Annual Report 2019

comdirect

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Key figures of comdirect group

Customers, total assets under control and key products		2019 31.12.	2018 31.12.	Change in %
Business-to-customer (B2C) business segment				
Customers	number	2,742,652	2,522,204	8.7
Custody accounts	number	1,561,934	1,383,630	12.9
Current accounts	number	1,695,571	1,568,736	8.1
Total assets under control	in €m	80,176	62,080	29.1
of which: porfolio volume	in €m	51,304	36,636	40.0
of which: deposit volume	in €m	28,871	25,444	13.5
Credit volume	in €m	743	609	21.9
Orders, order volume and net fund flow (B2C)		**2019**	**2018**	
Executed orders	number	24,384,945	21,879,083	11.5
Average order activity per custody account	number	16.6	16.9	–1.8
Order volume per executed order[1]	in €	4,227	4,860	–13.0
Net fund flow	in €m	9,972	9,184	8.6
Key financial figures		**2019**	**2018**	
Continued activities				
Net commission income	in €k	219,716	206,320	6.5
Net interest income before provisions for possible loan losses	in €k	125,129	118,618	5.5
Total income	in €k	363,441	334,264	8.7
Administrative expenses	in €k	287,895	279,586	3.0
Cost/income ratio	in %	78.9	83.2	-
Pre-tax profit	in €k	75,546	54,678	38.2
Discontinued activities				
Pre-tax profit	in €k	115,056	16,045	617.1
comdirect group[2]				
Pre-tax profit	in €k	190,602	70,723	169.5
Consolidated net profit	in €k	164,139	50,369	225.9
Earnings per share	in €	1.16	0.36	225.9
Return on equity before tax[3]	in %	27.4	11.3	-
Return on equity after tax[4]	in %	23.6	8.0	-
Balance sheet key figures		**31.12.**	**31.12.**	
Balance sheet total	in €m	29,759	26,915	10.6
Equity	in €m	768	634	21.2
Equity ratio[5]	in %	2.6	2.4	-
Regulatory indicators under CRR/CRD IV[6]		**31.12.**	**31.12.**	
Risk weighted assets[7]	in €m	1,381	1,127	22.6
Eligible amount for operational and other risks	in €m	17	13	27.6
Core capital	in €m	550	537	2.4
Own funds for solvency purposes	in €m	550	537	2.4
Own funds ratio[8]	in %	34.5	41.5	-
Employee figures (B2C)		**31.12.**	**31.12.**	
Employees	number	1,278	1,274	0.3
Full-time equivalent (FTE)	number	1,167	1,153	1.2

1) excluding CFD trades
2) comdirect group, consisting of B2C: comdirect bank AG and B2B: ebase GmbH (discontinued activities according to IFRS 5; disposal as of 16/07/2019)
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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Management of comdirect

From left to right: Dietmar von Blücher, Frauke Hegemann, Matthias Hach

Frauke Hegemann, CEO
Frauke Hegemann, born in 1976, has been the CEO of comdirect bank AG since 2020. In addition to the areas of Corporate Development & Strategy, Customer Management and Human Resources, she is now responsible for Information Security & Outsourcing Management, Auditing and Corporate Communications. Furthermore, she is Chairwoman of the Supervisory Board of comdirect Versicherungsmakler AG. Moreove,r she is Chairwoman of "Stiftung Rechnen".

Frauke Hegemann has been with comdirect since April 2018. She initially performed her duties as a designated member of the Board of Managing Directors in the capacity of Chief Representative. From April 2019 she was the Chief Operations and Chief Human Resources Officer at comdirect bank AG.

Dietmar von Blücher, CFO/CIO
Dietmar von Blücher, born in 1973, has been the Chief Financial Officer and Chief Information Officer of comdirect bank AG since 2016. Along with Finance, Controlling & Investor Relations and Information Technology he is also responsible for Legal, Data Protection & Organisation, Risk Management & Compliance, and the onvista bank back-office division. Furthermore, he is a member of the Supervisory Board of onvista media GmbH as well as a member of the Management Board of comdirect Versicherungsmakler AG.

Following his bank training, Dietmar von Blücher studied business administration. He started working at Dresdner Bank AG in 1996 where he held various positions, the latest of which was as Department Head of Financial Controlling. In 2009, he took on the role as Department Head for HGB/IFRS financial statements analysis in Group Accounting at Commerzbank AG. Prior to taking on the position at comdirect he was the Divisional Manager of Group Finance Activities for the Non-Core Assets segment and for Hypothekenbank Frankfurt within the Commerzbank group.

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, User Interface, Treasury & Business Partners and Home Loans & Provisioning he is responsible for the Banking and Brokerage departments. Furthermore, he is the Chairman of the Supervisory Board of onvista media GmbH and a member of the Management Board of comdirect Versicherungsmakler AG.

Matthias Hach completed his training as a bank clerk at Berliner Volksbank. In 1999, he moved to Berliner Effektenbank AG and worked as an authorised signatory for the reorganisation of a securities processing division. From 2000, he took part in establishing E*TRADE Bank AG as Chief Representative and was promoted to Managing Director of E*Trade Germany in 2003. In 2010, he joined the Board of Managing Directors at ViTrade AG as a spokesman. Most recently, Hach was the Managing Director of flatex GmbH in Germany and Austria from 2013 until 2015. He joined comdirect in 2016 and was initially Head of Brokerage.

Letter to shareholders

Dear shareholders and friends of comdirect,

The past year can be summed up in three adjectives: successful, exciting and intense. Our success is reflected in our figures. The pre-tax profit from continuing operations, i.e. excluding the proceeds from the sale of ebase, was up 38% year-on-year at €75.5m. Including the sale of ebase, we achieved a record result of €190.6m in 2019. comdirect is continuing to grow: we added a net total of around 220k new customers in 2019, around the same as in the previous year. However, I am particularly pleased by the growth in total assets under control (AuC), which rose by around 30% to €80.2 bn in 2019 as a result of the increase in the portfolio volume in particular. At €10 bn, net fund inflows reached eight digits for the first time in the past year, of which €6.5 bn was attributable to custody accounts.

Let us turn to the second adjective: exciting. What motivated our customers to entrust comdirect with their assets? Our fund inflows in our securities business show that comdirect is offering the right services for its customers: an extremely wide range of tradable securities; cominvest, a robo -advisor that performed extremely well last year and that now has more than €600m of assets under control; excellent support; and, last but not least, great tools for investing in securities. These range from the investment assistant and the opening up of the comdirect API to third parties, such as Guidants, through to mobile solutions like the chat order in the comdirect app, which we implemented in the past year. From newcomers to experienced traders, comdirect allows its customers to trade their securities anywhere, any time, at good conditions and with optimal support. There are good reasons why we received numerous awards for our brokerage services in the past year, including being named "online broker of the year" by the brokervergleich.de portal.

In banking, too, we got some new things off the ground in 2019. We became the banking partner of two sports clubs: Borussia Dortmund and Hamburger Sportverein. These are important partnerships because they bring our innovations closer to the customer, especially in the area of mobile payment, and show that finances can be fun. In addition to the comdirect account with mobile payment function and cards bearing the design of the respective club, we offer discounts and other benefits for fans.

comdirect is increasingly becoming a platform: with comdirect Versicherungsmakler AG, we have been the digital insurance manager for our customers since late 2019. Customers can now keep track of all their insurance contracts as well as their finances via a single login and manage, compare and conclude contracts online. This is the result of a cooperation between comdirect and the JDC Group, a leading platform for advisor tech and bancassurance. Another partnership was communicated shortly before the end of the year: Together with OptioPay, we have given our customers access to "Make a deal", a learning savings assistant that allows them to optimise their finances.

