well as from the conversion to an expected credit loss model under IFRS 9 and the associated application of lifetime expected credit losses in stages 2 and 3.

Financial instruments which have been reclassified as measured at amortised cost
Financial instruments with a fair value of €1,974.9m were reclassified as a result of the first-time application of IFRS 9 and are now measured at amortised cost. Under IAS 39, the instruments were recognised at fair value through other comprehensive income. On the reporting date, the fair value of the financial instruments remaining in the portfolio stood at €1,232.9m. Without reclassification, these instruments would have contributed an amount of €– 8,667k after taxes to other comprehensive income for the period.

Fair value and fair value hierarchy
The fair value is measured using the price quoted for the financial instrument in an active market (level 1 valuation hierarchy). For debt instruments, these inputs are primarily transaction prices and quotations on the interbank market. For equity instruments, the fair value is measured using market prices, and for fund units, the fund's net asset value is used.

If no quoted prices for identical or similar financial instruments are available, valuation models that use market data as parameters to the greatest extent possible are utilised to determine the fair value (level 2 valuation hierarchy). comdirect group primarily uses the discounted cash flow method. Discounting is performed at interest rates and credit spreads observable on the market. The three-month swap curve is predominantly used to determine interest rates. The instrument or issuer-specific credit spreads are determined using, for example, the Pfandbrief curve or highly liquid bonds of an issuer.

If there is not enough current verifiable market data available for valuation using valuation models, unobservable inputs are also to be applied (level 3 valuation hierarchy). These initial inputs are based on the perspective of the seller of an asset or a liability and take into account the assumptions that market participants would use for pricing. The risks inherent to the valuation method that is used and the incorporated input factors are to be included here.

Transfers between the levels of the hierarchy are reported as of the last day of the relevant quarter.

More information on the fair values of financial instruments and their allocation to the valuation hierarchy can be found in Notes (52) and (53).

Classes of financial instruments for disclosures
At comdirect group, financial instruments can mainly be classified by product type and counterparty. The claims on customers and liabilities to customers represent the bank's retail business with private customers. The claims on banks represent treasury investments in the form of money market transactions and promissory notes. All of the above-mentioned financial instruments are carried at amortised cost under IFRS 9. The balance sheet item "Financial investments" primarily includes treasury investments in the form of bonds and covered bonds. Depending on the business model, they are measured at amortised cost or recognised directly in equity at fair value. Furthermore, there are a limited number of equity instruments measured at fair value in equity and debt instruments that are shown at fair value in the income statement. Derivative financial instruments measured at fair value through profit or loss must be considered separately. The information provided about financial instruments in the Notes is based on this structure.

9 Provisions for possible loan losses

The provisions of IFRS 9 for the accounting of expected credit risks (provisions for possible loan losses) are based on an expected credit loss model. This stipulates that a provision in the amount of the anticipated loss must be formed for all loans, off-balance-sheet business and financial guarantees which are not reported at fair value in the income statement.

Debt instruments that are not shown in the income statement at fair value and off-balance sheet loan commitments are allocated to one of three stages, which serve as the basis for calculating the expected credit losses. While debt instruments with no default criteria are assigned to stage 1 and stage 2, stage 3 comprises debt instruments that have been identified as in default. Financial assets which are already credit-impaired upon receipt (purchased or originated credit-impaired financial assets, POCI) are not assigned to any of the three stages and are treated and reported separately. comdirect group does not have any financial instruments classifiable as POCI. There are also no financial guarantees within comdirect group.

At comdirect group, each and every financial instrument is assigned to stage 1 upon receipt as a rule. Furthermore, this stage includes all financial instruments which have a low credit loss risk, that is, which have an investment grade internal credit rating. For debt instruments in stage 1, provisions for possible loan losses equal to the 12-month expected credit loss are recognised.

Financial instruments whose credit loss risk has significantly worsened and which do not have a low credit loss risk are assigned to stage 2. The provisions for possible loan losses for these financial instruments are recognised at an amount equal to the lifetime expected credit loss.

As a rule, all financial instruments in default are assigned to stage 3 and the amount of their provisions for possible loan losses is calculated using the lifetime expected credit loss, as in stage 2. In stage 3, this is done using statistical inputs for non-significant exposures with volumes of up to €5m. For significant exposures with volumes exceeding €5m, the anticipated cash flows are used, taking into consideration several possible scenarios and their probability of occurrence. No significant defaulted exposures were recorded in the reporting period.

In accordance with Article 178 of the Capital Requirements Regulation (CRR), a debtor is considered to have defaulted if it is highly probable they will be unable to meet their payment obligations and/or if a significant proportion of their total liability to the bank is overdue. At comdirect, key indicators of default are an overdraft exceeding 90 days and debt recovery action by the bank. The same criteria are applied for regulatory observations as for accounting and measurement as per IFRS 9.

Key parameters for the calculation of expected credit losses in stages 1 and 2 and for non-significant exposures in stage 3 are:

- the customer-specific probability of default (PD);
- the loss given default (LGD);
- the exposure at default (EAD).

The PD is the sole indicator when assessing a significant worsening in the credit risk for categorisation to stage 2. To check whether the default risk has increased significantly on the reporting date vis-à-vis the date when the respective financial instrument was acquired, a comparison is made on the reporting date between the observed lifetime probability of default (lifetime PD) and the anticipated lifetime PD over the same period on the acquisition date. In compliance with the IFRS requirements, a comparison is made in certain sub-portfolios between the original and current PD based on the probability of default over a period of twelve months after the reporting date (12-month PD).

Automated default action processes are usually initiated when overdrafts exceed 30 days, unless there is good reason to override this following an assessment of the specific circumstances. Triggers such as these are taken into account in the ratings and therefore lead to an asset being classified as stage 2 if the PD has increased significantly.

To determine whether a PD increase since the acquisition date should be deemed "significant", threshold values are set using a statistical method and differentiated by rating model. These represent a critical degree of deviation from the mean PD development. To ensure assets are allocated to stages using sound economic principles, transaction-specific factors are considered, such as the PD on acquisition, the term to date and the remaining term of the transaction.

Financial instruments are transferred back from stage 2 to stage 1 if the default risk on the reporting date is no longer significantly higher than on the acquisition date.

The parameters take a point-in-time approach and therefore also incorporate factors arising from the current economic climate and forward-looking information in the form of macroeconomic forecasts. In particular, macroeconomic forecasts by the bank are regularly checked with regard to their impact on the level of the ECL and included in the ECL calculation. This is done by utilising a baseline scenario which draws on the respective consensus (forecasts by various banks concerning key macroeconomic factors, such as GDP growth and unemployment rates) and supplemented by additional model-relevant macroeconomic parameters. The macroeconomic baseline scenario is translated into effects on the risk parameters based on statistically derived models. If applicable, these are supplemented by expert-based assumptions which are made by a panel as defined in a policy. Potential effects arising from non-linear relationships between different macroeconomic scenarios and the ECL are corrected with the aid of an adjustment factor which is determined separately.

If such effects cannot be mapped by modelling the IFRS 9 set of ECL parameters, a top-level adjustment can be performed. The necessary processes in conjunction with our service provider, Commerzbank AG, are documented in the form of a policy.

The lifetime expected loss should be calculated over the contractual life of an instrument. When considering the overdraft facilities extended in the context of loans due on demand – especially current accounts, credit cards and loans against securities – the lifetime expected loss is determined on the basis of the historical losses realised.

Due to the demands of retail lending, the liquidation processes are streamlined and efficient. Once the default action process has been completed, the exposure is terminated if the client continues to default. Following this, the majority of the receivables are realised promptly within a few weeks by means of a sale of receivables based on contractually agreed recovery rates. The provisions for possible loan losses are subsequently adjusted for the last time on the basis of the anticipated sales proceeds. There is therefore usually no material effect on the income statement upon final derecognition.

In the treasury portfolio, individual impairment requirements are identified after taking all the available information into account. No impairment was necessary on the treasury portfolio in the reporting period.

In the case of debt instruments belonging to the "Amortised cost" category, the provisions for possible loan losses directly reduce the book value. Debt instruments which are measured at fair value through other comprehensive income are adjusted in the revaluation reserves. Provisions are made for expected credit losses resulting from loan commitments. They are reported in the item "Provisions for possible loan losses" in the income statement.

Impairment of financial assets as per IAS 39

The following disclosures result from the use of IAS 39 for the accounting and measurement of financial instruments in the previous year.

Debt instruments are subject to an impairment test using quantitative or qualitative trigger events. Qualitative indications of impairment can include, for example, arrears or default on interest and capital payments on the part of a counterparty. Significant price drops and rating changes are considered to be quantitative trigger events. Should these trigger events apply, impairments are carried out if payment defaults are to be expected. Equity instruments are also subject to an impairment test using quantitative or qualitative trigger events. An impairment is carried out for these instruments if there is a qualitative trigger event, such as considerable financial difficulties on the part of the issuer, or if a quantitative event applies. Quantitative trigger events exist if the fair value falls significantly (>20%) or lastingly (at least nine months) below the historical cost.

With regard to debt instruments, reversals of impairment losses are recognised in equity in the revaluation reserves in subsequent periods if the trigger event still applies. Where the trigger event no longer applies, reversals of impairment losses are recognised in the income statement. For equity instruments, reversals of impairment losses are consistently recognised in equity in the revaluation reserves.

10 Currency translation

Monetary assets and liabilities carried in the balance sheet which are denominated in a foreign currency are translated at the mean spot rate on the balance sheet date (closing rate).

Income and expenses are translated at exchange rates as of the time of transaction.

As open currency positions only exist to a limited extent, currency translation only makes a minor contribution to earnings. These are reported under the item "Valuation result".

Translation gains and losses on non-monetary assets in the form of equity instruments held at fair value through other comprehensive income are recognised directly in other comprehensive income for the period.

11 Intangible assets

Internally generated software, purchased software, a customer base and trademarks are included under "Intangible assets".

Internally generated software is recognised if all requirements of IAS 38 are met. These assets are recognised at cost. Other intangible assets are recognised at historical cost. Research costs are not recognised.

In principle, internally generated software and individual software is amortised against earnings using the straight-line method over a period of five years; standard software over three years. Acquired customer relationships are amortised using the straight-line method over a period of ten years.

Both the useful life and the depreciation method are reviewed for their appropriateness each year at the end of the reporting period. In addition, they are checked annually for impairment triggers within the meaning of IAS 36 which would necessitate impairments that are recognised in the income statement. Intangible assets with an indefinite useful life are also tested annually for impairment, regardless of whether there are any indications that they are impaired.

An impairment is recognised if the recoverable amount of the asset is lower than the book value as of the reporting date. The recoverable amount is calculated as the higher amount of the value in use and fair value less costs of disposal.

12 Property, plant and equipment

The item "Property, plant and equipment" shows office furniture and equipment.

All property, plant and equipment is capitalised at historical cost. Office furniture and equipment are depreciated using the straight-line method to reflect their probable useful economic lives.

In determining the useful economic life, their likely physical wear and tear, their technical obsolescence as well as legal and contractual restrictions are taken into account.

All property, plant and equipment is depreciated over a period of 3 to 20 years.

In the income statement, depreciation is reported under "Administrative expenses" and gains and losses arising from the sale of property, plant and equipment are reported under "Other operating result".

Both the useful life and the depreciation method are reviewed for their appropriateness each year at the end of the reporting period. In addition, they are checked annually for impairment triggers within the meaning of IAS 36 which would necessitate impairments that are recognised in the income statement.

13 Leases

Accounting for leases makes a distinction between operating leases and finance leases. A lease is classified as a finance lease if it substantially transfers all of the risks and rewards pertaining to ownership to the lessee. The leased items are then recognised by the lessee. In contrast, where the risks and rewards pertaining to ownership are not substantially transferred to the lessee, the lease constitutes an operating lease. In such cases, the leased items are recognised by the lessor.

Leases are identified by regularly reviewing a database listing concluded contracts, accounting for the criteria of IFRIC 4. The companies in the comdirect group are mainly lessees in operating leases (bank buildings, office furniture and equipment). Resulting expenses are always recorded over the term of the lease and reported under administrative expenses.

In future, almost all leases will be accounted for in accordance with IFRS 16. Further information is available in Note (2).

14 Liabilities

In addition to financial liabilities, liabilities comprise all items on the liabilities side of the balance sheet with the exception of equity. Liabilities to customers comprise the largest share of financial liabilities by far. With the exception of those resulting from derivatives, liabilities are accounted for at amortised cost.

The balance sheet item "Negative market values from derivative financial instruments" shows derivative financial instruments that are not accounted for as hedging instruments and are held at fair value through profit or loss. All expenses and income are recognised in the valuation results.

15 Provisions

Basic principles

A provision must be recognised if on the balance sheet date, as the result of a past event, a present legal or constructive obligation has arisen, an outflow of resources to meet this obligation is probable and it is possible to make a reliable estimate of the amount of this obligation. Provisions are made accordingly for liabilities of uncertain amounts to third parties and anticipated losses arising from onerous contracts in the amount of the claims expected.

The provision represents the best possible estimate of the expense required to meet the current obligation as of the reporting date. The estimate takes account of risks and uncertainties, but this may mean that a provision is not utilised in the amount shown in subsequent periods. Provisions are recognised at their net present value if the interest rate effect is material.

The different types of provisions are allocated via various items in the income statement. Provisions for risks from the lending business are charged to the provision for possible loan losses. Other provisions are charged to administrative expenses.

Income from the reversal of provisions is recognised under "Other operating result". This excludes provisions for credit risk (loan loss provisions) and provisions for variable compensation (personnel expenses).

Provisions for pensions and similar obligations

The company pension for the employees of comdirect group is based on various pension schemes.

In one scheme, individual employees acquire a vested right to benefits on the basis of an indirect benefit obligation for which a defined benefit premium is paid to Versicherungsverein des Bankgewerbes a.G. (BVV), Berlin. The level of the pension benefit is determined by the premiums paid and the resultant accumulated investment income (defined contribution plan).

The accounting regulations pursuant to IAS 19 for a defined contribution plan are applied to this indirect pension plan, i.e. the regular premium payments to BVV are recorded as an expense in the financial year and no provision is therefore formed.

In another scheme, selected employees acquire vested rights to benefits on the basis of a direct benefit obligation, whereby the level of benefit is fixed and depends on factors such as age, compensation and length of service (defined benefit plan).

For employees eligible for pension benefits who joined comdirect group on or before 31 December 2004, their direct pension claims are primarily based on the rules found in the Commerzbank modular plan for pension benefits, known as CBA. The amount of the benefits under the CBA is determined from an initial module for the period up to 31 December 2004 and a benefit module – possibly augmented by a dynamic module – for each contributory year from 2005 onwards.

Staff eligible for pension benefits who joined the group after 1 January 2005 have been given a commitment under the Commerzbank capital plan for company pension benefits, known as CKA. The CKA guarantees a minimum benefit on the modular basis, but also offers additional opportunities for higher pension benefits by investing assets in investment funds. There are also a few other individual agreements on commitments with former comdirect group employees entitled to pensions.

Pensions are paid by ebase in accordance with the ADIG pension rules to employees who joined before 31 December 2000. They depend largely on the length of service and final salary.

The obligations similar to those for a pension include deferred compensation. This refers to an offer to the employees whereby they give up a portion of their gross salary for a pension commitment by the employer to the same value. There are also a few individual agreements on partial retirement.

No particular risks have been identified beyond the usual pension plan risks such as biometric risks, risks associated with salary development and inflation risks.

The accounting regulations pursuant to IAS 19 for defined benefit plans are applied to the pension schemes described and provisions are formed accordingly.

For defined benefit plans, the pension obligations and similar commitments are calculated annually by an independent actuary in accordance with the projected unit credit method. In addition to biometric assumptions and the current actuarial interest rate, this calculation is based on the expected future rates of increase for salaries and pensions. Changes in these assumptions from year to year and deviations from the actual annual effects are reported in actuarial gains and losses (see Note (44) regarding the effects of changes in parameters).

The trustee required for a bilateral trust was established by Commerzbank AG in the form of the Commerzbank Pension-Trust e.V. It is used by the companies in the comdirect group to insure selected retirement benefit obligations by means of a contractual trust agreement.

Claims arising from deferred compensation agreements have also been covered with the help of pension plan reinsurance, funded by the employer from the contributions made by the employees.

The assets transferred to the trustee to cover pension claims are qualified as plan assets. The plan assets portfolio is widely diversified and mainly comprises fixed-income securities and equities as well as alternative investment instruments. The investment strategy aims to reduce interest rate risk by matching the future cash flows from pension obligations.

Contributions must be made to plan assets if the obligations to be covered exceed available funds. Any profit generated is maintained in the plan assets. Claims on repayment from plan assets arise if a fixed level of cover of the corresponding obligation has been reached.

Net liabilities from the present value of defined-benefit obligations less the fair value of the plan assets are to be recognised in the balance sheet. The expenses relating to the defined benefit pension obligations to be recognised in the income statement comprise the service cost and the net interest cost arising from commitments and plan assets. Further information on the pension commitments is provided in Note (44) and Note (67). Contributions to ebase are shown in the balance sheet under "Liabilities from discontinued activities" and in the income statement under "Income from discontinued activities".

If the parameters taken into account in the calculation of the pension obligations and plan assets deviate from the original expectations, this generates actuarial gains or losses. These, as well as the income from plan assets (with the exception of the amounts included in net interest expenses/income), are recognised directly in equity in retained earnings and reported in the statement of comprehensive income. The discount rate for the pension commitments is determined using a model derived from matching eurozone swap rates, which are adjusted by a spread premium for high-quality corporate bonds. The same interest rate is used to determine the net interest expenses from the net liabilities (difference between present value of the obligation and the fair value of the plan assets). Contributions to ebase are shown separately in "Other comprehensive income for the period from discontinued activities".