All our services are focused on the smartphone. comdirect is the smart financial companion for an increasingly mobile generation. The hit rates for our apps show that this strategy is absolutely the right one. We had our "mobile moment" in 2019, with more people using our apps than our website for the first time. All in all, we are in mobile contact with twice as many customers as two years ago. Customers are using their smartphones for more than just checking their balances – transactions are increasingly also being conducted via our apps. In 2019, a quarter of all transfers at comdirect were made through mobile devices.

The innovations we introduced for our customers have also been accompanied by internal innovations. For example, we are increasingly using new technologies in customer management. All incoming telephone calls – more than 200k a month – are now being taken by our voice dialogue system. One new development is that simple, standardised services like blocking visa cards or checking account balances can now be performed exclusively via the voice dialogue system. Our hybrid chatbot assists with customer chats by automatically suggesting responses to our employees. And many processes are now conducted using robotic process automation without employees having to become involved, such as blocking current account cards, changing limits or changing an address online. This relates to more than 20k processes every month.

Digitalisation, and in particular the digitalisation of customer management, builds to a large extent on the scalability of comdirect. This is illustrated by the year-on-year reduction in operating administrative expenses in 2019 even as the number of customers increased. Operating administrative expenses per customer fell by around five per cent, while the ratio of customers to employees in customer management increased by around eight per cent. In other words, the use of new technologies allows us to look after more customers with the same number of employees. comdirect has a scalable business model.

The year 2019 was not only successful and exciting, but also intense. In our 25th year as a bank, we were surprised by the announcement that Commerzbank wanted to acquire comdirect and integrate it into Commerzbank. Commerzbank now holds more than 90% of the shares in comdirect and is seeking to squeeze out the remaining minority shareholders in line with the provisions of merger law. The Annual General Meeting of comdirect in Wiesbaden on 5 May 2020 will vote on the transfer of the shares of the minority shareholders to the majority shareholders in exchange for appropriate cash compensation.

After almost five years, Arno Walter stepped down as CEO of comdirect with effect from the end of 2019. In addition to the impressive commitment of our employees, comdirect's positive performance in the 2019 financial year is attributable to the decisions made jointly by the Board of Managing Directors. I would like to take this opportunity to express my gratitude to my colleagues for the cooperation we have enjoyed – and I am pleased that, in Arno Walter, a "comdirect expert" will be heading the integration project at Commerzbank.

comdirect's success makes me all the more confident that the planned future-oriented bank will share a lot of comdirect's characteristics and that we will continue to offer our customers outstanding services and excellent support in future. I will work my hardest to ensure that this is the case.

Best regards,

Hegemann

Frauke Hegemann

Supervisory Board report

Cooperation between Board of Managing Directors and Supervisory Board
In the 2019 financial year, the Supervisory Board cooperated closely with the Board of Managing Directors of comdirect bank AG and advised and monitored it regularly and on an ad-hoc basis regarding the management of the company. We comprehensively performed all of the tasks incumbent upon the Supervisory Board based on the legal framework, the bank's Articles of Association, the Rules of Procedure for the Supervisory Board and the German Corporate Governance Code (GCGC). The Supervisory Board ensured at all times that it was kept adequately informed by the Board of Managing Directors in line with the information and reporting duties stipulated in the Rules of Procedure for the Board of Managing Directors. Furthermore, the Chairman of the Supervisory Board ensured that he was informed in detail about all key events of significance to the assessment of the company's position and performance and to the management of the company. He maintained intensive contact with the CEO, with whom he examined the strategy, business performance, medium-term planning and risk management of comdirect bank AG in particular. In addition, the Chairman of the Supervisory Board arranged for important matters to be dealt with in the Supervisory Board committees.

Focus areas of advisory and supervisory work in 2019
In the 2019 financial year, the Supervisory Board held five scheduled meetings: on 13 March, on 8 May before the Annual General Meeting and on 9 May after it, on 12 September and on 5 December 2019. As in the previous years, one key issue was reporting on the implementation of the ongoing strategy programme. In this context, we gathered extensive information on the further development of comdirect's product and service range. The Board of Managing Directors kept us up to date with the various projects implemented in 2019, including the introduction of insurance brokerage business and the conclusion of the sales process for ebase GmbH.

We were informed about the scalability of the business model through modernisation of the IT infrastructure, digitalisation and optimisation of work processes. Standard processes are growing faster and more efficient through the use of new technologies, particularly a hybrid chatbot, robotic process automation (RPA), a new full text search on the comdirect website and an intelligent voice dialogue system.

The Board of Managing Directors of comdirect also informed us about the development of key performance indicators and their impact on the net assets, financial position and results of operations and on the medium-term planning. During the discussions, we also dealt with the market and competitive environment. The Supervisory Board also regularly addressed the bank's risk status. The focus here was on discussing the overall risk strategy in accordance with the minimum requirements for risk management (MaRisk). In addition, the Supervisory Board also dealt with the preparations for the Annual General Meeting on 9 May 2019. Besides the scheduled Supervisory Board meetings, resolutions were also passed by way of circulation and in unscheduled phone conferences.

Among other matters, these related to:
- determining the variable compensation for the members of the Board of Managing Directors for the 2018 financial year,
- determining the target amount for the variable compensation for the members of the Board of Managing Directors for the 2019 financial year,
- the risk taker scorecard for the 2015 to 2017 financial years for the members of the Board of Managing Directors of comdirect bank AG,
- the election of a Supervisory Board Chairman and a new Deputy Chairman of the Supervisory Board in the context of a potential conflict of interests,
- the formation of a Offer Committee, including the election of committee members, in connection with the public acquisition offer by Commerzbank Inlandsbanken Holding GmbH to the shareholders of comdirect bank AG,
- the formation of a Merger Committee, including the election of committee members, in connection with the planned merger of comdirect bank AG with Commerzbank AG,
- the approval of the resignation of the CEO of comdirect bank AG, Mr Arno Walter, as of the end of 31 December 2019,
- the appointment of Ms Frauke Hegemann as CEO of comdirect bank AG with effect from 1 January 2020.

Based on the recommendation of the Compensation Review Committee, the Supervisory Board defined the criteria for calculating the variable compensation of the Board of Managing Directors for the 2020 financial year at its scheduled meeting in December.

Another key topic for the Supervisory Board was the public acquisition offer by Commerzbank Inlandsbanken Holding GmbH, a wholly owned subsidiary of Commerzbank AG, to the shareholders of comdirect bank AG that was announced on 26 September 2019, and the planned merger of comdirect bank AG with Commerzbank AG.

In a letter to all members of the Supervisory Board, two Supervisory Board members each announced that, as a precautionary measure due to potential conflicts of interest, they would refrain from attending meetings of the Supervisory Board, voting on resolutions of the Supervisory Board and participating in discussions and information flows of and within the Supervisory Board whenever matters relating to the public acquisition offer, the bidding process initiated by Commerzbank Inlandsbanken Holding GmbH and the planned merger were involved, particularly with regard to the valuation of comdirect bank AG and Commerzbank AG and the conversion ratio. To enable the Supervisory Board to fulfil its duties in connection with the acquisition offer and the bidding process, the valuation of the two companies and the determination of an appropriate conversion ratio in a way that was free from conflicts of interests and in the best interests of the company, a separate "Offer Committee" and "Merger Committee" were formed. The Supervisory Board members affected by the conflict of interest are not members of these committees.

The Supervisory Board commissioned and authorised the Offer Committee to fulfil all duties and exercise all rights of the Supervisory Board in connection with the acquisition offer by Commerzbank Inlandsbanken Holding GmbH and the bidding process on behalf of the Supervisory Board. In particular, the Offer Committee was commissioned and authorised to issue and publish the reasoned statement on the acquisition offer pursuant to section 27 of the German Securities Acquisition and Takeover Act (WpÜG) on behalf of the Supervisory Board.