16 Income taxes

Current income tax assets and liabilities are calculated in accordance with tax provisions by applying the current valid tax rates at which a refund from or a payment to the relevant tax authorities is expected. Deferred tax assets and liabilities are formed for differences arising between the IFRS book values of assets or liabilities and their tax value, provided they are expected to reduce or increase future tax payments (temporary differences) and no prohibition on recognition is in place. The valuation of deferred taxes is based on income tax rates already enacted as of 31 December 2018 and applicable in the event of realisation of the temporary differences.

Deferred tax assets from tax-reducing temporary differences are shown in the balance sheet only to the extent that it is probable that the same taxable entity will generate taxable results in the foreseeable future with respect to the same fiscal authority. Income tax assets and liabilities are recognised and carried such that – depending on the treatment of the underlying item – they are recognised either under "Taxes on income" in the income statement or directly in equity – broken down into the items that will be recycled to the income statement at a later date and those that will not be recycled – under other comprehensive income.

Current and deferred income tax assets and liabilities are netted against one another where they exist towards the same tax authority and the right to net them can actually be enforced vis-à-vis the tax authority.

17 Appropriation of profits

The basis for the appropriation of profits is the national legislation, especially the German Commercial Code (HGB) and the Stock Corporation Act (AktG).

For the 2018 financial year, comdirect bank AG reported a distributable profit in accordance with the German Commercial Code (HGB) of €44,529,362.86.

The Board of Managing Directors and the Supervisory Board of comdirect bank AG will propose to the annual general meeting a dividend payment of €0.25 per no-par-value bearer share. This is equivalent to a dividend volume of €35,305,203.75. The Board of Managing Directors and Supervisory Board will also propose to the annual general meeting to transfer the remaining distributable profit of €9,224,159.11 to other retained earnings.

18 Earnings per share

Basic earnings per share are calculated in accordance with IAS 33 and are based on the net profit for the year, which is attributable in full to the shareholders of comdirect bank AG. The figure calculated is shown below the income statement. As in the previous year, diluted earnings correspond to basic earnings.

19 Conditional and authorised capital

The Board of Managing Directors of comdirect bank AG is authorised, with the consent of the Supervisory Board, to increase the share capital of the company by a maximum amount of €70.0m by issuing new shares against cash or non-cash contributions on one or more occasions until 14 May 2019 (2014 authorised capital). The shareholders are in principle to be granted a subscription right. The statutory subscription right can also be granted through the new shares being underwritten by a bank or a bank consortium with the obligation of offering them for subscription to the shareholders of comdirect bank AG. The Board of Managing Directors may exclude shareholder subscription rights in some cases with Supervisory Board approval.

By resolution of the annual general meeting of 4 May 2018, conditional capital totals €14.0m. The conditional capital increase will only be carried out to the extent that holders and/or creditors of convertible bonds, convertible profit-sharing certificates, convertible hybrid bonds or warrants from bonds with warrants or profit-sharing certificates with warrants exercise their option or conversion rights or fulfil their conversion obligations. The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to issue bearer bonds with convertible bonds or bonds with warrants or profit-sharing certificates or hybrid bonds as mentioned above on one or more occasions, up to a maximum amount of €250.0m with or without a fixed maturity. This authorisation is valid until 3 May 2023.

The instruments mentioned above may dilute future earnings per share if they are exercised. They do not have to be included in the current calculation, however.

20 Share-based compensation

In addition to the members of the Board of Managing Directors, whose compensation is described in detail in the compensation report, which forms part of the management report, a number of other "risk takers" receive performance-related variable compensation. Risk takers are employees whose work has a significant influence on comdirect's overall risk position.

If their allowance for actual variable compensation of currently €50,000 is exceeded, risk takers are paid variable compensation in the form of a short-term incentive (STI) in the following year and a long-term incentive (LTI) after a retention period of at least three years and an additional lock-up period. The payment is made partly in cash and partly in shares of Commerzbank AG.

Accounting for share-based compensation components takes place in accordance with IFRS 2. comdirect bank AG is responsible for paying the compensation and can choose to fulfil this obligation either in shares in Commerzbank AG or in cash. From 1 January 2019 onwards, such obligations are settled by means of shares in comdirect bank AG rather than Commerzbank AG. As the current assumption is that the obligation will be met in cash, the share-based components of the LTI and STI are treated as compensation components with cash settlement. The LTI and STI components for which cash payments unrelated to the share price are planned are recognised in the balance sheet in accordance with IAS 19.

At the end of the financial year, the nominal volume of all of the components indicated above is calculated on the basis of the attainment of company targets. The individual variable compensation of risk takers is determined on the basis of a performance evaluation in the financial year following the reporting year.

The euro amount for both share-based components is specified when setting the individual variable compensation. The number of shares to be granted is determined by dividing the euro amount specified in this regard by a reference price. This reference price is calculated as the average price of Commerzbank shares on all trading days in a reference period, which comprises the month of December in the reporting year and the months of January and February in the following year.

A provision is recognised for the full amount of the compensation volume calculated for the share-based STI component. After the number of shares to be issued has been specified, the equivalent value can change due to fluctuations in the share price before they are issued or fall due.

The entitlement to the share-based LTI component is subject to conditions precedent. These include a waiting period of at least three years from the end of the financial year for which the compensation is to be determined. The corresponding expenses for recognition of a provision for the share-based LTI component are recognised in tranches over a vesting period of at least four years, as the conditions precedent only expire at the end of this period.

The outstanding entitlements are carried in the accounts on a fair value basis during the vesting period. This is based on the share price for Commerzbank AG and is recalculated on each reporting date up to and including the payout date. In addition to the recognition of the provision over the vesting period of at least four years, every change in the obligation resulting from share price fluctuations is thus to be recognised through profit or loss until the final obligation is settled.

21 Related party disclosures

Relationships with affiliated companies

The parent company of comdirect bank AG is Commerzbank Inlandsbanken Holding GmbH, Frankfurt/Main. The ultimate parent company is Commerzbank AG, Frankfurt/Main.

comdirect bank AG uses services provided by Commerzbank AG through a general agreement effective as of 1 January 1999, as well as through service level agreements on this basis.

On 6 August 2007, a master agreement was concluded with Commerzbank AG which superseded the existing general agreement. The individual contracts concluded under the general agreement remain in place until expiry of their respective term. New individual contracts are concluded on the basis of this master agreement.

On the basis of the general agreement and the master agreement, the following services were provided during the 2018 financial year:

- Trading and processing services
- Payments and cash dispenser services
- Print services
- IT services
- Internal auditing
- Legal services
- Use of the Intelligence Commerzbank (ICOM) securities trading system
- Risk management
- Handling of financial instruments in own trading and credit services
- Compliance
- Human resources services
- Business facility management, group purchasing and organisational services
- Research
- Cooperation on the "contract for differences" product
- Placement of building finance loans
- Project services, e.g. customer taxes, MiFID II/MiFIR, new securities platform
- Other services

In total, the expenses for the above services amounted to €31.5m in the financial year (2017: €31.5m).

In the year under review, the income generated from these agreements totalled €7.2m (2017: €8.4m).

An addendum to the cooperation agreement regarding CFD trading was agreed upon in 2013. As such, comdirect bank AG's previously exclusive use of the CFD platform was limited. The competitive disadvantage caused by this was settled by Commerzbank over a period of three years. In 2017, comdirect bank AG received a final income payment of €0.8m.

Outside of the general agreement, the following significant business relationships also exist with Commerzbank AG:

In connection with the general agreement on liquidity transfer concluded in August 2010, there is also an assignment agreement between comdirect bank AG and Commerzbank AG for a customer loan portfolio consisting of retail loans. Claims are assigned from Commerzbank AG to comdirect bank AG as security for all existing, future and conditional claims by comdirect bank AG against Commerzbank AG and/or its group companies arising from the general agreement or other loans. Commerzbank AG was paid a fee of €4.7m on the basis of this assignment agreement (2017: €3.7m).

As the legal successor of onvista bank GmbH, contracts with Commerzbank AG exist for the "contract for differences" product and for the implementation of a flat-fee and savings plan campaign. Income from this totalled €1.3m in 2018 (2017: €0.9m).

Project participations not covered by the general agreement exist between comdirect bank AG and Commerzbank. comdirect paid Commerzbank €0.3m for this in 2018 (2017: €0.4m).

In the course of money market and capital market transactions, comdirect bank AG makes investments with Commerzbank AG and its affiliated companies.

As at the balance sheet date, the nominal value of overnight money and fixed-term deposits as well as promissory notes totalled €20,975m (2017: €16,896m). In the year under review, comdirect group companies generated total interest income of €98.7m from these transactions with Commerzbank AG (2017: €77.0m). There is a separate general agreement between comdirect bank AG and Commerzbank AG for these money and capital market transactions.

As at the balance sheet date, bonds and notes in the portfolio from affiliated companies amounted to €440m (2017: €653m). The interest income from this position amounted to €4.6m in the financial year as a whole (2017: €7.9m).

Bonds in the portfolio from affiliated companies were purchased during the reporting year with a nominal volume of €93.2m (2017: €76.0m). Bonds with a nominal volume of €15.0m were sold to affiliated companies (2017: €0m). No equity instruments were bought from affiliated companies (2017: €12.6m). No equity instruments were sold to affiliated companies (2017: €23.1m).

A general agreement on security loans was concluded with Commerzbank AG on 16 May 2000, on the basis of which comdirect bank AG can lend securities to Commerzbank AG. In the reporting year, as in the previous year, no securities were lent.

Through its connection to Commerzbank AG, comdirect bank AG offers its customers new issues and a range of certificates for subscription. These sales are remunerated in line with the commission for the banking syndicate or issuing institution. In addition, comdirect bank AG receives pro rata commission for carrying out corporate action. In the year under review, the income generated from these activities came to €1.0m (2017: €0.3m).

In joint campaigns with Commerzbank AG, comdirect bank AG offered its customers the opportunity to buy and sell Commerzbank warrants and certificates OTC for a limited period of time, whereby comdirect bank AG waived the commission payable by the customer on all transactions with a defined maximum volume. In return, comdirect bank AG received a refund of the lost order commission from Commerzbank.

comdirect bank AG (including the onvista bank division) and European Bank for Financial Services GmbH (ebase) offer their customers a range of funds from a wide variety of investment companies. These include investment companies of the Commerzbank Group. In financial year 2018, the comdirect group companies received sales and sales follow-up commission at prevailing market rates from the investment companies of the Commerzbank Group.

For placement activities for the benefit of ebase, Commerzbank AG received sales and ongoing sales follow-up commission amounting to €8.0m in financial year 2018 (2017: €8.6m).

As part of its processing and management services for custody accounts, ebase procures support and services from Commerzbank AG. In the year under review, Commerzbank AG received payment totalling €1.0m for these services (2017: €0.9m).

In the year under review, ebase received other services worth €0.6m (2017: €0.7m) from Commerzbank AG.

In the year under review, onvista media GmbH received €0.4m from Commerzbank for other services (2017: €0.3m).

In addition to Commerzbank AG, there were service relationships with other affiliated companies. This resulted in expenses for comdirect bank AG of €1.5m in the reporting year (2017: €0.5m).

On 22 March 2000, comdirect bank AG concluded an agreement with Commerzbank AG. Among other things, the agreement relates to support for PR activities, compliance with stock exchange and other obligations resulting from admission to the stock exchange and advice on the holding of the annual general meeting of shareholders.

On 15 March 2005, comdirect bank AG concluded an agreement with Commerzbank AG concerning its work as a payment agent and depository agent for the shares in comdirect bank AG.

comdirect bank AG and its affiliated companies have funded their retirement benefit obligations by allocating trust assets to Commerzbank Pension-Trust e.V. As of 31 December 2018, the market value of the trust assets in this trust totalled €28.5m (2017: €28.9m). As of 31 December 2018, continued activities accounted for €5.5m of this amount (2017: €5.6m).

The Board of Managing Directors reports separately on the scope and appropriateness of the intra-group services of comdirect bank AG with affiliated companies as part of its dependency report (Section 312 German Stock Corporation Act [AktG]). All legal transactions were carried out at arm's length, with comdirect group not incurring any disadvantages.

Agreements in connection with the disposal of ebase

comdirect intends to sell all its interests in ebase to a third party outside the Commerzbank group as part of a share deal. A corresponding agreement to sell the shares was signed with an external bidder on 10 July 2018 (ebase transaction). The transaction was not closed in financial year 2018.

Agreements with group companies have also been signed in this context.

Transitional Service Agreement (TSA)

comdirect and Commerzbank provide services to ebase that are governed by individual contracts. For a period of twelve months from the closing of the ebase transaction, comdirect and Commerzbank have agreed with ebase that the services and consideration of some of these contracts will continue to be performed.

Purchasing alliance

ebase benefits from a group agreement between Commerzbank and Allianz Global Investors GmbH (AGI) to distribute retail funds, special funds and asset management solutions. This agreement particularly covers the procurement of funds from external providers as part of a purchasing alliance. comdirect has agreed with the purchaser of ebase that ebase will continue to benefit from the terms given to the purchasing alliance after the transaction is closed. To this end, comdirect has asked Commerzbank to sign an agreement with AGI that ensures ebase's continued temporary membership of the purchasing alliance. comdirect has agreed with Commerzbank that it will refund the expenses and costs incurred by Commerzbank in connection with signing this agreement. The agreement lapses if the ebase transaction does not take place.

Government-related entity disclosures
The Federal Republic of Germany holds a stake in Commerzbank AG. This and other factors of influence, in particular membership of the Supervisory Board, allow it as the responsible party for the Federal Agency for Financial Market Stabilisation (FMSA) to exert a considerable influence over Commerzbank AG. This gives it indirect influence over comdirect group's consolidated financial statements.

As at the reporting date, comdirect group held bonds from the government and government-related entities with a book value of €64.5m (31 December 2017: €60.8m). The comdirect group companies generated interest income of €0.8m from these bonds during the reporting year (2017: €0.6m).

Other related party disclosures
In the financial year, there were financial relationships with related natural persons (members of the Board of Managing Directors and the Supervisory Board and members of their immediate families), including through the use of products of the comdirect group as part of its normal product and service offering. All products and services were provided on the basis of normal third-party terms and conditions and are of secondary importance for the company. The related parties did not obtain any unjustified advantage from their relationship with the comdirect group, nor did comdirect group suffer any financial losses.

In addition to the financial relationships that are part of the product and service offering of the comdirect group, related parties received compensation on the basis of their position as members of the decision-making bodies (see Note (67)). The employee representatives on the Supervisory Board additionally receive payment as a result of their employment by comdirect bank AG in an amount that is usual for the company in accordance with the corresponding works agreement and the associated grading of their respective job profiles.

There were no other financial relationships with related natural persons in the financial year.

Notes to the income statement

22 Net interest income

€k	2018
Interest income accounted for using the effective interest method	130,523
Interest income from securities business	13,288
Measured at amortised cost	9,218
Measured at fair value without effect on income	4,070
Interest income from credit and money market transaction	117,235
Interest income, other	1,575
Operating income from investments, shares and other variable-yield securities	1,575
Interest income	**132,098**
Interest expenses for deposits	8,962
Negative interest from active financial instruments	4,430
Other interest expenses	88
Interest expenses	**13,480**
Total	**118,618**

Figures for the previous year

€k	2017[1]
Interest income from fixed-income securities held in the "available for sale" portfolio	17,598
Interest income from credit and money market transaction	93,730
Operating income from investments, shares and other variable-yield securities	365
Interest income and similar income	**111,693**
Interest expenses for deposits	9,486
Negative interest from active financial instruments	7,298
Other interest expenses	85
Interest expenses	**16,869**
Total	**94,824**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: all values excluding contributions of ebase.

Other interest expenses primarily include net interest expenses for pensions.

23 Provisions for possible loan losses

€k	Allocation	Reversal	Direct write-downs	Income received on written-down claims	Total 2018
Provisions for possible loan losses for on-balance sheet lending transactions	**9,661**	**7,444**	**142**	**68**	**–2,291**
Claims on banks	84	139	0	0	55
Claims on customers	9,059	6,696	142	68	–2,437
Significant lending business	0	0	0	0	0
Non-significant lending business	9,059	6,696	142	68	–2,437
Financial investments	518	609	0	0	91
Provisions for credit risks	**3,680**	**4,320**	**0**	**0**	**640**
Total	**13,341**	**11,764**	**142**	**68**	**–1,651**

€k	Allocation	Reversal	Direct write-downs	Income received on written-down claims	Total 2017[1]
Provisions for possible loan losses for on-balance sheet lending transactions	**1,153**	**1,453**	**1,035**	**61**	**–674**
Claims on banks	0	0	0	0	0
Claims on customers	1,153	1,453	1,035	61	–674
Significant lending business	0	0	0	0	0
Non-significant lending business	1,153	1,453	1,035	61	–674
Financial investments	0	0	0	0	0
Provisions for credit risks	**684**	**2,807**	**0**	**0**	**2,123**
Total	**1,837**	**4,260**	**1,035**	**61**	**1,449**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: all values excluding contributions of ebase.

€k	Stage 1	Stage 2	Stage 3	Total 2018
Provisions for possible loan losses for on-balance sheet lending transactions	**–787**	**–39**	**–1,465**	**–2,291**
Claims on banks	55	0	0	55
Claims on customers	–746	–226	–1,465	–2,437
Financial investments	–96	187	0	91
Provisions for credit risks	**518**	**114**	**8**	**640**
Total	**–269**	**75**	**–1,457**	**–1,651**

Figures for the previous year are not disclosed as they are not comparable due to the application of IFRS 9.