In addition, the Supervisory Board commissioned and authorised the Merger Committee to fulfil all duties and exercise all rights of the Supervisory Board relating to the valuation and the conversion ratio in the context of the planned merger of comdirect bank AG and Commerzbank AG on behalf of the Supervisory Board. Regular dialogue between the Board of Managing Directors and the Merger Committee took place in this context.

Work of the committees

To increase the efficiency of the Supervisory Board's work and to handle complex matters, some topics have been assigned to the Presiding Committee, the Compensation Review Committee, the Nomination Committee or the Risk and Audit Committee for decision-making or for the preparation of resolutions. In addition to the existing committees, an Offer Committee and a Merger Committee were formed (for details see page 7).

In the year under review, the Risk and Audit Committee of the Supervisory Board adopted resolutions at its five scheduled meetings on 13 March, on 8 May before the Annual General Meeting of comdirect bank AG and on 9 May after it, on 12 September and on 5 December 2019. With the exception of the meeting on 9 May 2019, each of the meetings was also attended by at least one representative of the auditing firm commissioned with the audit of the financial statements and the audit review of the half-year financial report. At the meeting on 13 March 2019, the Risk and Audit Committee dealt with the audit of the financial statements and the dependency report as well as the independence of the auditor of the annual and consolidated financial statements.

The Risk and Audit Committee discussed the status and further development of risk management and the risk situation at the comdirect Group in depth at all meetings. The focus here was on the investment of deposits with other companies of the Commerzbank Group and with other parties. The underlying investment strategy and its planning – particularly with regard to the continued intensive use of the Commerzbank Group for money market and capital market transactions – were discussed on a regular basis.

In March 2019, the Risk and Audit Committee received the annual report of the Compliance and Anti-Money Laundering Officer and was informed about Internal Audit's overall audit report for the 2018 financial year. The Chairman of the Risk and Audit Committee was thoroughly informed by 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 satisfied himself of the effectiveness of the internal control system. In 2019, there was one significant finding which was immediately remedied. The Risk and Audit Committee is also confident that the corresponding risk has been permanently eliminated.

At the meeting of the Risk and Audit Committee on 9 May 2019, the Chairman of the Risk and Audit Committee was authorised to sign the audit assignment for the annual and consolidated financial statements as well as the management reports as of 31 December 2019 by the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Hamburg branch. During the year, the Risk and Audit Committee was informed at each meeting about the activities of Internal Audit and the Compliance function.

The Risk and Audit Committee monitored the independence of the auditor and also dealt, on an ongoing basis, with the additional services provided by the auditor. In addition, the Risk and Audit Committee discussed the findings of the annual custody account/Securities Trading Act audit and the focus areas for the audit of the 2019 annual financial statements.

The statement of independence was obtained from the auditor. There are no business, financial, personal or other relationships between the auditor, its boards and audit managers, on the one hand, and comdirect bank AG and the members of its boards, on the other hand, that could give rise to doubts as to the auditor's independence.

The Chairman of the Risk and Audit Committee also kept informed in regular discussions with the auditor and the Chief Financial Officer.

In the year under review, the Presiding Committee of the Supervisory Board adopted resolutions at two meetings, on 12 September and 5 December 2019. Among other matters, these related to recommendations to the Supervisory Board regarding:
- the reorganisation of loans/credit facilities to related parties,
- the approval of the anticipatory resolution on loans to related parties for retail credit products.

In the year under review, the Nomination Committee adopted resolutions by way of circulation. Among other matters, these related to:
- the assessment in accordance with section 12 (3d) of the Rules of Procedure for the Supervisory Board (in accordance with section 12 (3d) of the Rules of Procedure for the Supervisory Board, the Supervisory Board must assess the knowledge, skills, and experience both of the individual members of the Board of Managing Directors as well as of the Supervisory Board as a whole once a year),
- the resolution on the nomination of a new candidate for the 2019 Supervisory Board elections,
- the approval of the resignation of the CEO, Mr Arno Walter, as of the end of 31 December 2019,
- the authorisation of the Chairman of the Supervisory Board of comdirect bank AG to negotiate with Mr Arno Walter regarding the conditions for the termination of his employment contract and his pension contract,
- the recommendation that Ms Frauke Hegemann be appointed as CEO of comdirect bank AG with effect from 1 January 2020,
- the authorisation of the Chairman of the Supervisory Board of comdirect bank AG to negotiate with Ms Hegemann regarding the conditions of her employment contract and her pension contract.

The Compensation Review Committee held scheduled meetings on 13 March, on 8 May before the Annual General Meeting of comdirect bank AG, on 12 September and on 5 December 2019. In addition, resolutions were passed by unscheduled phone conferences.

Among other matters, the resolutions of the Compensation Review Committee related to:
- the appropriateness of the compensation of the Board of Managing Directors,
- the recommendation to the Supervisory Board of comdirect bank AG regarding the resolution on individual target achievement and payment of the variable compensation for the 2018 financial year for the members of the Board of Managing Directors of comdirect bank AG,
- the recommendation to the Supervisory Board of comdirect bank AG regarding the resolution on the risk taker scorecard for the 2015 to 2017 financial years for current and former members of the Board of Managing Directors of comdirect bank AG.

In addition, the Compensation Review Committee dealt with the compensation review report and discussed the adjustment of the performance measurement tool. As a result, it recommended that the Supervisory Board approve the proposed resolutions.

The Offer Committee and the Board of Managing Directors prepared the joint statement pursuant to section 27 WpÜG on the public acquisition offer by Commerzbank Inlandsbanken Holding GmbH to the shareholders of comdirect bank AG in eleven phone conferences and discussed the next steps. All the members of the Offer Committee and the Board of Managing Directors participated in each of the phone conferences. The joint reasoned statement to the shareholders was published on 13 November 2019, following a resolution by the Offer Committee.

In the year under review, the Offer Committee adopted resolutions at three meetings on 18 October, 24 October and 13 November 2019.

Among other matters, the resolutions of the Offer Committee related to:
- the election of the Deputy Chairman of the Offer Committee,
- the intention to issue a joint reasoned statement pursuant to section 27 WpÜG together with the Board of Managing Directors regarding the public acquisition offer by Commerzbank Inlandsbanken Holding GmbH,
- the commissioning of Deloitte GmbH Wirtschaftsprüfungsgesellschaft and Barclays Bank Ireland PLC Frankfurt Branch to prepare a fairness opinion in line with the commissioning of the Board of Managing Directors and the authorisation of the Chairman of the Offer Committee to issue all statements in connection with the commissioning, and to take all other measures required for implementation. In particular, authorisation of the Chairman of the Offer Committee to represent the Supervisory Board in concluding a contract with Deloitte GmbH Wirtschaftsprüfungsgesellschaft and Barclays Bank Ireland PLC Frankfurt Branch. The Offer Committee also authorised the chairman to grant sub-authorisations in this context,
- the issuance of the joint reasoned statement pursuant to section 27 WpÜG.

In connection with the intended merger of comdirect bank AG with Commerzbank AG, a phone conference of the Merger Committee was held on 20 December 2019 to discuss the next steps, and in particular questions relating to the valuation of the two companies and the conversion ratio.

In the year under review, the Merger Committee adopted one resolution at a meeting on 17 December 2019. This resolution related to the election of the Deputy Chairman of the Merger Committee.

Efficiency of the Supervisory Board's work and handling of potential conflicts of interests
The Supervisory Board addresses the efficiency of its work on an annual basis, most recently at the meeting on 13 March 2019. The work of the Supervisory Board and its committees was still unanimously regarded as efficient.

On 16 October 2019, two Supervisory Board members reported potential conflicts of interests in connection with the acquisition offer by Commerzbank and the thereby intended merger of comdirect bank AG with Commerzbank AG. The conflict of interests was remedied by founding the Offer Committee and the Merger Committee.

Approval of the annual financial statements and dependency report
The annual financial statements of comdirect bank AG (in accordance with HGB), the management report of comdirect bank AG (in accordance with HGB) and the consolidated financial statements and Group management report (in accordance with IFRS), including the underlying accounts for the 2019 financial year, were audited by the auditor and issued with an unqualified audit opinion. These documents, the audit reports and the proposal of the Board of Managing Directors for the appropriation of the distributable profit were provided to the Supervisory Board members in a timely manner.

Among other meetings, the auditor attended the meeting of the Risk and Audit Committee on 12 March 2020 and the subsequent meeting of the Supervisory Board for the approval of the annual accounts. The auditor reported on the key findings of its audit and gave answers to the questions raised. The findings of the audit were discussed in depth with the Risk and Audit Committee. The Risk and Audit Committee thereupon proposed that the Supervisory Board approve the annual financial statements.

The Supervisory Board acknowledged the auditor's findings. It in turn reviewed the annual financial statements and the management report, the consolidated financial statements and the Group management report, and the proposal of the Board of Managing Directors for the appropriation of the distributable profit in line with the legal provisions and does not subsequently have any reservations. At its meeting on 12 March 2020, the Supervisory Board approved the annual financial statements and consolidated financial statements prepared by the Board of Managing Directors. The annual financial statements have thus been adopted. The Supervisory Board agrees to the proposal for the appropriation of the distributable profit.

In addition, the report by the Board of Managing Directors on the company's relationships with affiliated companies and the related audit report by the auditor were available to the Supervisory Board. Based on the final results of its audit, the auditor does not have any reservations regarding the report by the Board of Managing Directors and issued the following unqualified audit opinion: "Having duly conducted our audit and evaluation, we confirm that the actual disclosures in the report are correct, that the consideration paid by the company for the legal transactions listed in the report was not inappropriately high and that for the measure named in the report, there are no circumstances for a significantly different evaluation than that of the Management Board."

The Supervisory Board has reviewed the report by the Board of Managing Directors and approves this as well as the findings of the audit by the auditor. Based on the final results of its review, the Supervisory Board does not have any reservations regarding the closing statement by the Board of Managing Directors contained in the report on relationships with affiliated companies.

As part of its audit, the auditing firm must also assess whether the Board of Managing Directors has established a monitoring system and whether the legal requirements for early recognition of risks that jeopardise the existence of the company are met. The auditor found that the risks described in the management report are presented accurately and the measures taken by the Board of Managing Directors in accordance with section 91 (2) AktG are suitable for recognising developments that could jeopardise the continued existence of the company at an early stage. In addition, the auditor confirmed the effectiveness of the accounting-related internal control system.

Changes on the Board of Managing Directors

The Supervisory Board appointed Frauke Hegemann as a member of the Board of Managing Directors of comdirect bank AG on 2 April 2019. In addition to extensive expertise, Frauke Hegemann has in-depth experience in the finance sector due to her previous role as Chief Representative of comdirect bank AG and from the many years she spent working as head of the Private Investors & Family Offices business unit at Commerzbank AG. As Chief Operations and Human Resources Officer, she is responsible for the areas of building finance and provisioning, information security and outsourcing management, customer management and human resources, as well as for legal, data protection and organisation.

The previous CEO, Arno Walter, resigned as of the end of 31 December 2019. On the recommendation of the Nomination Committee, the Supervisory Board approved the resignation. The Supervisory Board appointed Frauke Hegemann as Arno Walter's successor. Her previous areas of responsibility were divided between the members of the Board of Managing Directors. The current responsibilities of the members of the Board of Managing Directors are shown in the "Management and supervision" section of this annual report.

Changes on the Supervisory Board

Mr Frank Annuscheit and Mr Georg Rönnberg resigned from the Supervisory Board with effect from 9 May 2019. At the Annual General Meeting on 9 May 2019, Ms Verena Pausder and Dr Jochen Sutor were appointed as new members. The previous shareholder representatives were re-elected to the Supervisory Board for another five years. Mr Henning Seeler replaced Ms Maria Xiromeriti as a newly elected employee representative. Ms Sandra Persiehl was re-elected as an employee representative. The Supervisory Board would like to thank Ms Maria Xiromeriti for her dedication and the work she has performed on behalf of the company.

At the constitutive meeting following the Annual General Meeting, the Supervisory Board elected Mr Michael Mandel as Chairman and Dr Jochen Sutor as Deputy Chairman. As Chairman of the Supervisory Board, Mr Michael Mandel held the role of Chairman of the Presiding Committee, the Compensation Review Committee and the Nomination Committee. Ms Verena Pausder and Ms Sandra Persiehl were elected as the second and third members of the Presiding Committee. The Compensation Review Committee consists of Dr Jochen Sutor and Mr Henning Seeler, while the Nomination Committee consists of Ms Sabine Schmittroth and Ms Verena Pausder. Dr Jochen Sutor was also elected as the new Chairman of the Risk and Audit Committee at the constitutive meeting of the Supervisory Board. The other members are Mr Michael Mandel and Ms Sabine Schmittroth.

Due to potential conflicts of interests in connection with the acquisition offer by Commerzbank Inlandsbanken Holding GmbH to the shareholders of comdirect bank AG, Mr Michael Mandel stepped down as Chairman of the Supervisory Board as of 18 October 2019. At an unscheduled Supervisory Board meeting the same day, Dr Jochen Sutor was elected as the new Chairman and Ms Verena Pausder as Deputy Chair. As the new Chairman of the Supervisory Board, Dr Jochen Sutor is therefore also the Chairman of the Presiding Committee, the Compensation Review Committee and the Nomination Committee. Since section 8 (3) of the Rules of Procedure for the Supervisory Board stipulates that the Chairman of the Supervisory Board cannot also be the Chairman of the Risk and Audit Committee, Mr Michael Mandel was elected as its new Chairman. The composition of the committees remained otherwise unchanged.

Due to potential conflicts of interests in connection with the acquisition offer by Commerzbank Inlandsbanken Holding GmbH and the intended merger of comdirect bank AG with Commerzbank AG, the Offer Committee was also formed on 18 October 2019 and the Merger Committee on 17 December 2019. Dr Jochen Sutor is the Chairman and Ms Verena Pausder is the Deputy Chair of both committees. The other members are Ms Sandra Persiehl and Mr Henning Seeler.

Thanks for excellent performance
We would like to thank the members of the Board of Managing Directors and all employees of the comdirect Group for their outstanding performance again in the 2019 financial year. Our thanks also go to the employee representatives for their constructive cooperation at all times.

Quickborn, 13 March 2019

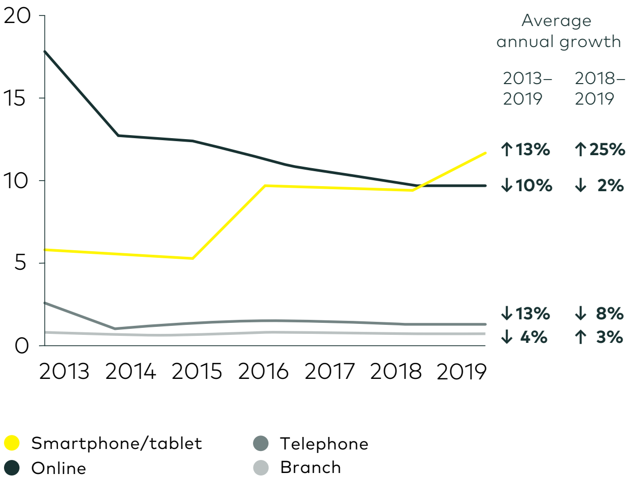
The Supervisory Board

Digitalisation in retail banking is accelerating rapidly

In 2019, the retail business of German banks was again characterised by significant change momentum. Digital services became increasing popular among customers, with supposed gimmicks maturing into everyday technology. Placing customer requirements and benefits at the heart of every activity and being open to new business models is the formula for success in this environment, particularly for established banks.