24 Net commission income

€k	2018	2017[1]	Change in %
Commission income	**256,095**	**223,775**	**14.4**
Brokerage business	208,009	184,247	12.9
Payment transactions	30,061	24,174	24.4
Placement business	8,843	8,141	8.6
Other commissions	9,182	7,213	27.3
Commission expenses	**49,775**	**29,540**	**68.5**
Brokerage business	23,868	16,417	45.4
Payment transactions	8,892	4,566	94.7
Placement business	0	0	-
Other commissions	17,015	8,557	98.8
Net commission income			
Brokerage business	184,141	167,830	9.7
Payment transactions	21,169	19,608	8.0
Placement business	8,843	8,141	8.6
Other commissions	–7,833	–1,344	482.8
Total	**206,320**	**194,235**	**6.2**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: all values excluding contributions of ebase.

At the same time the commission income shown meets the requirements of IFRS 15 for disclosure by type of service.

The commission revenues listed come from the utilisation of bank services by our customers and were generated and so are due for payment predominantly at a particular point in time. Services in the securities business that we provide over a certain period of time, especially for securities accounts and sales follow-up commission, are recognised monthly on a percentage-of-completion basis and are payable quarterly (custody account management) or monthly to semi-annually (sales follow-up commission).

In individual cases, revenue is reported under “Other operating income” to a minor extent.

The increase in expenses for other commission is due to expenses for acquiring new customers via partners and existing customers.

25 Disposals and valuation result for financial assets

The valuation result reflects fluctuations in the value of financial instruments held at fair value through profit or loss. They include derivatives and debt instruments that do not meet the SPPI criterion. Furthermore, the valuation result includes earnings contributions from foreign currency translation. Net income from the disposal of financial assets carried at amortised cost includes the net disposal proceeds of lending and money market transactions, and net income from the disposal of financial assets measured at fair value through other comprehensive income shows the net disposal proceeds from securities trading.

€k	2018	2017	Change in %
Valuation result	**4,373**	**-**	**-**
Result from fair value changes	4,200	-	-
Foreign currency result	173	-	-
Result from the disposal of financial assets measured at amortised cost	**–586**	**-**	**-**
Disposal gains	1,552	-	-
Disposal losses	2,138	-	-
Result from the disposal of financial assets measured at fair value through other comprehensive income	**480**	**-**	**-**
Disposal gains	754	-	-
Disposal losses	274	-	-
Total	**4,267**	**-**	**-**

Net income from the disposal of financial assets measured at amortised cost results from the early repayment of promissory notes, money market transactions and bonds in the course of permitted portfolio management activities.

26 Result from hedge accounting

The results shown from hedged items and hedging instruments only include measurement effects from effective fair value hedges.

€k	2018	2017	Change in %
Results from hedging instruments	-	1,627	-
Results from hedged items	-	–1,628	-
Total	**-**	**–1**	**-**

Hedge accounting was applied in accordance with the provisions of IAS 39. In the previous year, groups of retail funds (hedged items) in the balance sheet item "Financial investments" are hedged against fluctuations in fair value due to changes in the exchange rate using foreign currency forwards (hedging instruments).

The hedge adjustments from the hedged items were derecognised on their disposal.

27 Trading result

€k	2018	2017	Change in %
Result from interest rate related transactions	-	0	-
Result from foreign currency transactions	-	–691	-
Total	**-**	**–691**	**-**

All financial instruments in the trading portfolio are measured at fair value. The trading result includes all valuation results for financial instruments measured in accordance with IAS 39 in the category "At fair value through profit or loss – sub-category: held for trading".

With the application of IFRS 9 and the resulting adjustments to the structure of the income statement, these contributions are shown in the disposals and valuation result for financial assets in the current financial year (Note (25)).

28 Result from financial investments

In the previous year, the result from financial investments included the result of securities disposals.

€k	2018	2017[1]	Change in %
Disposal gains	-	23,620	-
Disposal losses	-	–2,157	-
Total	**-**	**21,463**	**-**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: all values excluding contributions of ebase.

The overwhelming majority of the gains and losses on disposal were attributable to retail funds and shares in the previous year.

With the application of IFRS 9 and the resulting adjustments to the structure of the income statement, these contributions are shown in the disposals and valuation result for financial assets in the current financial year (Note (25)).

29 Administrative expenses

€k	2018	2017[1]	Change in %
Personnel expenses	79,404	75,501	5.2
Other administrative expenses	185,305	150,871	22.8
Depreciation on office furniture and equipment and intangible assets	14,877	12,952	14.9
Total	**279,586**	**239,324**	**16.8**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: all values excluding contributions of ebase.

Personnel expenses

€k	2018	2017[1]	Change in %
Wages and salaries	67,758	64,619	4.9
Compulsory social security contributions	11,183	10,459	6.9
Expenses for pensions and other employee benefits	463	423	9.5
Total	**79,404**	**75,501**	**5.2**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: all values excluding contributions of ebase.

The “Wages and salaries” item includes an expense of €142k (2017: €605k) from share-based compensation (IFRS 2).

Breakdown of expenses for pensions and other employee benefits

€k	2018	2017[1)]	Change in %
Company pension scheme	219	226	−3.1
Contributions to Versicherungsverein des Bankengewerbes a. G. (BVV)	244	197	23.9
Total	**463**	**423**	**9.5**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: all values excluding contributions of ebase.

Other administrative expenses

€k	2018	2017[1)]	Change in %
Sales	45,400	27,496	65.1
External services	53,314	47,943	11.2
Business operations	33,649	30,945	8.7
IT expenses	26,419	23,771	11.1
Mandatory contributions	24,140	19,218	25.6
Others	2,383	1,498	59.1
Total	**185,305**	**150,871**	**22.8**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: all values excluding contributions of ebase.

Other administrative expenses in the reporting year included minimum lease payments of €5,809k (2017: €5,482k), which are recognised as costs for operating leases.

Depreciation and amortisation of office furniture and equipment and intangible assets

€k	2018	2017[1)]	Change in %
Office furniture and equipment	5,476	4,824	13.5
Intangible assets	9,401	8,128	15.7
Total	**14,877**	**12,952**	**14.9**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: all values excluding contributions of ebase.

30 Other operating result

€k	2018	2017[1]	Change in %
Other operating income	**11,783**	**12,246**	**–3.8**
Income from writing-back provisions and accruals	6,321	4,714	34.1
Income from service level agreements	149	78	91.0
Income and sales rebates not related to the accounting period	3,149	4,213	–25.3
Licence fees and royalties	55	803	–93.2
Income from recoverable input taxes	1,230	653	88.4
Sundry income items	879	1,785	–50.8
Other operating expenses	**5,073**	**2,961**	**71.3**
Goodwill payments and price differences in security transactions	1,833	732	150.4
Non-income-related taxes including interest from previous years	79	331	–76.1
Expense from legal proceedings and recourse	175	377	–53.6
Losses on the disposal of fixed assets	9	53	–83.0
Loan loss provisions and write-downs outside retail lending	27	50	–46.0
Regulatory expenses for losses	429	604	–29.0
Subsequent contributions	2,200	0	-
Sundry expense items	321	814	–60.6
Total	**6,710**	**9,285**	**–27.7**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: all values excluding contributions of ebase.

31 Taxes on income

€k	2018	2017[1]	Change in %
Current taxes on income in the current year	15,864	14,493	9.5
Current taxes on income from previous years	–195	–114	71.1
Deferred taxes	–4	5,117	–100.1
Total	**15,665**	**19,496**	**–19.7**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: all values excluding contributions of ebase.

Reconciliation of income taxes

€k	2018	2017[1]
Profit from ordinary activities of comdirect bank AG and ebase GmbH	**54,678**	**81,240**
Multiplied by the respective income tax rate for the company		
= Calculated income tax paid in financial year	15,782	23,448
Effect of tax-free income from financial investments	–710	–3,055
Effect of losses from financial investments; not tax deductible	37	0
Effect of taxes from previous years recognised in the financial year	18	26
Impact of changes to the applicable tax rate	0	–885
Impact of different tax rates of subsidiaries outside the scope of consolidation	–2	323
Recognition and measurement of deferred taxes from tax losses not yet utilised	161	0
Other effects	378	–362
Total	**15,665**	**19,496**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: all values excluding contributions of ebase.

The income tax rate selected as a basis for the reconciliation is composed of the corporation income tax rate of 15.0% applicable in Germany, plus a solidarity surcharge of 5.5% and a rate for trade earnings tax of 13.038%, which is the result of the weighted average of the trade tax rates of the municipalities of Quickborn, Aschheim, Rostock, Cologne and Frankfurt/Main.

This results in an income tax rate for 2018, as in the previous year, of around 28.86%.

Notes to the balance sheet

32 Cash reserve

€k	31.12.2018	31.12.2017	Change in %
Cash on hand	201	412	–51.2
Balances held with central banks	2,195,222	2,362,489	–7.1
Total	**2,195,423**	**2,362,901**	**–7.1**

The minimum reserve requirement for comdirect bank AG as of year-end 2018 was €244,813k (31 December 2017: €210,861k).

33 Claims on banks

	Total			Due on demand		Other claims	
€k	31.12.2018	31.12.2017	Change in %	31.12.2018	31.12.2017	31.12.2018	31.12.2017
German banks	21,350,700	17,294,993	23.5	263,379	301,831	21,087,321	16,993,162
Foreign banks	516	11,702	–95.6	0	11,702	516	0
Total	**21,351,216**	**17,306,695**	**23.4**	**263,379**	**313,533**	**21,087,837**	**16,993,162**

Claims on banks include foreign currency amounts of €293,251k (2017: €260,007k).

Claims on banks primarily comprise promissory notes in the amount of €4,110,478k (2017: €6,881,326k) as well as overnight money and fixed-term deposits totalling €16,976,947k (2017: €10,111,836k).

Claims on banks include accrued interest in the amount of €52,647k (2017: €37,067k).

34 Claims on customers

	Total			Due on demand		Other claims	
€k	31.12.2018	31.12.2017	Change in %	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Claims on German customers	**623,439**	**477,597**	**30.5**	**475,230**	**377,602**	**148,209**	**99,995**
Companies and financial institutions	9,720	45,099	–78.4	1,652	1,262	8,068	43,837
Private customers	613,719	432,498	41.9	473,578	376,340	140,141	56,158
Claims on foreign customers	**10,231**	**19,544**	**–47.7**	**10,028**	**16,459**	**203**	**3,085**
Companies and financial institutions	167	3,190	–94.8	167	174	0	3,016
Private customers	10,064	16,354	–38.5	9,861	16,285	203	69
Total claims before provisions for possible loan losses	**633,670**	**497,141**	**27.5**	**485,258**	**394,061**	**148,412**	**103,080**
Provisions for possible loan losses	–3,183	–1,927	65.2	–1,955	–1,591	–1,228	–336
Total claims after provisions for possible loan losses	**630,487**	**495,214**	**27.3**	**483,303**	**392,470**	**147,184**	**102,744**

€265,792k of the claims on customers (2017: €216,535k) relate to the securities credit business. These claims are secured by securities. The claims on customers include amounts in foreign currencies totalling €21k (2017: €2.9k).

35 Positive fair values from derivative financial instruments

This balance sheet item shows the positive fair values from derivative financial instruments not used for hedging purposes under hedge accounting.

€k	31.12.2018	31.12.2017	Change in %
Stock-related transactions	1,086	0	-
Currency-related transactions	13	0	-
Total	**1,099**	**0**	**-**

There are general agreements with the counterparties for derivatives, which provide for a net settlement of outstanding claims and obligations in the event that one of the parties becomes insolvent.

36 Financial investments

The item “Financial investments” consists of the bonds and other fixed-income securities, equities and other variable-yield securities not held for trading.

In order to present the development since the beginning of the year transparently, comparable disclosures pursuant to IFRS 9 have been added as of 1 January 2018. For the reconciliation from IAS 39 as of 31 December 2017 to IFRS 9 as of 1 January 2018, we also refer to the disclosures in Note (8).

€k	31.12.2018	1.1.2018	Change in %
Financial Instruments measured at amortized cost	**1,218,565**	**1,957,129**	**–37.7**
Bond portfolios with business model "Hold"	1,218,565	1,957,129	–37.7
Financial instruments measured at fair value through OCI	**968,029**	**767,606**	**26.1**
Bond portfolios with business model "Hold and Sell"	936,994	737,132	27.1
Equities for which fair value measurement recognised directly in other comprehensive income (without recycling) has been selected	31,035	30,474	1.8
Financial instruments measured at fair value through profit or loss	**41,056**	**27,594**	**48.8**
Funds and other debt instruments	41,056	27,594	0
Total	**2,227,650**	**2,752,329**	**–19.1**

Exposure to equities is a small, integral part of our investment strategy. Most investments are in high-dividend European equities, with a long-term focus on collecting dividends. The table below shows the breakdown by region.

Country	Share in %
Germany	21.1
France	25.5
Great Britain	23.4
Others	30.0

In the reporting period, disposals of such instruments in the amount of €22,835k resulted in the recognition of €– 626k without recycling directly in equity in accordance with IFRS 9. The instruments mentioned generated dividend income of €665k in the reporting period. Dividend income from the stocks still in the portfolio came to €739k. No instruments in our portfolio were allocated to this measurement category in the previous year.

Expected credit losses of €489k were recognised on the "Hold and Sell" bond portfolio, which are shown in the revaluation reserves.

Previous year's figures pursuant to IAS 39

€k	31.12.2018	31.12.2017
Bonds, notes and other fixed-income securities in the "available-for-sale" portfolio	n/a	2,712,077
issued by public sector borrower	n/a	240,848
issued by other borrower	n/a	2,471,229
Equities and other variable-yield securities of the "available-for-sale" portfolio	n/a	58,068
Total	**n/a**	**2,770,145**

Financial investments include foreign currency amounts of €38,478k (2017: €56,719k).

Financial investments include accrued interest of €11,939k (2017: €19,460k).

37 Intangible assets

€k	31.12.2018	31.12.2017	Change in %
Internally generated software	13,217	21,444	–38.4
Software purchased	9,619	9,425	2.1
Customer base	10,948	12,458	–12.1
Others	6,870	6,771	1.5
Total	**40,654**	**50,098**	**–18.9**

Other intangible assets include the "onvista" corporate brand. The brand comprises both the name "onvista" and the domain name www.onvista.de and is valued at €4.8m. There were no indications that it could not be used indefinitely when measurement took place. This applies both to corporate planning and to the contractual and legal perspectives. It is also not possible to derive a useful economic life using a product lifecycle analysis because "onvista" is a corporate brand that has a much longer lifetime than a product brand. The asset therefore has an indefinite useful life.

Changes in intangible assets are shown in the schedule of assets (Note (39)).

38 Property, plant and equipment

€k	31.12.2018	31.12.2017	Change in %
Office furniture and equipment	19,707	18,596	6.0
Total	**19,707**	**18,596**	**6.0**

Changes in property, plant and equipment are shown in the schedule of assets (Note (39)).

39 Schedule of assets

	Intangible assets							
	Internally generated software		Software purchased		Acquired customer relationships		Other intangible assets	
€k	2018	2017	2018	2017	2018	2017	2018	2017
Book value as of 1 January	**21,444**	**17,322**	**9,425**	**6,933**	**12,458**	**0**	**6,771**	**0**
Cost of acquisition/manufacture as of 1 January	111,327	101,249	65,865	60,485	25,182	11,592	6,876	0
Additions	9,843	9,871	5,201	4,741	0	0	261	0
Disposals	2,626	0	1,049	2,667	0	0	0	0
Contributions from business acquisitions	0	207	0	3,306	0	13,590	0	6,876
Reclassification to assets from discontinued activities	51,535	0	15,561	0	0	0	0	0
Cost of acquisition/manufacture as of 31 December	67,009	111,327	54,456	65,865	25,182	25,182	7,137	6,876
Cumulative write-downs as of 1 January	89,883	83,927	56,440	53,552	12,724	11,592	105	0
Additions	5,000	5,956	4,938	5,519	1,510	1,132	162	105
Impairments	0	0	0	6	0	0	0	0
Disposals	2,626	0	1,049	2,637	0	0	0	0
Reclassification to assets from discontinued activities	38,465	0	15,492	0	0	0	0	0
Cumulative write-downs as of 31 December	53,792	89,883	44,837	56,440	14,234	12,724	267	105
Book value as of 31 December	**13,217**	**21,444**	**9,619**	**9,425**	**10,948**	**12,458**	**6,870**	**6,771**

	Fixed assets	
€k	2018	2017
Book value as of 1 January	**18,596**	**15,546**
Cost of acquisition/manufacture as of 1 January	75,876	68,853
Additions	7,968	7,574
Disposals	3,525	1,186
Contributions from business acquisitions	0	635
Reclassification to assets from discontinued activities	3,382	0
Cost of acquisition/manufacture as of 31 December	76,937	75,876
Cumulative write-downs as of 1 January	57,280	53,307
Additions	5,653	5,128
Impairments	0	0
Disposals	3,511	1,155
Reclassification to assets from discontinued activities	2,192	0
Cumulative write-downs as of 31 December	57,230	57,280
Book value as of 31 December	**19,707**	**18,596**

Property, plant and equipment consists solely of office furniture and equipment.

Additions and disposals include amounts from discontinued activities. These are presented separately in the income statement.

40 Income tax assets

€k	31.12.2018	31.12.2017	Change in %
Current income tax assets	5,176	4,352	18.9
Deferred income tax assets	3,472	0	100.0
Total	**8,648**	**4,352**	**98.7**

Current income tax assets contain claims from the current and previous financial years.

Deferred income tax assets and liabilities are offset to the extent that they relate to the same tax authorities. In financial year 2018, the offsetting of deferred income tax assets and liabilities produced an income tax asset.

Deferred income tax assets break down as follows:

€k	Income tax asset	Income tax liabilities	31.12.2018 balance	Income tax asset	Income tax liabilities	31.12.2017 balance
Positive fair values from derivative financial instruments	0	–317	–317	0	0	0
Claims on customers (provisions for possible loan losses)	225	–50	175	56	–30	26
Financial investments						
recognised in profit or loss	9,844	0	9,844	8,471	0	8,471
recognised in other comprehensive income	0	–1,243	–1,243	0	–7,234	–7,234
Intangible assets	0	–7,420	–7,420	0	–10,263	–10,263
Fixed assets	819	0	819	795	0	795
Provisions						
recognised in profit or loss	879	0	879	4,115	0	4,115
recognised in other comprehensive income	800	0	800	3,779	0	3,779
Other liabilities	0	–111	–111	237	0	237
Losses carried forward	45	0	45	0	0	0
Total	**12,612**	**–9,140**	**3,472**	**17,453**	**–17,527**	**–74**

As at 31 December 2018, deferred income tax assets and liabilities were measured at the currently valid tax rates as in the previous year.

41 Other assets

€k	31.12.2018	31.12.2017	Change in %
Deferred items	1,652	1,825	–9.5
Claims on product providers	6,786	2,820	140.6
Claims on group companies	1,295	2,684	–51.8
Claims from the securities business	948	1,779	–46.7
Trade receivables	8,272	8,597	–3.8
Pay advances	2	857	–99.8
ECB collateral	2,997	2,997	0.0
Other	3,920	2,974	31.8
Total	**25,872**	**24,533**	**5.5**

42 Liabilities to banks

€k	31.12.2018	31.12.2017	Change in %
German banks	214,261	7,806	2,644.8
Foreign banks	0	1,482	–100.0
Total	**214,261**	**9,288**	**2,206.9**

43 Liabilities to customers

	Total			Due on demand		With agreed maturity or withdrawal notice	
€k	31.12.2018	31.12.2017	Change in %	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Liabilities to German customers	**24,796,860**	**21,656,527**	**14.5**	**24,277,453**	**21,156,053**	**519,407**	**500,474**
Private customers	24,605,768	21,505,685	14.4	24,088,561	21,005,550	517,207	500,135
Corporate customers and self-employed private individuals	191,092	150,842	26.7	188,892	150,503	2,200	339
Liabilities to foreign customers	**662,891**	**617,512**	**7.3**	**640,000**	**594,110**	**22,891**	**23,402**
Private customers	661,739	605,888	9.2	638,848	582,486	22,891	23,402
Corporate customers and self-employed private individuals	1,152	11,624	–90.1	1,152	11,624	0	0
Total	**25,459,751**	**22,274,039**	**14.3**	**24,917,453**	**21,750,163**	**542,298**	**523,876**

Liabilities to customers include amounts in foreign currencies totalling €320,286k (2017: €289,513k).

Deposits of up to €100k per customer are protected under the Compensation Scheme of German Private Banks. Furthermore, as of the balance sheet date, these deposits are protected by the Deposit Protection Fund of the Association of German Banks (Bundesverband deutscher Banken e. V.) up to €90.8m each for comdirect bank AG customers.

44 Provisions

€k	31.12.2018	31.12.2017	Change in %
Provisions for pensions and similar commitments	5,064	13,480	–62.4
Other provisions	18,109	20,021	–9.5
Total	**23,173**	**33,501**	**–30.8**

Provisions for pensions and similar commitments comprise pension obligations and deferred compensation obligations. The significant year-on-year decline is due to IFRS 5 reporting; the amounts relating to discontinued activities were reclassified in the balance sheet. There are also liabilities under phased early retirement agreements relating to discontinued activities. These are covered in full by plan assets.

The provision reported for pension schemes and deferred compensation is equal to net liabilities. There is no effect from the asset ceiling.

Changes in net liability of the defined benefit pension obligations and deferred compensation obligations

€k	Pension obligations	Plan assets	Net liabilities
As of 1.1.2017	**41,213**	**–22,457**	**18,756**
Contributions from business acquisitions	370	0	370
Current Service Cost	1,074	0	1,074
Contributions from employees from salary sacrifice	29	–29	0
Interest expenses/income	735	–450	285
Pension Payments	–726	0	–726
Earnings/loss in the plan assets excluding amounts already recognised in the net interest expenses/income	0	–205	–205
Experience gains and losses	–221	0	–221
Gains and losses from changes in financial assumptions	–819	0	–819
Allocations to plan assets	0	–5,035	–5,035
As of 31.12.2017	**41,655**	**–28,176**	**13,479**
As of 1.1.2018	**41,655**	**–28,176**	**13,479**
Transfer of amounts attributable to discontinued operations	–32,437	22,451	–9,986
Current Service Cost	595	0	595
Contributions from employees from salary sacrifice	18	–18	0
Interest expenses/income	490	–322	168
Pension Payments	–483	0	–483
Transfers	41	0	41
Earnings/loss in the plan assets excluding amounts already recognised in the net interest expenses/income	0	663	663
Experience gains and losses	–109	0	–109
Gains and losses from changes in financial assumptions	670	0	670
Gains and losses from changes in demographic assumptions	119	0	119
Allocations to plan assets	0	–93	–93
As of 31.12.2018	**10,559**	**–5,495**	**5,064**
of which provisions for pensions	10,559	–5,495	5,064
of which activated plan assets	0	0	0

The service costs are reported in personnel expenses and the interest components are reported in net interest income. The gains and losses based on past experience and those resulting from changes in financial or demographic assumptions reported for the pension obligations and plan assets are recognised in other comprehensive income for the period. Movements in the table above include contributions from ebase up to 30 June 2018. These figures are classified in the income statement and in other comprehensive income for the period as from discontinued activities, as required by IFRS 5.

Net income from continuing activities also includes expenses for pension insurance of €24k (2017: €22k) and for the Versicherungsverein des Bankengewerbes a.G. (BVV) of €244k (2017: €197k). Current losses on plan assets of €157k (2017: gains of €131k) were incurred within continuing activities. Amounts related to ebase are shown in net income from discontinued activities and not included in the above disclosures. The figures for the previous year have been adjusted accordingly.

The weighted duration of retirement benefit obligations is 14.4 years (31 December 2017: 19.7 years, including obligations from discontinued activities). The expected due dates of the pension payments are as follows:

€k	2019	2020	2021	2022	2023	2024-2028
Expected pension payment	245	263	269	273	355	1,708

The following table presents the effects of individual parameter changes on pension obligations in the form of a sensitivity analysis. It does not take correlation effects into account. The same measurement methods were applied as for the measurement of pension obligations. The sensitivity analyses as of 31 December 2018 relate to the pension obligations from continuing activities. Figures for the previous year were not adjusted and also include the pension obligations of ebase. Since the pension commitments for discontinued and continuing activities are structured differently, the obligations are not sensitive to salary changes, in contrast to the previous year.

€k	DBO as of 31.12.2018	DBO as of 31.12.2017
Interest Rate Sensitivity		
Discount rate +50 basis points	–694	–3,746
Discount rate –50 basis points	805	4,351
Salary Progression sensitivity		
Salary Progression +50 basis points	0	1,140
Salary Progression –50 basis points	0	–1,014
Pension-adjustment sensitivity		
Pension-adjustment +50 basis points	305	1,973
Pension-adjustment –50 basis points	–280	–1,753
Mortality rate (life expectancy) adjustment sensitivity		
Reduction in probability of death by 10%[1]	259	1,196

1) The reduction in expected mortality of 10% for all ages leads to an average increase in life expectancy of about one year at the age of 65.

The reported plan assets are primarily held as assets in a pension trust. Reinsurance policies account for an amount of €400k (31 December 2017: €375k). The assets held in the pension trust to meet pension claims are as follows:

	31.12.2018		31.12.2017	
Market value of plan assets in %	**Active market**	**Inactive market**	**Active market**	**Inactive market**
Fixed-income securities/bond funds	44.8	23.2	40.9	22.6
Equities/equity funds	11.6	2.3	11.3	1.9
Other financial instruments	15.2	0.5	18.1	2.3
Liquidity	2.4	0.0	2.9	0.0
Total	**74.0**	**26.0**	**73.2**	**26.8**

Geographical breakdown of the plan assets in %	31.12.2018	31.12.2017
Germany	20.4	17.4
Other EU countries	52.6	57.0
US	12.8	12.3
Others	14.2	13.3

Contributions to plan assets are determined annually for the majority of pension commitments, depending on the ratio of obligations to plan assets, to ensure sufficient coverage as needed. Other reasons for additions or disposals of plan assets may be the recruitment or departure of beneficiaries at the companies in the comdirect group.

In the reporting year, the pension obligations were measured using the Heubeck RT 2018 G mortality tables. Furthermore, the following parameters are included in the actuarial calculations:

in %	31.12.2018	31.12.2017
Parameters for determining the pension obligations at year-end		
Discount rate	1.9	1.9
Salary progression	0.0	2.5
Pension adjustment	1.9	1.6
Parameters for determining pension expenses in financial year		
Discount rate	1.9	1.8
Salary progression	2.5	2.5
Pension adjustment	1.6	1.6

The year-on-year changes in the parameters shown are largely due to the fact that the figure only related to continuing activities in 2018.

Changes in other provisions

€k	As of 1.1.2018	Utilised	Reversal	Allocation	Transfer due to discontinued operations	As of 31.12.2018
Provisions for non-income-related taxes and interest due to tax claims	310	16	80	30	–190	54
Provisions for staff	12,790	9,608	867	8,774	–2,479	8,610
Provisions for credit risks	1,975	0	4,320	3,680	0	1,335
Sundry provisions	5,056	4,223	130	7,727	–320	8,110
Total	**20,131**	**13,847**	**5,397**	**20,211**	**–2,989**	**18,109**

The provisions for staff mainly relate to provisions for variable compensation components, which are scheduled to be used predominantly in financial year 2019. In the previous year, the figure included provisions for anniversary expenses of €1,134k from discontinued activities.

The item "Other provisions" includes €4.1m (31 December 2017: €3.6m) for mandatory contributions to the Compensation Scheme of German Private Banks for the contribution year that began during the financial year. A further €2.2m was added to provisions for backdated levies in the financial year.

45 Contingent liabilities

As of the reporting date, there were contingent liabilities of €1,380m (31 December 2017: €1,266m) for loan commitments in the form of credit lines for securities for private customers. Customers can use the credit lines to the extent that their borrowing is secured by securities in the respective account in accordance with the contractually agreed loan-to-value limits. Borrowing leads to receivables due on demand that bear interest at the contractually agreed rates.

There are also contingent liabilities of €3.0m (31 December 2017: €3.0m) towards the Compensation Scheme of German Private Banks. They stem from an irrevocable payment obligation from prior periods to cover part of the mandatory contributions. In future periods, the Compensation Scheme of German Private Banks can call on the member institutes from the current payment obligations to cover compensation cases. The contingent liability is covered by cash collateral of the same amount held at the Bundesbank.

46 Income tax liabilities

€k	31.12.2018	31.12.2017	Change in %
Current income tax liabilities	4,927	234	2,005.6
Deferred tax liabilities	0	74	–100.0
Total	**4,927**	**308**	**1,499.7**

Current income tax liabilities include obligations for prior reporting periods.

Deferred income tax assets and liabilities are offset to the extent that they relate to the same tax authorities. In financial year 2018, the offsetting of deferred income tax assets and liabilities produced an income tax asset. A breakdown is given in Note (40).

47 Other liabilities

€k	31.12.2018	31.12.2017	Change in %
Liabilities from final withholding tax	0	23,020	–100.0
Trade accounts payable	26,770	34,823	–23.1
Liabilities to affiliated companies	10,754	12,689	–15.2
Other	2,259	5,982	–62.2
Total	**39,783**	**76,514**	**–48.0**

48 Equity

€k	31.12.2018	1.1.2018[1]	31.12.2017	Change in %
Subscribed capital	141,221	141,221	141,221	0.0
Capital reserve	223,296	223,296	223,296	0.0
Retained earnings	219,453	184,885	182,078	18.7
Revaluation reserves	–143	4,905	20,745	-
Consolidated net profit	50,369	71,544	71,544	–29.6
Equity	**634,196**	**625,851**	**638,884**	**1.3**

1) In order to present the development since the beginning of the year transparently, comparable disclosures pursuant to IFRS 9 have been added as of 1 January 2018. A detailed reconciliation is shown in Note (8) Financial instruments: recognition, measurement and presentation.

Subscribed capital

Subscribed capital consists of no-par-value shares.

	number
Number of shares held as of 1.1.2018	**141,220,815**
Issue of new shares	0
Number of shares held as of 31.12.2018	**141,220,815**

There are no preferences or restrictions related to dividend distribution at comdirect bank AG. All shares issued are fully paid up.

Capital reserve

The capital reserve shows free reserves as well as the amount exceeding the subscribed capital from the exercise of stock options.

Retained earnings

Retained earnings show the net profit which has not been distributed. Retained earnings also includes actuarial gains and losses from pension liabilities recognised directly in equity in accordance with IAS 19.

Revaluation reserves

Gains or losses on remeasurement of the financial investment portfolio, which is broken down into debt and equity instruments, are shown at fair value in the revaluation reserves, taking into account deferred taxes. Provisions for credit losses are also included for debt instruments. Gains and losses are shown in the income statement for debt instruments when the asset is sold or impairments or reversals are recognised. In contrast to the previous year when IAS 39 was applied, equity instruments are not later recycled to the income statement. Gains realised here are reclassified to retained earnings.

The decline in the revaluation reserve results primarily from effects related to the first-time application of IFRS 9.

Additional information

49 Equity management

Through equity management, comdirect aims to meet regulatory capital requirements, to maintain adequate capital levels at all times to ensure that the bank has the capacity to act, and to achieve an appropriate return on equity.

Risk-bearing capacity analysis

The risk-bearing capacity analysis, i.e. the economic capital required as compared with the available risk cover potential, is used to limit the overall risk of the bank in conjunction with the capital levels. The overall risk position represents comdirect's economic capital required for all key quantifiable risk types (operational risk, credit risk, market risk, risk relating to deposit modelling and business risk). The risk cover potential comprises the subscribed capital, capital reserve and retained earnings, result and the revaluation reserves (including unrealised gains/losses on securities) after tax. Other intangible assets such as licences to use software or internally generated software and deferred taxes are deducted from the risk cover potential as adjustment items. The risk-bearing capacity is guaranteed as long as the risk cover potential available exceeds the overall risk position.

The economic capital requirement is measured using a value-at-risk model (VaR). It includes a confidence level of 99.91% and a holding period of one year.

The risk cover potential is made up as follows:

€m	31.12.2018	31.12.2017
Profit after tax[1]	15.1	70.5
Subscribed capital	141.2	141.2
Revaluation reserves	–0.1	20.7
Hidden liabilities/reserves for securities	4.1	0.0
General reserves[2]	451.1	413.6
Other intangible assets	–56.3	–50.1
Deferred tax assets and liabilities	–7.4	–8.6
Economic capital	**547.6**	**587.5**
Reserve for fluctuation in economic capital	–47.6	–87.5
Risk cover potential	**500.0**	**500.0**

1) Consolidated net profit after tax as shown in the income statement of the comdirect group, from 2018 including the planned dividend. In the previous year, an expected credit loss on securities was deducted that did not yet have to be recognised in the financial statements pursuant to IAS 39.
2) Including corrections resulting from divergent pension obligations due to the gone concern approach.

comdirect's overall risk position as of year-end was €137.0m (2017: €189.1m). Utilisation of risk cover potential as of year-end was therefore 27.4% (2017: 37.8%). The risk report contains further details on the overall risk position.

Equity resources in accordance with Section 10 of the German Banking Act (KWG)
comdirect bank AG is an institution registered in Germany and is a subordinate company within an institution group pursuant to Section 10a (1) of the German Banking Act (KWG). In this capacity, comdirect bank AG made use of the waiver provisions of Section 2a of the German Banking Act (KWG) in conjunction with Article 7 of the Capital Requirements Regulation (CRR). comdirect bank AG is included in the reports made by the Commerzbank Group to the supervisory authority.

The regulatory capital of comdirect bank AG is determined on the basis of the regulations of the German Banking Act (KWG) in conjunction with Regulation (EU) No. 575/2013 and the results of the calculation are used for internal management purposes. A separate notification of this is not submitted to the regulatory authorities. The equity of the regulatory scope of consolidation comprising comdirect bank AG, European Bank for Financial Services GmbH (ebase) and onvista AG is used as a basis in accordance with IFRS requirements.

Banking regulatory capital requirements were complied with at all times during the reporting year. At comdirect bank AG, the own funds ratio as of the end of the financial year stood at 41.48% (calculated in accordance with Section 92 CRR; 31 December 2017: 40.87%).

€k	31.12.2018	31.12.2017	Change in %
Subscribed capital	141,221	141,221	0.0
General reserves	450,747	355,385	26.8
Addition/reduction	–55,007	–26,704	106.0
Core capital	**536,961**	**469,902**	**14.3**
Liable equity	**536,961**	**469,902**	**14.3**
Own funds for SolvV	**536,961**	**469,902**	**14.3**
Risk-weighted assets	1,126,814	994,398	13.3
Eligible amount for operational and other risks, multiplied by 12.5	167,600	155,346	7.9
Total	**1,294,414**	**1,149,744**	**12.6**

50 Maturities of assets and liabilities
All assets and liabilities items are classified in the following table as current or non-current according to realisation of the amounts. The amounts that are realised within one year are classified as current. The amounts that are realised after more than twelve months are classified as non-current.

	as of 31.12.2018		as of 31.12.2017	
€k	Short-term	Long-term	Short-term	Long-term
Cash reserve	2,195,423	0	2,362,901	0
Claims on banks	5,873,936	15,477,280	3,965,881	13,340,814
Claims on customers	494,578	135,909	440,993	54,221
Positive fair values from derivative financial instruments	13	1,086	0	0
Financial investments	822,185	1,333,374	809,207	1,902,870
Intangible assets	0	40,654	0	50,098
Fixed assets	0	19,707	0	18,596
Current income tax assets	5,176	0	4,352	0
Deferred income tax assets	–672	4,144	0	0
Other assets	25,872	0	24,533	0
Assets from discontinued activities	414,079	0	-	-
Total	**9,830,590**	**17,012,154**	**7,607,867**	**15,366,599**
Liabilities to banks	214,261	0	9,288	0
Liabilities to customers	25,240,264	219,487	22,052,707	221,332
Provisions	17,613	5,560	18,875	14,626
Current income tax liabilities	125	4,802	234	0
Deferred tax liabilities	0	0	2,488	–2,414
Other liabilities	39,783	0	76,514	0
Liabilities from discontinued activities	538,744	0	-	-
Total	**26,050,790**	**229,849**	**22,160,106**	**233,544**

The maturities for financial instruments for which there are contractual terms are shown under "Maturities, by remaining lifetime". Time remaining to maturity is considered as the period between the balance sheet date and the contractual maturity of the claim or obligation.