Digital is normal
Whether managing an account or making payment transactions, digital services are becoming increasingly popular among German customers. A Bitkom study in 2019 found that 70% of Germans already used online banking – an impressive increase of ten per centage points compared with the previous year. In addition, almost one in every two customers said that they could now imagine switching their main account to an online-only bank. The advance of digitalisation and mobilisation was also reflected in the ways in which customers contact their relationship bank: According to a survey by the consulting firm Bain & Company, smartphones and tablets became the most common point of access for the first time in 2019. According to the Deutsche Bundesbank, digital payment transactions are also enjoying continuous growth: German payment service providers processed almost 23 billion cashless transactions in 2018, up 5.8% on the previous year. The growth rate for card payments was an impressive 18%. One of the drivers of this growth is the ease of contactless payment: 32% of debit card holders and 39% of credit card holders are now using this payment method.

Mobile banking becomes the most common point of access
Average routine interactions of bank customers in Germany



Note: Excluding customers with no interactions
Source: "As Retail Banks Leak Value, Here's How They Can Stop It" study. Bain & Company, 2019

From a closed system to a platform

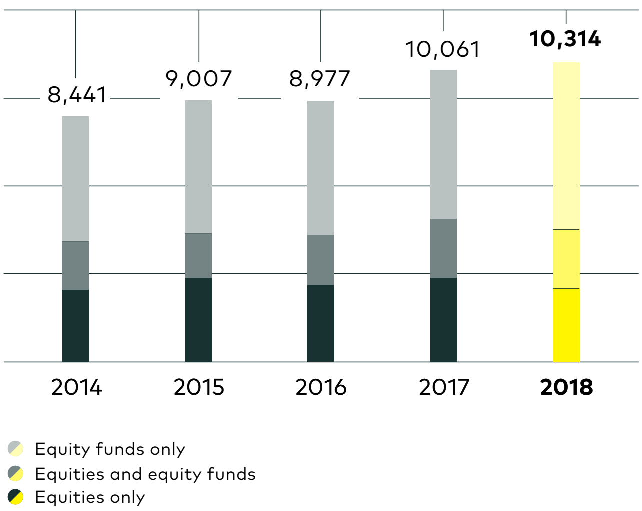
The adoption of the revised EU Payment Services Directive (PSD2) and the accompanying opening of IT architectures gives banks the opportunity to expand their business by introducing new products and accessing new customer groups. From real estate brokerage to sales services for energy and insurance products, the bank for the future is evolving into a gateway to a marketplace of financial products. White label banking also offers attractive growth potential. Many fintech companies require a banking licence to implement their business models, but are keen to avoid the expense involved in the licensing process, especially in the early stages of development. This is where established banks can help by providing a banking licence and the necessary technical infrastructure in exchange for a fee. Established consumer brands are also increasingly offering financial products in conjunction with white label solutions, which ultimately benefit both parties: The bank generates new revenue potential in the background and can refinance some of its development and operating costs, while the marketers can focus on their core business and save themselves the time and expense of development work.

Positive development in shareholder culture

Unlike many other countries, equities continue to play a relatively minor role in Germany when it comes to asset accumulation and old-age pension provision. According to the most recent survey by Deutsches Aktieninstitut, around 10.3m Germans held equities or equity funds in 2018, corresponding to around 16.2% of the population. This is also reflected in financial assets: According to the Deutsche Bundesbank, just 8.7% of private financial assets are invested in equities or equity funds. Although there is still considerable room for improvement in this respect, the shareholder culture in Germany has been developing positively for a number of years. The level of interest in equities and equity funds has consolidated and, in 2018, the number of shareholders reached its highest level since 2007.

Interest in equity investment is growing continuously

Number of shareholders and holders of equity funds in Germany



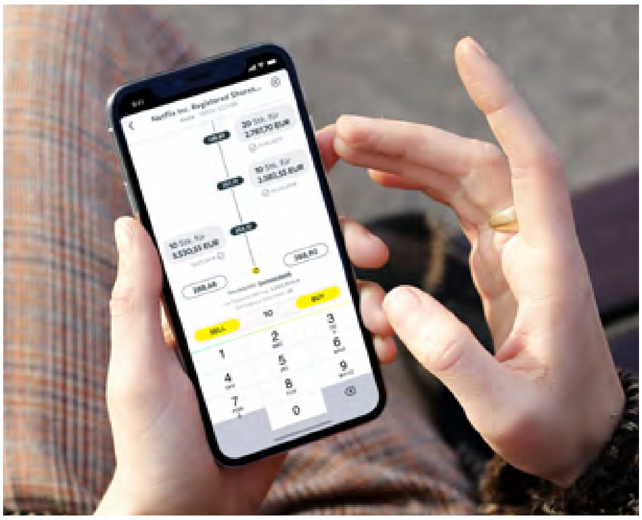
Source: Deutsches Aktieninstitut, 2018

The perfect balance between innovation and efficiency

The year 2019 clearly showed that we are succeeding in achieving the right balance between customer-oriented innovation and highly efficient process handling. We see this as confirmation of our strategic approach, which continues to focus on two performance promises: being the top address for saving, investing and trading with securities, and supporting an increasingly mobile society with innovative solutions as a smart financial companion.

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

Innovative services expanded to include chat orders
Our aspiration is to make mobile banking as simple and intuitive as possible. The chat order service that was presented in 2019 has set new standards in securities trading once again. Ordering has never been easier or more transparent. Equity trading is now as simple as sending an online message: Launch the chat order service, select a security, enter the number of units and place the order. comdirect is the first provider on the German market to offer this function.



Services for active traders expanded
Our strategy involves combining all money-related services under the comdirect umbrella. In November 2018, we presented a modern brokerage interface (API) for the trading, investment and analysis platforms of external partners. In this way, we have improved our access to the comparatively small but attractive target group of active traders, who typically use smaller and more specialised trading platforms. The API allows them to trade directly via comdirect without leaving the customised information interface of their regular platform. With Trader Fox, we connected another trading partner to our comdirect API in late 2019. We also opened up the system to our own customers, who can now build their own customised trading interface with comdirect.

We are the smart financial companion for the mobile generation

comdirect launches digital insurance platform
Since November 2019, comdirect customers have also been able to manage, compare and conclude insurance contracts fully online. Customers can access the www.comdirect-versicherungsmakler.de portal with a single click from their personal area on the comdirect website. Traditional insurance contracts can be concluded online, from contents, liability, pet owners', and home-owners' insurance through to accident, legal expense, and vehicle insurance. All other insurance contracts for private customers are offered, including telephone support. All the major insurance contracts held by (private) customers can be managed digitally. Customers can easily add their existing contracts by selecting the corresponding provider in the portal. This will eventually remove the need for big files of physical documents. Individual needs analyses can be conducted on request. As the operator of the portal, comdirect Versicherungsmakler AG uses the technical solutions of JDC Group AG.