	Remaining lifetimes as of 31.12.2018					
€k	Total	Due on demand and unlimited in time	Up to three months	More than three months to one year	More than one to five years	More than five years
Claims on banks	21,351,216	263,895	1,385,841	4,224,200	9,336,580	6,140,700
Claims on customers	630,487	484,104	8,143	2,331	48,045	87,864
Bonds and notes	2,155,559	0	407,897	414,288	1,169,605	163,769
Positive fair values from derivative financial instruments	1,099	0	13	0	1,086	0
Total	**24,138,361**	**747,999**	**1,801,894**	**4,640,819**	**10,555,316**	**6,392,333**
Liabilities to banks	214,261	214,261	0	0	0	0
Liabilities to customers	25,459,751	24,917,453	317,775	5,037	194,735	24,751
Total	**25,674,012**	**25,131,714**	**317,775**	**5,037**	**194,735**	**24,751**

	Remaining lifetimes as of 31.12.2017					
€k	Total	Due on demand and unlimited in time	Up to three months	More than three months to one year	More than one to five years	More than five years
Claims on banks	17,306,695	313,533	1,176,559	2,475,789	10,018,161	3,322,653
Claims on customers	495,214	392,470	46,961	1,562	27,809	26,412
Bonds and notes in the "available for sale" portfolio	2,712,077	0	208,731	600,476	1,755,262	147,608
Total	**20,513,986**	**706,003**	**1,432,251**	**3,077,827**	**11,801,232**	**3,496,673**
Liabilities to banks	9,288	9,288	0	0	0	0
Liabilities to customers	22,274,039	21,750,163	292,640	9,904	187,087	34,245
Total	**22,283,327**	**21,759,451**	**292,640**	**9,904**	**187,087**	**34,245**

51 Claims on/liabilities to affiliated companies

€k	31.12.2018	31.12.2017	Change in %
Assets			
Claims on banks	21,210,126	17,197,440	23.3
Financial investments	439,898	653,139	–32.6
Other assets	1,295	2,684	–51.8
Assets from discontinued activities	58,361	-	-
Total	**21,709,680**	**17,853,263**	**21.6**
Liabilities and equity			
Liabilities to banks	211,840	0	-
Other liabilities	10,754	12,689	–15.2
Liabilities from discontinued activities	292	-	-
Total	**222,886**	**12,689**	**1,656.5**

Money and capital market investments carried out via companies in the Commerzbank Group are collateralised within the scope of a general assignment agreement.

52 Fair value of financial instruments

The following table shows both the book values and the fair values of financial instruments by IFRS 9measurement category.

In order to present the development since the beginning of the year transparently, comparable disclosures pursuant to IFRS 9 have been added as of 1 January 2018.

€k	Fair Value 31.12.2018	Fair Value 1.1.2018	Book value 31.12.2018	Book value 1.1.2018
Financial assets measured at amortised cost				
Cash reserve	2,195,423	2,362,901	2,195,423	2,362,901
Claims on banks	21,492,671	17,430,089	21,351,216	17,306,556
Claims on customers	630,918	496,772	630,487	494,972
Bond portfolios with business model "Hold"	1,224,161	1,974,945	1,218,565	1,957,129
Discontinued activities	393,090	0	393,080	0
Total	**25,936,263**	**22,264,707**	**25,788,771**	**22,121,558**
Financial assets measured at fair value through OCI				
Bond portfolios with business model "Hold and Sell"	936,994	737,132	936,994	737,132
Equities for which fair value measurement recognised directly in other comprehensive income (without recycling) has been selected	31,035	30,474	31,035	30,474
Total	**968,029**	**767,606**	**968,029**	**767,606**
Financial assets measured at fair value through profit or loss				
Funds and other debt instruments	41,056	27,594	41,056	27,594
Positive fair values from derivative financial instruments	1,099	0	1,099	0
Total	**42,155**	**27,594**	**42,155**	**27,594**
Financial liabilities measured at amortised cost				
Liabilities to banks	214,261	9,288	214,261	9,288
Liabilities to customers	25,477,610	22,274,063	25,459,751	22,274,039
Discontinued activities	518,747	0	518,747	0
Total	**26,210,618**	**22,283,351**	**26,192,759**	**22,283,327**

Previous year's figures pursuant to IAS 39

€k	Fair Value 31.12.2017	Book value 31.12.2017
Loans and receivables		
Cash reserve	2,362,901	2,362,901
Claims on banks	17,430,089	17,306,695
Claims on customers	496,772	495,214
Total	**20,289,762**	**20,164,810**
Available-for-sale financial assets		
Financial investments	2,770,145	2,770,145
Total	**2,770,145**	**2,770,145**
Liabilities measured at amortised cost		
Liabilities to banks	9,288	9,288
Liabilities to customers	22,274,063	22,274,039
Total	**22,283,351**	**22,283,327**

For financial instruments due on demand, the book value corresponds to fair value. These instruments include the cash reserve, overdraft facilities and demand deposits of the balance sheet item “Claims on banks” of €263,895k (2017: €313,533k), claims on customers of €492,247k (2017: €439,431k), liabilities to banks of €214,261k (2017: €9,288k) liabilities to customers of €24,917,453k (2017: €21,750,163k) and those of discontinued activities.

In the case of the short-term financial instruments of €20,888k (2017: €20,482k) and €38,070k (2017: €48,557k) included in the other assets and liabilities, the book value essentially corresponds to the fair value. They are mainly trade payables and liabilities.

The classification of fair values is described in Note (53).

53 Fair value hierarchy

The table below shows how the individual financial instruments are allocated to the appropriate level of the fair value hierarchy and to the corresponding measurement category in accordance with IFRS 9.

Level 1:
Prices quoted in active markets (not adjusted) for identical assets or liabilities

Level 2:
Exemplary prices calculated with the exception of the quoted prices included in Level 1, which can be observed for assets or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3:
Exemplary prices calculated for assets or liabilities, which are not based on observable market data (non-observable input data)

€k	Total	Level 1	Level 2	Level 3
	31.12.2018			
Assets				
Financial Instruments measured at amortized cost				
Cash reserve	2,195,423	0	2,195,423	0
Claims on banks	21,492,671	0	21,492,671	0
Claims on customers	630,918	0	490,996	139,922
Bond portfolios with business model "Hold"	1,224,161	917,650	306,511	0
Discontinued activities	393,090	3,404	389,686	0
Financial instruments measured at fair value through OCI				
Bond portfolios with business model "Hold and Sell"	936,994	743,710	193,284	0
Equities for which fair value measurement recognised directly in other comprehensive income (without recycling) has been selected	31,035	31,035	0	0
Financial instruments measured at fair value through profit or loss				
Funds and other debt instruments	41,056	25,937	0	15,119
Positive fair values from derivative financial instruments	1,099	0	1,099	0
Total assets	**26,946,447**	**1,721,736**	**25,069,670**	**155,041**
Liabilities				
Liabilities measured at amortised cost				
Liabilities to banks	214,261	0	214,261	0
Liabilities to customers	25,477,610	0	25,477,610	0
Discontinued activities	518,747	0	518,747	0
Total liabilities	**26,210,618**	**0**	**26,210,618**	**0**

The short-term financial instruments of €20,888k (2017: €20,482k) and €38,070k (2017: €48,557k) included in other assets and liabilities, are all classified as fair value level 2.

In order to present the development since the beginning of the year transparently, comparable disclosures pursuant to IFRS 9 have been added as of 1 January 2018.

	1.1.2018[1]			
€k	Total	Level 1	Level 2	Level 3
Assets				
Financial Instruments measured at amortized cost				
Cash reserve	2,362,901	0	2,362,901	0
Claims on banks	17,430,089	0	17,430,089	0
Claims on customers	496,772	0	439,870	56,902
Bond portfolios with business model "Hold"	1,974,945	1,574,940	400,005	0
Financial instruments measured at fair value through OCI				
Bond portfolios with business model "Hold and Sell"	737,132	553,734	183,398	0
Equities for which fair value measurement recognised directly in other comprehensive income (without recycling) has been selected	30,474	30,474	0	0
Financial instruments measured at fair value through profit or loss				
Funds and other debt instruments	27,594	15,064	0	12,530
Positive fair values from derivative financial instruments	0	0	0	0
Total assets	**23,059,907**	**2,174,212**	**20,816,263**	**69,432**
Liabilities				
Liabilities measured at amortised cost				
Liabilities to banks	9,288	0	9,288	0
Liabilities to customers	22,274,063	0	22,274,063	0
Total liabilities	**22,283,351**	**0**	**22,283,351**	**0**

1) Figures adjusted for standardised calculation; see further information in Note (3).

Previous year's figures pursuant to IAS 39

	31.12.2017[1]			
€k	Total	Level 1	Level 2	Level 3
Assets				
Financial Instruments measured at amortized cost				
Cash reserve	2,362,901	0	2,362,901	0
Claims on banks	17,430,089	0	17,430,089	0
Claims on customers	496,772	0	439,870	56,902
Financial instruments measured at fair value through OCI				
Financial investments	2,770,145	2,174,212	583,403	12,530
Total assets	**23,059,907**	**1,809,704**	**21,180,771**	**69,432**
Liabilities				
Liabilities measured at amortised cost				
Liabilities to banks	9,288	0	9,288	0
Liabilities to customers	22,274,063	0	22,274,063	0
Total liabilities	**22,283,351**	**0**	**22,283,351**	**0**

1) Figures adjusted for standardised calculation; see further information in Note (3).

In the reporting period, securities with a fair value of €145m were reclassified from level 2 to level 1, as an active market became available due to increased market activity. By contrast, securities with a fair value of €95m were reclassified from level 1 to level 2 as quoted market prices were no longer available. The consumer loans taken out by customers and the preferred stocks of VISA Inc. USA are allocated to level 3 of the valuation hierarchy.

In the case of consumer loans, the level 3 classification is the result in particular of individual customer behaviour not observable on the market, which is expressed as individual default risk. This leads to an adjustment of the discounting interest rate as part of determining fair value with the discounted cash flow method. In addition to interest, credit and liquidity risks, the discount curve applied also takes into account administrative expenses and a profit margin. Compared with the other influencing factors of the fair values, in particular interest rate risk, the default risk relating to the overall portfolio largely recedes into the background.

The value of preferred stocks of VISA Inc. USA can be derived from their stock exchange price due to the later exchange to common stocks of VISA Inc. USA. Because they are listed in US dollars, the exchange rate to euros has an effect on the fair value. There is uncertainty regarding the later exchange ratio. This is affected by possible losses of VISA Inc. USA from legal risks in connection with the transaction. The probability of a loss occurring and its expected amount are estimated for pricing. In both cases, they are non-observable parameters with future effects. They have low sensitivities. Discounts to be accounted for arising from the illiquidity of the preferred stocks are also non-observable. An increase in the liquidity discount of 10% (2017: 10%) by 1 percentage point would have resulted in the fair value of the preferred stocks being reduced by €168k (2017: €139k).

The parameters named are estimated on the basis of earlier transactions with comparable risks. Overall, this results in a moderate valuation discount on the market value of the common stocks translated into euros.

In the reporting period, the preferred stocks of VISA Inc. USA contributed €2,589k to the valuation result. In the previous year, these preferred stocks made a contribution of €2,744k to other comprehensive income as a value change recognised directly in equity within the items that can be reclassified to the income statement.

54 Risk reporting on financial instruments

Risk management

A consistent risk strategy is developed on the basis of comdirect's business strategy and adopted by the Board of Managing Directors of comdirect bank AG.

At comdirect, the Chief Financial Officer (CFO), who is also responsible for risk management, is responsible for monitoring and implementing the risk strategy – independent from the overall responsibility of the Board of Managing Directors.

Risk management at comdirect is based in the Risk Management & Compliance division. The Risk Controlling, OpRisk & ICS and Credit Risk Management departments are responsible for operative risk controlling. They monitor, aggregate and evaluate risks for the bank as a whole. In addition, the departments implement the corresponding regulatory requirements and monitor compliance with them. The task of risk management is to identify, measure, assess and manage as well as monitor and communicate all risks in the respective risk categories. Further details on risk management can be found in the risk report.

Credit risk

The credit risk describes the risk of a financial loss as a result of a borrower being unable to pay or to pay on time the contractually agreed consideration.

Credit risks are monitored partly by calculating CVaR on a monthly basis for customer lending and treasury transactions. Credit risks are therefore part of global bank management.

Maximum credit risk

The maximum credit risk from financial instruments in the unlikely case of simultaneous complete default by all borrowers is equal to the net book value (gross book value less loan loss provisions) of the financial instruments in question. The figures can be seen in the tables below on the credit quality of assets. It should be remembered that the table showing the credit quality of assets contains gross book values before provisions for possible loan losses. Given the minor volume of loan loss provisions, these are not shown separately.

The exposure to Commerzbank Group companies represents a major risk concentration relating to financial instruments. The maximum default risk for Commerzbank Group companies is €21,710m (2017: €17,853m) represented entirely by instruments carried at amortised cost as of the reporting date. These default risks are fully covered by collateral via an assignment and pledge agreements with Commerzbank AG or in the form of covered bonds. The annual risk inventory showed no further material risk concentrations relating to financial instruments.

Of total claims on customers of €633.7m before provisions for possible loan losses (2017: €497.1m), default risks from loans against securities amounting to €265.8m (2017: €216.5m) are covered by securities pledged as collateral by customers.

Credit quality of assets

comdirect uses Commerzbank AG as a service provider to calculate expected credit losses and therefore uses its methodology. The rating classes shown in the tables below are therefore consistent with those used by the Commerzbank Group. The figures relate to the financial assets that are within the scope of the expected credit losses calculated by comdirect in accordance with IFRS. The financial instruments listed under treasury investments include the cash reserve, claims on banks and interest-bearing instruments within financial investments. The rating classes "very good" and "good" consist of investment grade instruments with default probabilities of well below 1%. The group "high risk" particularly includes overdrawn customer clearing accounts, which are deemed to have a high probability of default compared with the standard lending business, since they are predominantly unauthorised overdrafts.

€k	Rating classes					
	Very good	Good	Satisfactory	Adequate	High Risk	Default
31.12.2018						
Retail loan business						
Stage 1	68,742	196,639	215,696	68,744	11,636	0
Stage 2	0	0	37,641	20,346	9,878	0
Stage 3	0	0	0	0	0	4,569
Treasury Investments measured at amortised cost						
Stage 1	24,398,218	367,130	0	0	0	0
Stage 2	0	0	0	0	0	0
Stage 3	0	0	0	0	0	0
Treasury Investments measured at fair value through other comprehensive income						
Stage 1	511,175	383,386	36,763	0	0	0
Stage 2	0	0	5,670	0	0	0
Stage 3	0	0	0	0	0	0
Total	**24,978,135**	**947,155**	**295,770**	**89,090**	**21,514**	**4,569**

€k	Rating classes					
	Very good	Good	Satisfactory	Adequate	High Risk	Default
31.12.2018						
Loan commitments in the retail loan business						
Stage 1	869,267	1,863,499	309,179	59,540	15,406	0
Stage 2	2,561	7,342	21,889	9,224	5,710	0
Stage 3	0	0	0	0	0	336

Other financial assets of €20.9m exist outside those shown in the table, particularly in the form of current trade receivables from individual transactions. They are not allocated to the credit qualities mentioned in the table. On the basis of past experience, no significant defaults are expected for these assets.

Assets from discontinued activities include financial instruments with a gross book value of €393.2m, of which €274.6m are balances held with central banks. Further details are provided in Note (4). Claims on private customers included in claims on customers are secured by means of securities. Altogether, no higher risks have been identified.

In the previous year, credit qualities were divided into the following grades in accordance with the regulations of the then applicable IFRS 7 and IAS 39, whereby the investment grade comprised the classes "very good", "good" and "satisfactory". They are not comparable with the figures for 2018.

€k	Claims on customers	Claims on banks	Financial investments	Others
31.12.2017				
Very good	388,386	17,288,666	1,949,021	2,362,901
Good	6,137	17,628	433,788	0
Satisfactory	12,531	0	287,180	0
Adequate	10,699	0	42,264	0
Heighened Risk	17,277	0	0	0
High Risk	9,472	0	0	0
Default	1,950	0	0	0
No allocation	50,689	402	57,892	0
Total	**497,141**	**17,306,695**	**2,770,145**	**2,362,901**

The unallocated claims on customers were first and foremost short-term claims on institutional product partners in the funds business who present a low default risk. The unallocated financial investments were primarily shares in public funds and equity interests in companies.

As of the reporting date, there were contingent liabilities of €1,380m (31 December 2017: €1,266m) for irrevocable loan commitments in the form of credit lines for securities for private customers. Customers can use the credit lines to the extent that their borrowing is secured by securities in the respective account in accordance with the contractually agreed loan-to-value limits. Borrowing leads to receivables due on demand that bear interest at the contractually agreed rates. The conservative collateralisation means that there are extremely few credit losses arising from loans against securities. In the theoretical case that all borrowers default simultaneously and at the same time all collateralisations are lost, the maximum credit risk is given by the overall amount of the irrevocable commitments.

The following figures for the previous year are presented in this year for the last time because IFRS 9 is being applied for the first time and the disclosure obligations under IFRS 7 are adjusted as a result. The corresponding disclosure obligations no longer apply after the reporting period.

Overdue, but as yet unimpaired financial assets

Claims on customers	
€k	**31.12.2017**
Age structure	
1 to 29 days	18,923
30 to 59 days	986
60 to 89 days	205
90 to 179 days	464
180 days and more	1,483
Total	**22,061**

For the claims which are overdue but not yet impaired, there are provisions for possible loan losses of €542k.

Individually impaired financial assets

Claims on customers	
€k	31.12.2017
Volume of claims individually impaired	1,950
Impairment	–590
Total	**1,360**

The risk report contains further details on the origin and cause of credit risk, on risk quantification and management as well as information on the current risk situation.

Liquidity risk

Liquidity risk in the narrower sense is understood as the risk that the bank will be unable to meet or to meet on time its current and future payment obligations. The wider definition of liquidity risk also encompasses refinancing risk – that is, the risk that the liquidity will not be sufficient if required or that it can only be acquired in the money and capital markets at terms that are significantly less favourable than expected – as well as market liquidity risk.

The latter describes the risk of being unable to unwind or close out securities positions to the desired extent or only at a loss as a result of inadequate market depth or market disruptions.

Details on the management of liquidity risk are presented in the liquidity risk section of the risk report within the management report.

Payment claims from financial assets by contractually agreed maturities

	Remaining lifetimes as of 31.12.2018				
€k	Book value	Due on demand	Up to one year	More than one year to five years	More than five years
Non-derivative financial assets					
Cash reserve	2,195,423	2,195,423	0	0	0
Claims on banks	21,351,216	263,895	5,659,400	9,690,489	6,340,154
Claims on customers	630,487	486,059	10,542	51,077	99,039
Bonds and notes	2,155,559	0	834,744	1,175,334	164,465
Derivative financial instruments	**1,099**	**0**	**13**	**1,086**	**0**
Total	**26,333,784**	**2,945,377**	**6,504,699**	**10,917,986**	**6,603,658**

€k	Book value	Due on demand	Up to one year	More than one year to five years	More than five years
	Remaining lifetimes as of 31.12.2017				
Non-derivative financial assets					
Cash reserve	2,362,901	2,362,901	0	0	0
Claims on banks	17,306,695	313,533	3,708,236	10,243,272	3,407,124
Claims on customers	495,214	394,063	50,633	31,776	27,338
Bonds and notes	2,712,076	0	816,826	1,752,423	148,371
Derivative financial instruments	**0**	**0**	**0**	**0**	**0**
Total	**22,876,886**	**3,070,497**	**4,575,695**	**12,027,471**	**3,582,833**

Payment obligations under financial liabilities by contractually agreed maturities

€k	Book value	Due on demand	Up to one year	More than one year to five years	More than five years
	Remaining lifetimes as of 31.12.2018				
Non-derivative financial liabilities					
Liabilities to banks	214,261	214,261	0	0	0
Liabilities to customers	25,459,751	24,917,453	330,647	210,476	24,751
Loan commitments					
Private customers	0	3,952,950	0	0	0
of which from loans against securities	0	1,396,984	0	0	0
Total	**25,674,012**	**29,084,664**	**330,647**	**210,476**	**24,751**

€k	Book value	Due on demand	Up to one year	More than one year to five years	More than five years
	Remaining lifetimes as of 31.12.2017				
Non-derivative financial liabilities					
Liabilities to banks	9,288	9,288	0	0	0
Liabilities to customers	22,274,039	21,750,163	310,512	209,692	34,245
Loan commitments					
Private customers	0	4,727,879	0	0	0
of which from loans against securities	0	2,305,803	0	0	0
Total	**22,283,327**	**26,487,330**	**310,512**	**209,692**	**34,245**

The loan commitments result from credit facilities granted, less those utilised as at the reporting date.

The possible loan utilisation for loans against securities is limited by the specific collateral value of each securities portfolio.

The risk report contains further details on the origin and cause of liquidity risk, on risk quantification and management as well as information on the current risk situation.

Market risk

Market price risks encompass the risk of loss from changes in market parameters (in particular interest rates, credit spreads, exchange rates and share prices).

The statistical/mathematical approach of historic simulation to calculate the value-at-risk values is used to quantify and monitor general market price risks on a daily basis. The value-at-risk describes the maximum loss under normal market conditions for a specific probability (confidence level) and specific holding period. The underlying statistical parameters are based on a historic monitoring period of the past 255 trading days, a holding period of one day and a confidence level of 97.5%.

The key feature of the historic simulation is that it does not use a parametric model for the risk factors. Historic market data and its empirical distribution function is used directly. A portfolio value is obtained for every day of the historic monitoring period. For a monitoring period of 255 days, a confidence level of 97.5% and a holding period of one day, the value-at-risk is the seventh highest daily loss in the historic monitoring period.

Stress tests are carried out at comdirect to monitor extreme market movements. The stress figure shows the maximum portfolio loss under worst case conditions. The respective maximum losses in the scenarios for the share price, interest rate, credit spreads and foreign currency risk factors are added together and are shown in the overall stress value.

Market risk

€k	As of 31.12.2017	As of 31.12.2018	Year high	Year low	Median 2018	Median 2017
Total-VaR 97.5% Holding Period 1 day	713	768	1,492	620	957	662
Stress test - overall result	**89,123**	**79,973**	**100,337**	**79,973**	**87,543**	**87,776**

The risk report contains further details on the origin and cause of market risk, on risk quantification and management as well as information on the current risk situation.

55 Provisions for possible loan losses

Loan loss provisions by class of receivables

€k	As of 1.1.2018	Utilised	Reversal	Allocation	Reclassification to discontinued activities	As of 31.12.2018
Provisions for possible loan losses for on-balance sheet lending transactions	**2,918**	**1,230**	**7,444**	**9,661**	**–119**	**3,786**
Claims on customers (AC)	2,169	1,230	6,696	9,059	–119	3,183
Stage 1	1,037	0	3,397	4,143	–119	1,664
Stage 2	476	0	2,456	2,682	0	702
Stage 3	656	1,230	843	2,234	0	817
Claims on banks (AC)	139	0	139	84	0	84
Stage 1	139	0	139	84	0	84
Stage 2	0	0	0	0	0	0
Stage 3	0	0	0	0	0	0
Financial investments measured at amortised cost	102	0	110	38	0	30
Stage 1	72	0	80	38	0	30
Stage 2	30	0	30	0	0	0
Stage 3	0	0	0	0	0	0
Financial investments measured at fair value through other comprehensive income	508	0	499	480	0	489
Stage 1	246	0	240	378	0	384
Stage 2	262	0	259	102	0	105
Stage 3	0	0	0	0	0	0
Provisions for credit risks	**1,975**	**0**	**4,320**	**3,680**	**0**	**1,335**
Stage 1	1,564	0	2,736	2,218	0	1,046
Stage 2	373	0	1,406	1,292	0	259
Stage 3	38	0	178	170	0	30
Total	**4,893**	**1,230**	**11,764**	**13,341**	**–119**	**5,121**

No lending provisions are required for significant claims on customers as of the reporting date.

Loan loss provisions by class of receivables

€k	As of 1.1.2017	Utilised	Reversal	Allocation	Changes to the scope of consolidation	As of 31.12.2017
Provisions for possible loan losses for on-balance sheet lending transactions	**2,308**	**247**	**1,464**	**1,153**	**177**	**1,927**
Claims on customers	2,308	247	1,464	1,153	177	1,927
Significant lending business	0	0	0	0	0	0
Non-significant lending business	2,308	247	1,464	1,153	177	1,927
related to transactional accounts	1,988	233	1,272	779	0	1,262
related to securities accounts and other accounts	320	14	192	374	177	665
Claims on banks	0	0	0	0	0	0
Financial investments measured at amortised cost	0	0	0	0	0	0
Financial investments measured at fair value through other comprehensive income	0	0	0	0	0	0
Provisions for credit risks	**4,000**	**12**	**2,807**	**684**	**0**	**1,865**
Total	**6,308**	**259**	**4,271**	**1,837**	**177**	**3,792**

The previous year's figures were not adjusted in the table above in accordance with IFRS 5. Individual figures can therefore not be reconciled with the previous year's disclosures in the income statement.

The provisions for credit risk are attributable exclusively to payment products. The decrease in provisions for possible loan losses and provisions in the 2017 financial year is primarily due to changes in estimates arising from the validation of parameters for loan loss provisions. Further comments can be found in Note (3). The growth in credit products in the previous financial year had a counter effect.

As in the previous year, no defaults occurred for significant exposures.

Valuation allowances were only recognised in 2017 for portfolio risks of non-significant exposures.

Valuation allowances for risks from financial assets

Claims on customers (AC)

€k	Stage 1	Stage 2	Stage 3	Total
Loss allowances as at 1.1.2018	**1,037**	**476**	**656**	**2,169**
New business	1,321	147	290	1,758
Change in portfolio from stage transfer				
from Stage 1 in Stage 2 and Stage 3	–364	1,599	1,027	2,262
from Stage 2 in Stage 1 and Stage 3	227	–1,178	474	–477
from Stage 3 in Stage 1 and Stage 2	15	21	–203	–167
Other changes within the stage	895	150	96	1,141
Deductions	1,348	513	293	2,154
Utilised	0	0	1,230	1,230
Transfer due to discontinued activities	–119	0	0	–119
Loss allowances as at 31.12.2018	**1,664**	**702**	**817**	**3,183**

Claims on banks (AC)

€k	Stage 1	Stage 2	Stage 3	Total
Loss allowances as at 1.1.2018	**139**	**0**	**0**	**139**
New business	84	0	0	84
Change in portfolio from stage transfer				
from Stage 1 in Stage 2 and Stage 3	0	0	0	0
from Stage 2 in Stage 1 and Stage 3	0	0	0	0
from Stage 3 in Stage 1 and Stage 2	0	0	0	0
Other changes within the stage	–59	0	0	–59
Deductions	80	0	0	80
Utilised	0	0	0	0
Transfer due to discontinued activities	0	0	0	0
Loss allowances as at 31.12.2018	**84**	**0**	**0**	**84**

Financial investments measured at amortised cost

€k	Stage 1	Stage 2	Stage 3	Total
Loss allowances as at 1.1.2018	**72**	**30**	**0**	**102**
New business	0	0	0	0
Change in portfolio from stage transfer				
from Stage 1 in Stage 2 and Stage 3	0	0	0	0
from Stage 2 in Stage 1 and Stage 3	8	–16	0	–8
from Stage 3 in Stage 1 and Stage 2	0	0	0	0
Other changes within the stage	–47	–14	0	–61
Deductions	3	0	0	3
Utilised	0	0	0	0
Transfer due to discontinued activities	0	0	0	0
Loss allowances as at 31.12.2018	**30**	**0**	**0**	**30**

Financial investments measured at fair value through other comprehensive income

€k	Stage 1	Stage 2	Stage 3	Total
Loss allowances as at 1.1.2018	**246**	**262**	**0**	**508**
New business	62	0	0	62
Change in portfolio from stage transfer				
from Stage 1 in Stage 2 and Stage 3	–13	46	0	33
from Stage 2 in Stage 1 and Stage 3	10	–175	0	–165
from Stage 3 in Stage 1 and Stage 2	0	0	0	0
Other changes within the stage	171	–18	0	153
Deductions	92	10	0	102
Utilised	0	0	0	0
Transfer due to discontinued activities	0	0	0	0
Loss allowances as at 31.12.2018	**384**	**105**	**0**	**489**

Provisions for off-balance sheet business

€k	Stage 1	Stage 2	Stage 3	Total
Loss allowances as at 1.1.2018	**1,564**	**373**	**38**	**1,975**
New business	249	22	15	286
Change in portfolio from stage transfer				
from Stage 1 in Stage 2 and Stage 3	–140	756	75	691
from Stage 2 in Stage 1 and Stage 3	164	–808	37	–607
from Stage 3 in Stage 1 and Stage 2	4	4	–17	–9
Other changes within the stage	–508	65	17	–426
Deductions	287	153	135	575
Utilised	0	0	0	0
Loss allowances as at 31.12.2018	**1,046**	**259**	**30**	**1,335**

Other changes within this stage include changes in models and parameters, especially gross credit volume and probability of default.

The changes in valuation allowances shown are based on the following changes in the relevant portfolio:

Changes in portfolios relevant for valuation allowances

€k	Stage 1	Stage 2	Stage 3	Total
Claims on customers as of 1 January 2018	**438,556**	**56,288**	**2,298**	**497,142**
New business	249,283	0	0	249,283
Change in portfolio from stage transfer				
from Stage 1 in Stage 2 and Stage 3	–22,758	22,004	754	0
from Stage 2 in Stage 1 and Stage 3	13,125	–13,414	289	0
from Stage 3 in Stage 1 and Stage 2	342	100	–442	0
Change to business volume	12,793	4,278	1,132	18,203
Deductions	82,610	5,224	1,065	88,899
Transfer due to discontinued activities	–42,059	0	0	–42,059
Claims on customers as of 31 December 2018	**566,672**	**64,032**	**2,966**	**633,670**

€k	Stage 1	Stage 2	Stage 3	Total
Claims on banks as of 1 January 2018	**17,306,695**	**0**	**0**	**17,306,695**
New business	9,018,356	0	0	9,018,356
Change in portfolio from stage transfer				
from Stage 1 in Stage 2 and Stage 3	0	0	0	0
from Stage 2 in Stage 1 and Stage 3	0	0	0	0
from Stage 3 in Stage 1 and Stage 2	0	0	0	0
Change to business volume	16,349	0	0	16,349
Deductions	4,939,607	0	0	4,939,607
Transfer due to discontinued activities	–50,493	0	0	–50,493
Claims on banks as of 31 December 2018	**21,351,300**	**0**	**0**	**21,351,300**

€k	Stage 1	Stage 2	Stage 3	Total
Financial investments measured at amortised cost as of 1 January 2018	**1,926,243**	**30,886**	**0**	**1,957,129**
New business	508	0	0	508
Change in portfolio from stage transfer				
from Stage 1 in Stage 2 and Stage 3	0	0	0	0
from Stage 2 in Stage 1 and Stage 3	20,885	–20,885	0	0
from Stage 3 in Stage 1 and Stage 2	0	0	0	0
Change to business volume	–4,754	0	0	–4,754
Deductions	713,966	10,001	0	723,967
Transfer due to discontinued activities	–10,322	0	0	–10,322
Financial investments measured at amortised cost as of 31 December 2018	**1,218,594**	**0**	**0**	**1,218,594**

€k	Stage 1	Stage 2	Stage 3	Total
Financial investments measured at fair value through other comprehensive income as of 1 January 2018	**708,204**	**28,928**	**0**	**737,132**
New business	318,068	0	0	318,068
Change in portfolio from stage transfer				
from Stage 1 in Stage 2 and Stage 3	–2,523	2,523	0	0
from Stage 2 in Stage 1 and Stage 3	15,688	–15,688	0	0
from Stage 3 in Stage 1 and Stage 2	0	0	0	0
Change to business volume	5,801	3,027	0	8,828
Deductions	113,914	13,120	0	127,034
Transfer due to discontinued activities	0	0	0	0
Financial investments measured at fair value through other comprehensive income as of 31 December 2018	**931,324**	**5,670**	**0**	**936,994**

The portfolio of discontinued activities relevant for valuation allowances came to €119m as of 31 December 2018.

The classification of portfolios relevant for valuation allowances and credit commitments by rating class is described in Note (54) on risk reporting.

56 Net income from financial instruments

The following table shows net income before income tax for each category of financial instruments within the meaning of IFRS 9.

€k	2018	2017	Change in %
Financial assets measured at amortised cost			
Interest income accounted for using the effective interest method	126,453	-	-
Provisions for possible loan losses	–1,670	-	-
Results of disposals	–586	-	-
Net result	**124,197**	**-**	**-**
Financial assets measured at fair value through OCI with recycling			
Fair value changes (recognised in equity)	–2,302	-	-
Results of sales recycled from the revaluation reserve to the income statement	–480	-	-
Interest income accounted for using the effective interest method	4,070	-	-
Provisions for possible loan losses	19	-	-
Results from the disposal of financial assets measured at fair value through OCI	480		
Valuation results	173		
Net result	**1,960**		
		-	-
Financial assets measured at fair value through OCI without recycling			
Fair value changes (recognised in equity)	–3,740		
Results of sales reposted from the revaluation reserve to the retained earnings	626	-	-
Results reposted from the disposal of financial assets with rebooking in the retained earnings	–626		
Dividends and similar income	1,575	-	-
Net result	**–2,165**		
		-	-
Financial liabilities measured at amortised cost			
Interest expenses	–13,392		
Net result	**–13,392**		
		-	-
Financial instruments measured at fair value through profit or loss		**-**	**-**
Valuation results	4,201		
Net result	**4,201**		

Previous year's figures pursuant to IAS 39

€k	2018	2017	Change in %
Loans and receivables			
Interest income	n/a	93,810	-
Provisions for possible loan losses	n/a	–663	-
Net result	**n/a**	**93,147**	**-**
Available-for-sale financial assets			
Fair value changes (recognised in equity)	n/a	–13,255	-
Valuation results reposted from the revaluation reserves to the income statement	n/a	0	-
Results of sales recycled from the revaluation reserve to the income statement	n/a	–21,933	-
Sub-total: change in revaluation reserves before tax	**n/a**	**–35,188**	**-**
Interest income	n/a	17,655	-
Dividends and similar income	n/a	372	-
Result from financial investments	n/a	21,933	-
Change in hedged fair value from hedging instruments	n/a	–1,628	-
Net result	**n/a**	**3,144**	**-**
Liabilities measured at amortised cost			
Interest expenses	n/a	–17,364	-
Net result	**n/a**	**–17,364**	**-**
At fair value through profit or loss: held for trading			
Trading result	n/a	–691	-
Net result	**n/a**	**–691**	**-**
At fair value through profit or loss: derivative hedging instruments			
Change in hedged fair value from hedging instruments	n/a	1,627	-
Net result	**n/a**	**1,627**	**-**

There is an assignment agreement between comdirect bank AG and Commerzbank AG for a customer loan portfolio. Claims are assigned from Commerzbank AG to comdirect bank AG as security for all existing, future and conditional claims by comdirect bank AG against Commerzbank AG and/or its group companies arising from financial transactions or other loans. Commerzbank AG was paid a fee of €4.6m on the basis of this assignment agreement (2017: €3.7m).