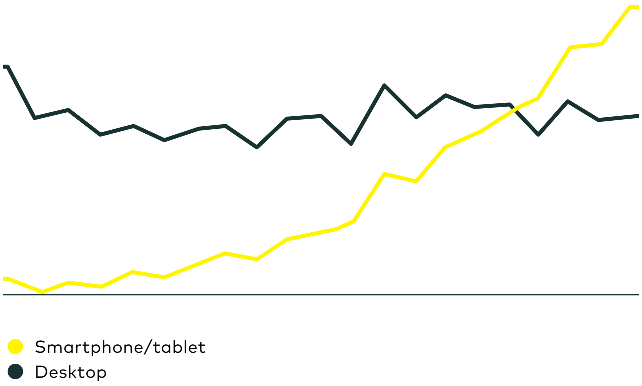
"make a deal" – the clever savings assistant
With the new intelligent savings assistant "make a deal", we are continuing to extend our range of digital financial services, expanding our value chain and opening up our services to non-customers for the first time in conjunction with OptioPay, a fintech specialising in open banking. Based on their account transactions, users receive emails containing customised savings tips and bonus vouchers from more than 120 high-profile partners. The technology analyses their transactions to generate savings tips. If the learning savings assistant identifies a cheaper telephone provider or an investment opportunity that could be more beneficial, corresponding recommendations and offers are sent to the respective user. The bonus vouchers are often tied to an incoming payment. If users buy from a certain retailer on several occasions, they receive offers from relevant providers and can convert their incoming payments into attractive bonus vouchers. "make a deal" is free of charge, non-binding and can be cancelled at any time. To use it, customers must register on the www.make-a-deal.de platform and connect it to their bank account. A comdirect account is not required.

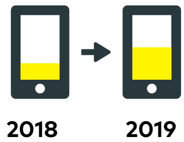
comdirect and Bundesliga football – a strong combination
Football clubs are among the brands with the greatest potential for identification. As part of our banking partnerships with Borussia Dortmund (BVB) and Hamburger Sportverein (HSV), we intend to harness this identification to offer fans added value in connection with their favourite club. In turn, we benefit from the sales strength of the two clubs. We offer innovative banking services combined with a number of additional benefits for the respective fan groups. For example, the free of charge BVB fan account includes a BVB banking app, a BVB wristband for mobile payments at the stadium and a Visa card with contactless payment – all bearing the famous black and yellow club design. Fans can also purchase BVB shares on German stock exchanges with no order fee using the BVB fan custody account. The exclusive benefits enjoyed by holders of the HSV fan account include free entry to the HSV Museum and home matches of the under-21 team, discount campaigns for selected items in the HSV store and special fan events that are not available to buy.

Actively supporting the start-up culture in Germany
As demonstrated by our digital insurance platform and the "make a deal" savings assistant, innovations by young companies also play an important role in comdirect's further strategic development. To this end, we actively support a lively start-up culture. At the fifth comdirect Finanzbarcamp in November 2019, for example, almost 150 participants discussed topics relating to the future of investment, from blockchain and robo advisors to banks' commission income and private old-age pension provision. We also support initiatives such as AHEAD, the high-tech company building platform, which bundles all of Fraunhofer's previous incubator activities to form a unique Germany-wide support network for high-tech start-ups.

Our vision of a mobile bank is becoming a reality

Website visits since 2018





>50%
Share of mobile logins exceeds 50% for the first time

64%
more mobile transfers compared with 2018

Along with our 25th anniversary, we had another reason to celebrate in 2019: our "mobile moment". For the first time, more users accessed our services via mobile channels than via the comdirect website. Twice as many people are in mobile contact with us today than two years ago. One particularly pleasing development is that our customers are using mobile channels not just to quickly check their current account or custody account, but increasingly also to make transactions. In 2019, a quarter of all transfers were conducted via mobile channels. All this shows that mobile banking is reaching the heart of society – and that our strategy of making mobile banking as intuitive and simple as possible is the right one.

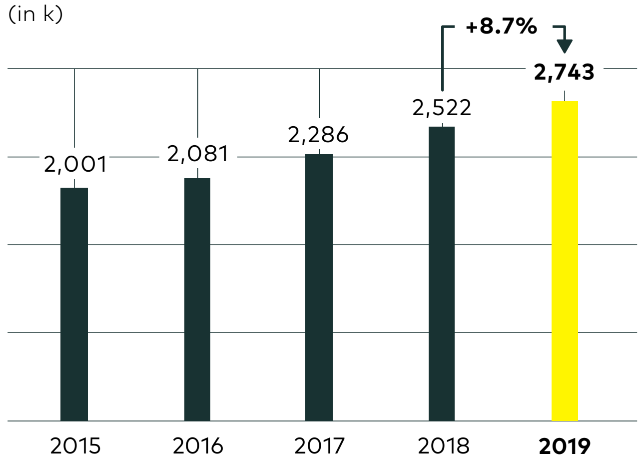
We design our processes to be cost-efficient and fit for the future

Digitalisation: a win-win situation for comdirect and our customers
With negative market interest rates now also affecting long-term investments, our strategic focus will shift from growth in favour of profitability. We are systematically investing in the continued digitalisation of our processes in order to become more efficient and more scalable. For example, robotic process automation (RPA) helps us to fully automate highly standardised processes, such as blocking current account cards, hence making processing much quicker. We already handle more than 20k RPA processes every month. The hybrid chatbot and our intelligent voice dialogue system are also significantly relieving the burden on our employees in customer management. The chatbot examines customer enquiries and automatically suggests responses. It is now being used to assist in around 20% of all incoming chats. The voice dialogue system asks customers what they are calling about. We introduced new voice self-services in the fourth quarter, such as blocking Visa cards and changing Visa credit limits. We also further expanded our website search function. All in all, the dialogue search is used around 450k times every month.

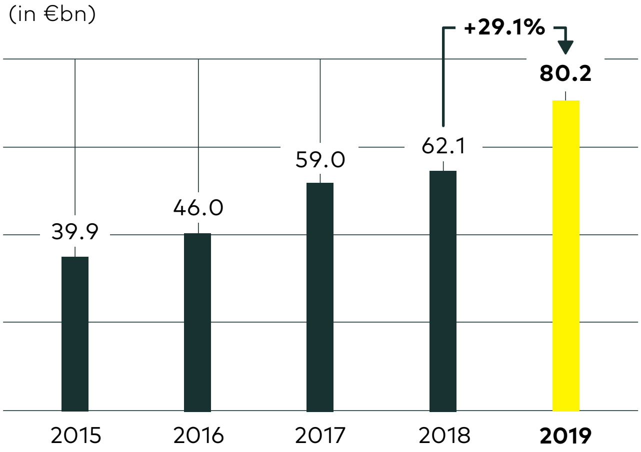
As well as helping us to resolve our customers' issues more quickly and easily, all these functions are making us more efficient and hence more profitable. This can be seen from our figures. In 2018, for example, we needed one customer service employee for every 5,900 customers; in 2019, this increased to 6,400.

Our strategy is working: dynamic growth accompanied by stable administrative expenses
The significant improvement in the scalability of our business model is reflected not least in the fact that the rise in our operating administrative expenses has been significantly outpaced by the growth in the number of customers and the deposit volume in recent years. Development in this area in the year under review was particularly pleasing: Although the level of investment in innovation and process optimisation remained high, costs per customer fell by five per cent in 2019 alone.

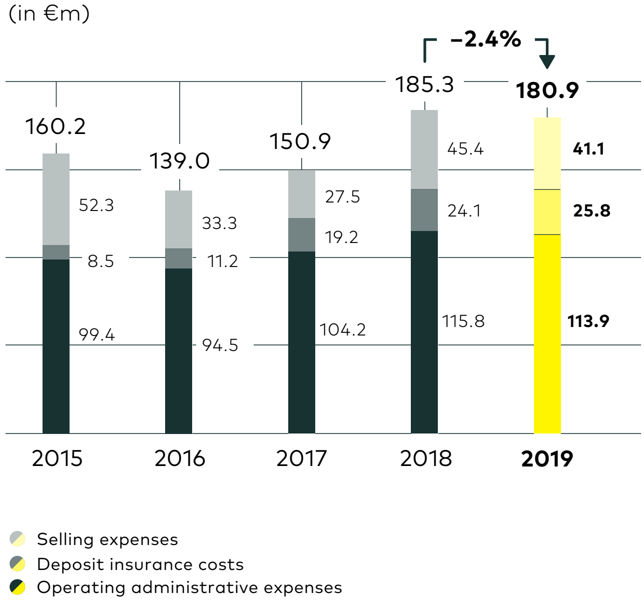
Number of customers
(in k)



Total assets under control
(in €bn)



Other administrative expenses
(in €m)



Taking responsibility – innovative, digital, dedicated

We firmly believe that thinking and acting sustainably are the way to benefit society and advance us even further as a company. We offer our employees a motivational working environment that promotes their professional and personal development without this coming at the expense of their private life. As part of our commitment to society, we are helping to break down anxiety when it comes to figures and finances. And the improvement in our ecological footprint is accompanied by tangible efficiency gains in many areas.

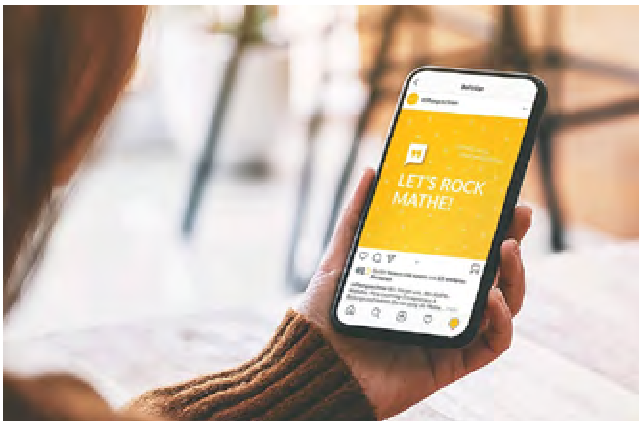
Room to develop and create
comdirect's corporate culture is shaped to a large extent by the team principle. We endeavour to act openly, respectfully and fairly towards each other and to engage in dialogue and cooperation across all hierarchical levels and departmental boundaries. From their very first day with us, employees are expressly encouraged to contribute constructively, question what they already know and hence help to shape the dynamic development of our company. We support the necessary personal and professional expertise with a wide range of formats for continued professional development. We also offer young people the opportunity to start their career with comdirect with specialist training or a dual course of study.

A working environment that is characterised by rapid change makes it all the more important for us to help our employees to achieve a healthy balance between their professional and private life. Flexible working time models, sabbaticals, childcare, sporting activities and healthcare services let them create the work-life balance that suits them best. Regular employee surveys, known as pulse checks, let us know whether we are meeting our own high standards as an attractive employer. In 2019, our success in this area was again reflected in a number of awards, such as the German Brand Award as Employer Brand of the Year.

No need to be anxious about figures and finances

Our commitment to society makes us a trailblazer within our industry. With the "Stiftung Rechnen foundation", which has been in place for the past decade, we are the only bank in Germany to make an institutional commitment in the area of mathematical and financial education. "Stiftung Rechnen" is committed to teaching young people in Germany in particular to have more fun with figures, improving their mathematical skills in the process. Since its formation, the foundation has realised 20 wide-ranging initiatives. Examples include the "Mathe.Forscher program" for new and sustainable access to mathematics in school lessons and interactive exhibitions like "Mathe.Magie", which has had over a million visitors to date. Future projects will have a digital focus – such as "Mathe.Entdecker", which uses a smartphone app to turn objects and places into lively maths problems. As a founding donor and initiator, comdirect Bank AG is represented on the foundation's Managing Board and Board of Trustees with senior employees.

The roots of another highly successful initiative also lie with comdirect: "finanz-heldinnen" aims to inspire women to engage with finance to an even greater extent and support them as they move into their financial future. It offers a wide range of knowledge formats, including a dedicated learning app, an online magazine, and podcast, and various community networking events. The formats are now followed by around 50k people. Together with other leading direct banks, comdirect is also campaigning for a livelier shareholder culture and a more enlightened approach to shareholding as part of the "ProAktie initiative".



We aim to leave a small footprint

Although our levers are relatively small compared with companies from other industries, we take responsibility for continuously reducing our ecological footprint. We believe that lowering our energy consumption offers the greatest potential in this respect. We have therefore implemented a whole range of energy-saving measures at our locations in Quickborn and Rostock and our server site in Norderstedt in recent years, including optimising the server rooms and introducing modern lighting concepts based on LED technology in particular. Although the number of employees has increased by 28%, these measures helped us to lower our energy consumption by around 16% between 2014 and 2018 – while cutting our CO_2 emissions by around 18% at the same time. The energy mix used can also have a positive effect on our ecological footprint. This is why we have been purchasing green electricity for our head office in Quickborn since 2010.

Business trips by employees are another not insignificant source of emissions. Accordingly, our business travel policy sets out clear guidelines for ensuring that mobility is as climate-friendly as possible. As a matter of principle, employees who do not have a company car must use public transportation for external activities. We are also increasingly applying sustainability criteria in our procurement activities, such as buying new furniture from a virtually climate-neutral provider. In line with the "bank on your mobile" principle, another area of action for us is continuously reducing our paper consumption. The introduction of the electronic postbox in particular helped us to lower our paper usage by around 80% between 2014 and 2018, and we believe our current digitalisation projects offer further potential for significantly reducing the amount of paper used in our business activities.

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Group management report

Foundations of comdirect group

Business model of comdirect group

comdirect is one of Germany's leading direct banks and online brokers with 2.7 m customers. We manage assets under control of around €80 bn, distributed across 1.6 m custody accounts and 1.7 m bank accounts. We see ourselves as a smart financial companion for our customers by making their lives that little bit freer and easier. Whether our customers are using sparCheck to compare savings plans, or now even our insurance broking services, our goal is to give them smart guidance on finance issues. At the same time, we aspire to be Germany's top address for saving, investing and trading with securities. We offer convenient securities trading (e.g. by chat order) and the individual implementation of investment decisions (e.g. cominvest).

Within the business-to-customer (B2C) business segment, the product and service range is bundled in the brokerage, banking, advice and business partners fields of competence. Brokerage stands for self-directed investment in this context. With its convenient functionalities, comdirect facilitates cost-effective securities trading and opens the door to a continuously expanding and optimised product selection for short-, medium- and long-term investments (e.g. larger ETF investment universe). Banking comprises all services for easily taking care of day-to-day financial transactions (e.g. via banking app). In the advice field of competence, we focus on direct bank-type consulting models with cominvest digital asset management and Baufinanzierung PLUS home loans. In banking, we generate interest income from the reinvestment of customer deposits on the money and capital market, and on consumer loans, credit lines and interest on overdrafts. There is also commission income related to transactional cards issued. In brokerage, which combines trading and investing activities, we essentially generate commission income from securities trading and associated services, and from front-end loads and sales follow-up commission in funds business.

Organisational structure, segments and locations
comdirect bank AG is the parent company of comdirect group. Following the disposal of European Bank for Financial Services GmbH (ebase) in July 2019, this comprises onvista media GmbH and comdirect Versicherungsmakler AG (formerly onvista AG).

Since the disposal of ebase and thereby the business-to-business (B2B) segment, the group is now solely managed through the B2C segment. The B2C segment comprises comdirect group as a whole: comdirect bank AG (including the onvista bank division) and its five special funds, onvista media GmbH and comdirect Versicherungsmakler AG.

comdirect bank AG's corporate headquarters are in Quickborn near Hamburg, and it also has a location in Frankfurt/Main (onvista bank division) and an IT site in Rostock. comdirect Versicherungsmakler AG has its domicile in Quickborn. onvista media GmbH has its domicile in Cologne.