57 Provision of collateral for own liabilities

Cash collateral has been provided under an irrevocable payment obligation for contingent liabilities to the Compensation Scheme of German Private Banks, and cash collateral and securities have been provided from transaction settlement on the Eurex.

€k	2018	2017	Change in %
Cash collateral	8,497	2,997	183.5
Securities collateral	6,833	7,094	–3.7
Total	**15,330**	**10,091**	**51.9**

58 Average number of employees during the financial year

	2018			2017			Change (total) in %
	Total	Female	Male	Total	Female	Male	
At comdirect bank AG	**1,191**	**562**	**629**	**1,162**	**555**	**607**	**2.5**
In customer managment	478	287	191	489	294	195	–2.2
In other areas	713	275	438	673	261	412	5.9
At ebase GmbH	**263**	**154**	**109**	**262**	**151**	**111**	**0.4**
At onvista media GmbH	**27**	**9**	**18**	**13**	**7**	**6**	**107.7**
Averange number of employees during the reporting period	**1,481**	**725**	**756**	**1,437**	**713**	**724**	**3.1**

The employee details listed above include full-time and part-time staff. Not included in the number of employees is the average number of apprentices and trainees in the group in 2018.

	2018			2017			Change (total) in %
	Total	Female	Male	Total	Female	Male	
Apprentices and trainees at comdirect bank AG	**28**	**8**	**20**	**31**	**9**	**22**	**–9.7**

59 Income statement of comdirect group according to IFRS in a year-on-year comparison

€k	1.1. to 31.12.2018	1.1. to 31.12.2017[1]	1.1. to 31.12.2016[2]	1.1. to 31.12.2015[2]	1.1. to 31.12.2014[2]
Interest income accounted for using the effective interest method	130,523	-	-	-	-
Interest income, other	1,575	-	-	-	-
Total interest income	**132,098**	**111,693**	**134,741**	**165,024**	**193,765**
Interest expenses	13,480	16,869	16,578	27,334	47,665
Net interest income before provisions for possible loan losses	**118,618**	**94,824**	**118,163**	**137,690**	**146,100**
Provisions for possible loan losses	–1,651	1,449	1,131	–2,852	–273
Net interest income after provisions for possible loan losses	**116,967**	**96,273**	**119,294**	**134,838**	**145,827**
Commission income	256,095	223,775	179,394	192,621	161,950
Commission expenses	49,775	29,540	16,225	17,997	18,235
Net commission income	**206,320**	**194,235**	**163,169**	**174,624**	**143,715**
Valuation result	4,373	-	-	-	-
Result from the disposal of financial assets measured at amortised cost	–586	-	-	-	-
Result from the disposal of financial assets measured at fair value through other comprehensive income	480	-	-	-	-
Disposals and valuation result from financial assets	**4,267**	**-**	**-**	**-**	**-**
Trading result and result from hedge accounting	-	–692	–1,351	219	145
Result from financial investments	-	21,463	43,221	4,154	4,276
Other operating result[3]	6,710	9,285	3,424	2,521	8,603
Total income[3]	**334,264**	**320,564**	**327,757**	**316,356**	**302,566**
Personnel expenses	79,404	75,501	68,836	64,211	60,187
Other administrative expenses	185,305	150,871	139,227	160,401	155,183
Sales	45,400	27,496	33,300	52,311	51,282
External services	53,314	47,943	44,353	44,660	41,039
Business operations	33,649	30,945	26,910	29,294	27,361
IT expenses	26,419	23,771	21,682	23,540	23,915
Mandatory contributions	24,140	19,218	11,224	8,483	10,363
Others	2,383	1,498	1,758	2,113	1,223
Depreciation on office furniture and equipment and intangible assets	14,877	12,952	9,127	11,992	15,352
Administrative expenses	**279,586**	**239,324**	**217,190**	**236,604**	**230,722**
Pre-tax profit from continued activities	**54,678**	**81,240**	**110,567**	**79,752**	**71,844**
Taxes on income	15,665	19,496	25,337	22,556	13,411
After-tax profit from continued activities	**39,013**	**61,744**	**85,230**	**57,196**	**58,433**
Pre-tax profit from discontinued activities	16,045	13,621	10,097	10,856	10,634
After-tax profit from discontinued activities	11,356	9,800	7,281	7,846	7,760
Pre-tax consolidated profit	**70,723**	**94,861**	**120,664**	**90,608**	**82,478**
Consolidated net profit	**50,369**	**71,544**	**92,511**	**65,042**	**66,193**

1) Previous period adjusted due to reporting pursuant to IFRS 5: contributions of ebase GmbH separately as income from discontinued activities, disclosures relating to continued activities without contributions of ebase.
2) For improved comparability previous periods were adjusted. In the continued activities the contributions of the business segment B2C are reported according segment reporting. In the discontinued activities the contributions of the business segment B2B are reported as well as the effects of consolidation.
3) Voluntary changes in the method of presentation taking into account the respective value from the previous period for continued activities. Additional details can be found in Note (3).

Statement of comprehensive income of comdirect group according to IFRS in a year-on-year comparison

€k	1.1. to 31.12.2018	1.1. to 31.12.2017[1)]	1.1. to 31.12.2016[2)]	1.1. to 31.12.2015[2)]	1.1. to 31.12.2014[2)]
Consolidated net profit	**50,369**	**71,544**	**92,511**	**65,042**	**66,193**
Items which cannot be reclassified to the income statement					
Changes in actuarial gains/losses recognised in equity	–195	150	–556	–9	–586
Other comprehensive income for the period from equity instruments	–3,695	-	-	-	-
Items which can be reclassified to the income statement					
Changes in the revaluation reserves after tax					
Changes in value recognised in equity	–1,650	–5,605	8,455	26,487	34,679
Reclassification to the income statement	–329	–20,687	–37,052	–3,972	–3,652
Other comprehensive income for the period from continued activities	**–5,869**	**–26,142**	**–29,153**	**22,506**	**30,441**
Other comprehensive income for the period from discontinued activities	–850	625	–2,938	2,930	–5,628
Total other comprehensive income	**–6,719**	**–25,517**	**–32,091**	**25,436**	**24,813**
Comprehensive income	**43,650**	**46,027**	**60,420**	**90,478**	**91,006**

1) Previous period adjusted due to reporting pursuant to IFRS 5: contributions of ebase GmbH separately as income from discontinued activities, disclosures relating to continued activities without contributions of ebase.

2) For improved comparability previous periods were adjusted. In the continued activities the contributions of the business segment B2C are reported according segment reporting. In the discontinued activities the contributions of the business segment B2B are reported as well as the effects of consolidation.

60 Income statement of comdirect group according to IFRS in a quarterly comparison

	2018			
€k	Q1[1]	Q2	Q3	Q4
Interest income accounted for using the effective interest method	30,624	32,268	33,306	34,325
Interest income, other	318	803	260	194
Total interest income	**30,942**	**33,071**	**33,566**	**34,519**
Interest expenses	3,737	3,376	3,090	3,277
Net interest income before provisions for possible loan losses	**27,205**	**29,695**	**30,476**	**31,242**
Provisions for possible loan losses	–943	523	–737	–494
Net interest income after provisions for possible loan losses	**26,262**	**30,218**	**29,739**	**30,748**
Commission income	70,532	59,349	59,990	66,224
Commission expenses	11,285	10,705	12,332	15,453
Net commission income	**59,247**	**48,644**	**47,658**	**50,771**
Valuation result	–16	2,816	1,647	–74
Result from the disposal of financial assets measured at amortised cost	–572	–14	0	-
Result from the disposal of financial assets measured at fair value through other comprehensive income	39	209	43	189
Disposals and valuation result from financial assets	**–549**	**3,011**	**1,690**	**115**
Trading result and result from hedge accounting	-	-	-	-
Result from financial investments	-	-	-	-
Other operating result[2]	3,972	757	1,538	443
Total income[2]	**88,932**	**82,630**	**80,625**	**82,077**
Personnel expenses	18,751	19,866	20,056	20,731
Other administrative expenses	40,739	43,526	44,855	56,185
Sales	5,572	11,571	10,214	18,043
External services	12,399	12,250	13,815	14,850
Business operations	9,069	7,592	7,426	9,562
IT expenses	7,074	5,761	7,022	6,562
Mandatory contributions	6,070	5,779	5,742	6,549
Others	555	573	636	619
Depreciation on office furniture and equipment and intangible assets	3,542	3,695	3,807	3,833
Administrative expenses	**63,032**	**67,087**	**68,718**	**80,749**
Pre-tax profit from continued activities	**25,900**	**15,543**	**11,907**	**1,328**
Taxes on income	6,609	4,161	2,975	1,920
After-tax profit from continued activities	**19,291**	**11,382**	**8,932**	**–592**
Pre-tax profit from discontinued activities	3,399	3,109	4,412	5,125
After-tax profit from discontinued activities	2,406	2,236	3,070	3,644
Pre-tax consolidated profit	**29,299**	**18,652**	**16,319**	**6,453**
Consolidated net profit	**21,697**	**13,618**	**12,002**	**3,052**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: contributions of ebase GmbH separately as income from discontinued activities, disclosures relating to continued activities without contributions of ebase.
2) Voluntary changes in the method of presentation taking into account the respective value from the previous period for continued activities. Additional details can be found in Note (3).

Statement of comprehensive income of comdirect group according to IFRS in a quarterly comparison

	2018			
€k	Q1[1]	Q2	Q3	Q4
Consolidated net profit	**21,697**	**13,618**	**12,002**	**3,052**
Items which cannot be reclassified to the income statement				
Changes in actuarial gains/losses recognised in equity	–90	–77	185	–213
Other comprehensive income for the period from equity instruments	–1,525	2,161	418	–4,749
Items which can be reclassified to the income statement				
Changes in the revaluation reserves after tax				
Changes in value recognised in equity	–867	916	–2,046	347
Reclassification to the income statement	–35	–134	–28	–132
Other comprehensive income for the period from continued activities	**–2,517**	**2,866**	**–1,471**	**–4,747**
Other comprehensive income for the period from discontinued activities	–382	–379	805	–894
Total other comprehensive income	**–2,899**	**2,487**	**–666**	**–5,641**
Comprehensive income	**18,798**	**16,105**	**11,336**	**–2,589**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: contributions of ebase GmbH separately as income from discontinued activities, disclosures relating to continued activities without contributions of ebase.

IFRS income statement of comdirect group in quarterly comparison

	2017[1]			
€k	Q1	Q2	Q3	Q4
Interest income accounted for using the effective interest method	-	-	-	-
Interest income, other	-	-	-	-
Total interest income	**28,957**	**27,822**	**27,520**	**27,394**
Interest expenses	3,998	4,612	4,336	3,923
Net interest income before provisions for possible loan losses	**24,959**	**23,210**	**23,184**	**23,471**
Provisions for possible loan losses	–288	376	1,755	–394
Net interest income after provisions for possible loan losses	**24,671**	**23,586**	**24,939**	**23,077**
Commission income	50,093	55,309	56,626	61,747
Commission expenses	5,336	8,424	9,175	6,605
Net commission income	**44,757**	**46,885**	**47,451**	**55,142**
Valuation result	-	-	-	-
Result from the disposal of financial assets measured at amortised cost	-	-	-	-
Result from the disposal of financial assets measured at fair value through other comprehensive income	-	-	-	-
Disposals and valuation result from financial assets	**-**	**-**	**-**	**-**
Trading result and result from hedge accounting	–231	–297	–99	–65
Result from financial investments	4,642	6,568	3,835	6,418
Other operating result[2]	1,483	3,368	2,768	1,666
Total income[2]	**75,322**	**80,110**	**78,894**	**86,238**
Personnel expenses	16,684	19,040	19,966	19,811
Other administrative expenses	32,178	37,917	37,069	43,707
Sales	4,580	10,365	4,757	7,794
External services	11,431	11,764	12,463	12,285
Business operations	6,134	6,720	7,566	10,525
IT expenses	5,874	5,185	6,768	5,944
Mandatory contributions	4,103	3,581	4,861	6,673
Others	56	302	654	486
Depreciation on office furniture and equipment and intangible assets	2,423	3,197	3,465	3,867
Administrative expenses	**51,285**	**60,154**	**60,500**	**67,385**
Pre-tax profit from continued activities	**24,037**	**19,956**	**18,394**	**18,853**
Taxes on income	6,249	2,108	5,123	6,016
After-tax profit from continued activities	**17,788**	**17,848**	**13,271**	**12,837**
Pre-tax profit from discontinued activities	3,390	3,529	3,147	3,555
After-tax profit from discontinued activities	2,584	2,492	2,205	2,519
Pre-tax consolidated profit	**27,427**	**23,485**	**21,541**	**22,408**
Consolidated net profit	**20,372**	**20,340**	**15,476**	**15,356**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: contributions of ebase GmbH separately as income from discontinued activities, disclosures relating to continued activities without contributions of ebase.
2) Voluntary changes in the method of presentation taking into account the respective value from the previous period for continued activities. Additional details can be found in Note (3).

IFRS statement of comprehensive income of comdirect group in quarterly comparison

	2017[1]			
€k	Q1	Q2	Q3	Q4
Consolidated net profit	**20,372**	**20,340**	**15,476**	**15,356**
Items which cannot be reclassified to the income statement				
Changes in actuarial gains/losses recognised in equity	–39	279	–62	–28
Other comprehensive income for the period from equity instruments	-	-	-	-
Items which can be reclassified to the income statement				
Changes in the revaluation reserves after tax				
Changes in value recognised in equity	–2,063	–4,165	2,065	–1,442
Reclassification to the income statement	–4,446	–6,406	–3,580	–6,255
Other comprehensive income for the period from continued activities	**–6,548**	**–10,292**	**–1,577**	**–7,725**
Other comprehensive income for the period from discontinued activities	–435	1,288	–273	45
Total other comprehensive income	**–6,983**	**–9,004**	**–1,850**	**–7,680**
Comprehensive income	**13,389**	**11,336**	**13,626**	**7,676**

1) Previous periods adjusted due to reporting pursuant to IFRS 5: contributions of ebase GmbH separately as income from discontinued activities, disclosures relating to continued activities without contributions of ebase.

61 Segment reporting

€k	B2C	B2B	Consoli-dation	IFRS 5 effects	comdirect group total
	1.1. to 31.12.2018				
Interest income	132,170	328	–176	–224	132,098
Interest expenses	13,656	1,260	–176	–1,260	13,480
Net interest income before provisions for possible loan losses	**118,514**	**–932**		**1,036**	**118,618**
Provisions for possible loan losses	–1,651	22		–22	–1,651
Net interest income after provisions for possible loan losses	**116,863**	**–910**		**1,014**	**116,967**
Commission income	256,352	226,878	–509	–226,626	256,095
Commission expenses	49,775	167,769	–258	–167,511	49,775
Net commission income	**206,577**	**59,109**	**–251**	**–59,115**	**206,320**
Disposals and valuation result from financial assets	**4,267**	**0**		**0**	**4,267**
Other operating result[1]	6,710	1,305		–1,305	6,710
Total income[1]	**334,417**	**59,504**	**–251**	**–59,406**	**334,264**
Administrative expenses	**280,390**	**45,153**	**–251**	**–45,706**	**279,586**
Pre-tax profit from continued activities	**54,027**	**14,351**		**–13,700**	**54,678**
Pre-tax profit from discontinued activities	-	-		16,045	16,045
Pre-tax consolidated profit	**54,027**	**14,351**		**2,345**	**70,723**
Segment investments	20,933	4,953			25,886
Segment depreciation	14,877	4,730		–4,730	14,877
Cost/income ratio	83.4%	75.9%			83.2%
Segment income	406,984	230,540			
of which external income	406,798	230,123			
of which inter-segmental income	186	417			
Segment expenses	352,957	216,189			

1) Voluntary changes in the method of presentation. Additional details can be found in Note (3).

For better clarity, the tables also show the values for the discontinued activities. They are also reconciled with the income statement values. Pursuant to the requirements of IFRS 5, the contributions of the former B2B business segment are also deducted from the respective line items and the earnings contribution is instead reported in a total amount as earnings from discontinued activities.

Two business segments were previously the focus of management: business-to-customer (B2C) and business-to-business (B2B).

The B2C business segment still comprises the activities of comdirect bank AG and its five special funds. These relate to services in brokerage, banking and advice in direct business with modern investors. Since the acquisition of the onvista group, this has also included onvista media GmbH, which operates the associated onvista.de portal, and onvista AG.

The activities in the B2B business segment were carried out via ebase GmbH. Through its B2B partners, ebase offers comprehensive and tailored solutions for asset accumulation and investments.

The agreed sale of ebase means that its business activities will be classified as a discontinued activity from the perspective of comdirect group. B2B therefore no longer represents an operating business segment.

Management and reporting now relates exclusively to the B2C business segment. It encompasses all continuing activities. Further reportable segments were not identified.

Net interest income in the comdirect group is mainly generated by reinvesting customer deposits in the money market and capital markets. Commerzbank is a key business partner in this context (cf. Related party disclosures, Note (21)). The interest income of €101.2m from money market and capital market transactions exceeds 10% of the total income for the segment. This income was earned almost exclusively in the B2C business line.

In the course of its treasury investments, ebase carries out money market business with the B2C segment. Net income from discontinued activities comprised interest income of €166k (2017: €61k) and interest expenses of €9k (2017: €3k). The corresponding interest expenses and income were recorded in the B2C business segment.

Segment assets and segment debt do not represent relevant management indicators within the meaning of IFRS 8 and are therefore not shown in the table.

Segment reporting

€k	B2C	B2B	Consoli-dation	IFRS 5 effects[2]	comdirect group total
	1.1. to 31.12.2017				
Interest income	111,693	298	–154	–144	111,693
Interest expenses	16,869	958	–154	–804	16,869
Net interest income before provisions for possible loan losses	**94,824**	**–660**		**660**	**94,824**
Provisions for possible loan losses	1,449	11		–11	1,449
Net interest income after provisions for possible loan losses	**96,273**	**–649**		**649**	**96,273**
Commission income	223,775	229,176	–325	–228,851	223,775
Commission expenses	29,540	171,311	–153	–171,158	29,540
Net commission income	**194,235**	**57,865**	**–172**	**–57,693**	**194,235**
Trading result and result from hedge accounting	–692	0		0	–692
Result from financial investments	21,463	470		–470	21,463
Other operating result[1]	9,285	1,390	–80	–1,310	9,285
Total income[1]	**320,564**	**59,076**	**–252**	**–58,824**	**320,564**
Administrative expenses	**239,324**	**45,455**	**–252**	**–45,203**	**239,324**
Pre-tax profit from continued activities	**81,240**	**13,621**		**–13,621**	**81,240**
Pre-tax profit from discontinued activities	-	-		13,621	13,621
Pre-tax consolidated profit	**81,240**	**13,621**			**94,861**
Segment investments	17,468	4,718			22,186
Segment depreciation	12,952	4,894			17,846
Cost/income ratio	75.0%	77.0%			75.0%
Segment income	372,784	232,115			
of which external income	372,454	231,882			
of which inter-segmental income	330	233			
Segment expenses	291,544	218,494			

1) Voluntary changes in the method of presentation. Additional details can be found in Note (3).
2) Changed presentation compared with the reporting in the previous period for reconciliation with the group figures adjusted in accordance with IFRS 5.

Net commission income in the B2C segment results predominantly from custody account business with private customers. In addition, commission is generated from payment services and other commission, e.g. from advisory services. No impairment losses were recognised on intangible assets (2017: €6k).

In the B2B segment, net commission income is generated from securities services for institutional and private customers. Other sources of income, such as deposit business, are not material. No impairment losses were recognised on financial investments (2017: €0k).

The segment income and expenses presented are IFRS figures. They are therefore the same as the figures presented in the consolidated income statement.

62 Other liabilities

€k	31.12.2018	31.12.2017[1]	31.12.2018	31.12.2017[1]	31.12.2018	31.12.2017[1]
	Up to one year	Up to one year	More than one to five years	More than one to five years	More than five years	More than five years
Rental payments	3,719	3,289	7,618	11,398	0	758
Lease payments	816	506	641	408	0	0
Total	**4,535**	**3,795**	**8,259**	**11,806**	**0**	**758**

The above table shows minimum lease payments under non-terminable operating leases.

63 Fees for auditors

€k	2018	2017	Change in %
Annual audits	566	530	6.7
Other certification services	56	44	27.3
Tax advisory services	0	0	-
Other services	23	23	0.0
Total	**645**	**597**	**8.0**

The expenses shown in the table for services provided by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft are stated net of VAT.

Other services in the financial year include the supply of regular information about regulatory changes.

Non-audit services as defined by Section 10 (2) g of the EU Audit Regulation during the financial year included the review of the half-year report, the audit pursuant to Section 36 of the German Securities Trading Act (WpHG) (old version), audit activities relating to the IFRS reporting package and the supply of regular information on regulatory changes. Auditing services relating to the IFRS reporting package were provided for a controlled company.

64 Corporate Governance Code

comdirect bank AG has issued a declaration on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders on the website www.comdirect.de.

65 The company's Boards

Supervisory Board

Michael Mandel
Chairman
Member of the Board of Managing Directors of Commerzbank AG,
Frankfurt/Main

Frank Annuscheit
Deputy Chairman
Member of the Board of Managing Directors of Commerzbank AG,
Frankfurt/Main

Sandra Persiehl
Chairwoman of the works council of comdirect bank AG,
Quickborn

Georg Rönnberg
Public auditor and tax advisor,
Neu-Anspach

Sabine Schmittroth
Executive Manager for Private Customers Mitte at Commerzbank AG,
Frankfurt/Main

Maria Xiromeriti
Group Leader of Customer Management at comdirect bank AG,
Quickborn

Board of Managing Directors

Arno Walter
Chairman of the Board of Managing Directors, CEO

Dietmar von Blücher
Member of the Board of Managing Directors, CFO

Matthias Hach
Member of the Board of Managing Directors, CMO
(from 30 January 2018)

Martina Palte
Member of the Board of Managing Directors, COO
(until 31 March 2018)

66 Seats on supervisory boards and other executive bodies

Members of the Supervisory Board of comdirect bank AG

Michael Mandel
Seats on statutory supervisory boards:
- Commerz Real AG, Wiesbaden, Deputy Chairman

Seats on comparable supervisory bodies:
- Commerz Real Investmentgesellschaft mbH, Wiesbaden, Deputy Chairman
- CommerzVentures GmbH, Frankfurt/Main
- mBank S.A., Warsaw, Poland

Frank Annuscheit
Seats on statutory supervisory boards:
- BVV Versicherungsverein des Bankgewerbes a.G., Berlin, Deputy Chairman

Seats on comparable supervisory bodies:
- BVV Versorgungskasse des Bankgewerbes, Berlin, Deputy Chairman
- Commerz Services Holding GmbH, Frankfurt/Main, Chairman of Advisory Committee (until 31 January 2019)

Sabine Schmittroth
Seats on statutory supervisory boards:
- Commerz Direktservice GmbH, Duisburg, Chairwoman
- Commerz Real AG, Wiesbaden

Seats on comparable supervisory bodies:
- Commerz Real Investmentgesellschaft mbH, Wiesbaden
- Main Incubator GmbH, Frankfurt/Main (until 31 December 2018)

Members of the Board of Managing Directors of comdirect bank AG

Arno Walter

Seats on statutory supervisory boards:
- Commerz Direktservice GmbH, Duisburg, Deputy Chairman
- onvista AG, Frankfurt/Main, Chairman (since 26 June 2018)

Seats on comparable supervisory bodies:
- European Bank for Financial Services GmbH (ebase), Aschheim, Chairman
- NEUGELB STUDIOS GmbH, Berlin, Deputy Chairman of the Board of Directors

Dietmar von Blücher

Seats on statutory supervisory boards:
- onvista AG, Frankfurt/Main, Chairman (until 26 June 2018)

Seats on comparable supervisory bodies:
- European Bank for Financial Services GmbH (ebase), Aschheim
- onvista media GmbH, Frankfurt/Main

Matthias Hach (since 30 January 2018)

Seats on statutory supervisory boards:
- onvista AG, Frankfurt/Main

Seats on comparable supervisory bodies:
- European Bank for Financial Services GmbH (ebase), Aschheim
- onvista media GmbH, Frankfurt/Main, Chairman

Martina Palte (until 31 March 2018)

Seats on statutory supervisory boards:
- onvista AG, Frankfurt/Main (until 27 March 2018)

Seats on comparable supervisory bodies:
- European Bank for Financial Services GmbH (ebase), Aschheim (until 27 March 2018)
- onvista media GmbH, Frankfurt/Main (until 13 March 2018)

67 Remuneration and loans to Board members

Compensation of the Board of Managing Directors

The compensation of the Board of Managing Directors consists of a non-performance-related fixed salary and performance-related variable compensation. The latter is made up of a short-term incentive (STI) and a long-term incentive (LTI). The STI and LTI will each be awarded half in the form of a cash payout and half as a share-based payment. Further information on the compensation of the Board of Managing Directors and individual disclosures are provided in the Compensation Report.

Overall compensation of the Board of Managing Directors as defined in IAS 24.17 and DRS 17 is as follows.

€k	2018	2017
Short-term benefits	1,134	1,356
Post-employment benefits	163	193
Other long-term benefits	123	130
Termination benefits	88	11
Share-based payment	91	418
Overall compensation pursuant to IAS 24.17	**1,599**	**2,108**
minus		
Post-employment benefits	163	193
Termination benefits	88	11
Measurement and other differences	–21	248
Overall compensation pursuant to Section 314 (1) no. 6a clause 1 of the German Commercial Code	**1,369**	**1,656**

The provisions of commercial law state that the following compensation components are part of total compensation for 2018: fixed salary, fringe benefits, STI cash payout, STI share-based and LTI share-based. The portion of the LTI component granted for 2014 to be settled in cash must also be reported as part of the compensation for the financial year 2018. In accordance with commercial law regulations, the corresponding component granted in 2018 is not reported until it is sufficiently specified and the suspensive conditions have been fulfilled and is shown as part of the overall compensation in the amount to be determined at that time.

Further comments on the individual components below relate to the subheadings under IAS 24.17.

Short-term benefits

In the 2018 financial year, the following short-term variable compensation components were recorded in the income statement: for Mr Walter €39k (2017: €52k), for Mr von Blücher €20k (2017: €21k), for Mr Hach €19k (2017: €0) and for Ms Palte €5k (2017: €29k).

Share-based payment

Share-based components of variable compensation

One component of STI and LTI is paid in shares in Commerzbank AG, the ultimate parent of comdirect bank AG. These are therefore considered to be share-based payments in accordance with IFRS 2. With regard to the LTI component, the expense is recognised over a vesting period of four years. The full amount for the STI component is recognised as an expense in financial year 2018.

In the financial year, the following amounts were recorded in the income statement for the share-based compensation components mentioned above: for Mr Walter €39k (2017: €176k), for Mr von Blücher €21k (2017: €41k), for Mr Hach €25k (2017: €0) and for Ms Palte €6k (2017: €117k).

Other long-term benefits

Entitlement to an LTI cash payment is only vested after a three-year waiting period at the earliest. The amount can be reduced or cancelled depending on the results of a renewed performance evaluation at the end of the waiting period and will be paid in the fourth year after the end of the financial year in which the underlying work was performed, at the earliest. Only then are the amounts included in the overall compensation of the Board of Managing Directors.

The amounts for each tranche are recognised as an expense on a pro rata basis over a total period of four years. In the reporting year, expenses of €68k relating to the LTI component with cash payout were incurred (2017: €56k) for Mr Walter, €18k (2017: €12k) for Mr von Blücher, €6k (2017: €0) for Mr Hach and €31k (2017: €37k) for Ms Palte.

Post-employment benefits

The members of the Board of Managing Directors receive a pension commitment for their activities at comdirect bank AG. The company has formed pension provisions under IFRS for these future claims, the amount of which depends on the length of service, pensionable salary and current actuarial interest rate. The measurement is based on actuarial assessments, using the projected unit credit method, which are conducted by an independent actuary.

The pension obligations under IFRS towards members of the Board of Managing Directors who were active during the financial year developed as follows:

2018 €k	DBO (IFRS) as of 1.1.2018	Change in 2018	DBO (IFRS) as of 31.12.2018	Service cost 2018
Arno Walter	1,119	129	1,248	85
Dietmar von Blücher	408	46	454	54
Matthias Hach (from 30 January 2018)	0	13	13	0
Martina Palte (until 31 March 2018)	97	14	111	24
Total	**1,624**	**202**	**1,826**	**163**

2017 €k	DBO (IFRS) as of 1.1.2017	Change in 2017	DBO (IFRS) as of 31.12.2017	Service cost 2017
Arno Walter	1,023	96	1,119	90
Dietmar von Blücher	375	33	408	58
Dr. Sven Deglow (until 31 December 2017)	36	–36	0	20
Martina Palte	74	23	97	25
Total	**1,508**	**116**	**1,624**	**193**

Termination benefits

Termination benefits of €88k were recorded in expenses for the 2018 financial year (2017: €83k).

Information relating to former members of the Board of Managing Directors
The bank provides pension provisions for former members of the Board of Managing Directors or their surviving dependents. As of the balance sheet date, pension obligations under IFRS (defined benefit obligations) towards former members of the Board of Managing Directors amounted to €4,882k (2017: €4,959k).

The compensation of the former members of the Board of Managing Directors of comdirect bank AG amounted to €426k in the 2018 financial year (2017: €343k). In 2018, a payment of €111k was made (2017: €98k) for the LTI component for former members of the Board of Managing Directors granted in the 2014 (2013) financial year.

Compensation of the Supervisory Board
The compensation of the Members of the Supervisory Board is governed by comdirect bank AG's Articles of Association. The members of the Supervisory Board received overall compensation of €146k (2017: €137k) consisting of fixed compensation of €96k (2017: €96k) and compensation for committee work of €50k (2017: €42k). The compensation includes VAT at the statutory rate, if applicable.

No advance payments or loans were made, and comdirect bank AG assumed no contingent liabilities. Individual disclosures are made in the Compensation Report.

68 Holdings
The following companies were included in the consolidated financial statements in accordance with IFRS 10. Details of the companies' equity and net profit for the year are taken from the financial statements prepared in accordance with their national financial reporting guidelines.

Affiliated companies

Name	Domicile	Share of capital held in %	Equity in €k	Net profit for the year in €k
European Bank for Financial Services GmbH (ebase)	Aschheim/Germany	100.0	26,800	0[1]
onvista AG	Frankfurt/Main, Germany	100.0	39,433	–589
onvista media GmbH	Cologne/Germany	100.0	1,659	–169

1) Net income after profit transfer.

Structured entities (special funds)

Name	Domicile	Share of capital held in %	Funds volume in €k	Net profit for the year in €k
CDBS-Cofonds	Frankfurt/Main, Germany	100.0	140,144	727
CDBS-Cofonds II	Frankfurt/Main, Germany	100.0	96,135	–291
CDBS-Cofonds III	Frankfurt/Main, Germany	100.0	132,054	596
CDBS-Cofonds IV	Frankfurt/Main, Germany	100.0	132,436	595
CDBS-Cofonds V	Frankfurt/Main, Germany	100.0	110,325	836

69 Supplementary report
No major events or developments of special significance have occurred since the reporting date.

Declaration by the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair view of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group.

Quickborn, 21 February 2019
The Board of Managing Directors

Arno Walter

Dietmar von Blücher

Matthias Hach

Independent auditor's report[1)]

To comdirect bank AG, Quickborn,

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of comdirect bank AG, Quickborn, and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, the income statement, statement of comprehensive income, cash flow statement and statement of changes in equity for the financial year from 1 January 2018 to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of comdirect bank AG, Quickborn, for the financial year from 1 January 2018 to 31 December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January 2018 to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained

1) Translation of the German independent auditor's report concerning the audit of the consolidated financial statements and management report prepared in German.

is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2018 to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Recognition of commission income from brokerage business
Reasons why the matter was determined to be a key audit matter:
comdirect bank AG earns commission income from brokerage business, primarily from the provision of services in relation to the execution of customer orders. Commission income is recognized as and when the service has been provided. Given the high volumes and the significance of commission income from brokerage business for the financial performance of comdirect bank AG, we determined this to be a key audit matter.

Auditor’s response:
With regard to the measurement of commission income from brokerage business, we used a controls-based approach during the audit, examined the underlying business processes and tested the design and operating effectiveness of the controls implemented therein. Our procedures covered the automatic issuance of settlement notes for executed securities transactions and the correct billing of the contractually agreed commission rates and their complete processing in the general ledger. We also performed analytical procedures with regard to the development of commission income from brokerage business. In so doing, we examined in particular the development of the number of securities trades in relation to the development of commission income from brokerage business.

Our procedures did not give rise to any reservations regarding the recognition of commission income from brokerage business.

Reference to related disclosures:
The Board of Managing Directors describes the methods for recognizing commission income from brokerage business in Note (1) “Basic principles and estimation uncertainties” in the accounting and measurement methods and in Note (24) “Net commission income” in the notes to the consolidated financial statements.

Other information
The Supervisory Board is responsible for the “Report of the Supervisory Board.” In all other respects, the executive directors are responsible for the other information. The other information comprises the sections of the annual report entitled “Key figures of comdirect group”, “Management of comdirect”, “Letter to the shareholders”, “Report of the Supervisory Board”, “The market for retail banking is changing fundamentally”, “Numerous innovations strengthen the strategic position of comdirect”, “Our growth path continues”, “Declaration by the legal representatives”, “2019 financial calendar” and “Contacts”, all of which were available as drafts before the date of this auditor’s report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 4 May 2018. We were engaged by the Supervisory Board on 4 May 2018. We have been the group auditor of comdirect bank AG, Quickborn, since financial year 2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

- Review of the half-year financial report
- Audit pursuant to Sec. 36 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] (prior to revision)
- Performance of audit procedures relating to the IFRS reporting package
- Provision of regular information about regulatory changes
- Voluntary audit of the annual financial statements of onvista AG in compliance with Sec. 317 HGB

German Public Auditor responsible for the engagement

The German Public Auditors responsible for the engagement are Frank Bühring (comdirect bank AG) and Michael Eisenhuth (ebase GmbH).

Hamburg, 22 February 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bühring	Meyer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

2019 Financial calendar

30 January	Press/Analysts' conference in Frankfurt/Main
26 March	2018 Annual report
30 April	Quarterly statement
9 May	Annual General Meeting in Hamburg
1 August	Half-year report
29 October	Nine-month statement

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