Management and control

comdirect group is managed by the Board of Managing Directors of comdirect bank AG, the composition of which has changed since the previous year in that Frauke Hegemann, with the approval of the European Central Bank (ECB), became the new Chief Operating Officer (COO) of comdirect bank AG and thus a member of the Board of Managing Directors of comdirect bank AG at the start of the second quarter of 2019. Frauke Hegemann had already been performing her duties as the designated COO in the role of Chief Representative from 1 April 2018. Frauke Hegemann became the Chairwoman of the Board of Managing Directors of comdirect bank AG at the beginning of 2020. Prior to this, Arno Walter had resigned as the Chairman of the Board of Managing Directors effective as at the end of 2019.

The responsibilities of the members of the Board of Managing Directors were as follows as at the end of 2019:

Arno Walter Chairman of the Board of Managing Directors	• Corporate Development & Strategy • Corporate Communications • Internal Audit • Treasury & Business Partners
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 Front Office division • onvista media GmbH
Frauke Hegemann	• Customer Management • Human Resources • Legal, Data Protection & Organisation • Information Security & Outsourcing Management • Home Loans & Provisioning

Following Arno Walter's resignation effective from the turn of 2019/2020 and Frauke Hegemann's assumption of the position of Chairwoman of the Board of Managing Directors, the Board of Managing Directors has three members. Frauke Hegemann, Matthias Hach and Dietmar von Blücher therefore reassigned individual responsibilities to different members at the start of the year. For example, Home Loans & Provisioning and Treasury & business partners are assigned to Matthias Hach to give him authority over all sales areas. Frauke Hegemann is now responsible for Corporate Development & Strategy, Internal Audit and Corporate Communications. Responsibility for Legal, Data Protection & Organisation now lies with Dietmar von Blücher.

The Supervisory Board, which comprises six members, has changed since the previous year in that Michael Mandel resigned as the Chairman of the Supervisory Board of comdirect bank AG, but remained on as a member of the Supervisory Board. Dr Jochen Sutor was elected as the new Chairman of the Supervisory Board. Michael Mandel's resignation as the Chairman of the Supervisory Board came about as a result of the announcement of a public acquisition offer by Commerzbank Inlandsbanken Holding GmbH to the shareholders of comdirect bank AG at the end of September 2019. Michael Mandel is a member of the Board of Managing Directors of Commerzbank Aktiengesellschaft, the parent company of Commerzbank Inlandsbanken Holding

GmbH. The Supervisory Board works closely with the Board of Managing Directors, monitoring and regularly advising it on all key issues of the company's management.

Inclusion in the Commerzbank Group

comdirect bank AG is listed in the Prime Standard (Regulated Market). As of 31 December 2019, 82% of its shares were held by Commerzbank Inlandsbanken Holding GmbH, a wholly owned subsidiary of Commerzbank AG. Petrus Advisers Ltd., a hedge fund from London (GB), held 5% of the voting rights. Thus, 13% of the shares were in free float as at the end of the year.

At the end of September 2019, Commerzbank Inlandsbanken Holding GmbH announced a public acquisition offer in the amount of €11.44 per registered bearer share to all shareholders of comdirect bank AG. The acquisition offer was subject to the condition of a minimum acceptance rate of 90% (including the 82% of comdirect shares already held by the bidder). According to a press release by Commerzbank, it is striving to merge comdirect with Commerzbank by way of a squeeze-out under merger law. The acceptance period for the acquisition offer ended at the beginning of December. The minimum acceptance level was not reached. At the start of 2020, Commerzbank announced its acquisition of the shares in comdirect bank AG held by Petrus Advisers Ltd., thereby achieving a shareholding of 90% in comdirect bank AG. In accordance with the voting rights announcement of 7 January 2020, Commerzbank Inlandsbanken Holding GmbH holds 90.31% of the shares in comdirect bank AG. Commerzbank is now able to resolve a squeeze-out under merger law at the annual general meeting of comdirect bank AG.

Commerzbank AG currently performs services for comdirect bank AG such as handling securities trading transactions, some of its payment transactions and risk management processes. comdirect bank AG's Treasury department also works with Commerzbank AG in the context of a liquidity transfer.

A detailed presentation of the business relationships can be found in the notes to the consolidated financial statements on pages 101 to 104.

Corporate Governance Statement

The corporate governance and control of comdirect group are geared towards high, generally accepted standards. These are summarised in the Corporate Governance Statement in accordance with Sections 289f and 315d of the German Commercial Code (HGB).

The Corporate Governance Statement can be viewed and downloaded at www.comdirect.de/cg. Older versions of the published documents are also available there.

The main features of the compensation system of the Board of Managing Directors and the Supervisory Board, together with an individual breakdown of remuneration, can be found in the compensation report on pages 60 to 72.

Management

The Board of Managing Directors manages comdirect group, taking into account all risks and opportunities and, in particular, ensuring the balance between short-term profitability and long-term added value. The monthly overall bank management report provides information on whether we are within the corridor defined by our strategic and operational objectives or whether there have been unplanned deviations. The system of key performance indicators was reduced accordingly in 2019 following the disposal of ebase (B2B segment).

In particular, the business activities of comdirect group are managed monthly on the basis of the following selected key figures:

comdirect group	• Return on equity (ROE) • Total assets under control
B2C segment	• Return on equity (ROE) • Net fund flow in custody accounts • Number of custody accounts • Total assets under control • Number of trades • Net promoter score (NPS)

Our central key financial performance indicators are based on the objectives set as part of the strategy approved at the end of 2015. The central key financial performance indicator is return on equity before tax (pre-tax ROE). Return on equity before taxes is defined as the ratio of pre-tax profit to average equity (not including revaluation reserves). Pre-tax ROE is reported during the year on an annualised basis. ROE after taxes is also considered.

The central performance indicator for the bank's growth is total assets under control. This consists of both portfolio volume and deposit volume. The development of total assets under control is dependent on the net fund flow, but in part it is also affected by market value effects beyond the bank's control.

In addition to the key financial figures and the material factors that influence them, non-financial performance indicators play an important role in overall bank management as well. They reflect our relationships with our customers.

The central non-financial performance indicator is net promoter score (NPS). This measures the willingness of our customers to recommend comdirect to friends or acquaintances, and is therefore an important indicator of customer satisfaction and loyalty. It is based on customer feedback collected after customer phone calls and by e-mail, and quantifies the share of customers who would actively recommend our customer services (promoters), minus the "critics" who would not make such a recommendation. Any other non-financial performance indicators that assist our strategic development are monitored on an ongoing basis and trends in them are tracked.

Report on the economy

Overall economic and regulatory framework

Overall banking framework

The ECB returned to its path of expansive monetary policy in 2019 after having concluded its bond purchase programmes with a final purchase volume of €2.6 tn as at the end of the previous year. Since November 2019, the ECB has once again been buying securities issued by corporations in the Eurozone to the amount of around €20 bn per month. At the same time, the main refinancing rate has been left unchanged at 0.00 %, and the ECB deposit rate has been reduced from –0.40 % to –0.50 %. Concurrently, to relieve the pressure on financial institutions in the Eurozone, a tiering system was introduced that grants banks a variable allowance on their ECB deposits. This allowance is based on the minimum reserve amount and is multiplied by a factor most recently set at six.

At –0.36 %, the 3-month EURIBOR relevant to some of comdirect bank AG's investments, was significantly lower on average over the year than in the previous year (–0.32 %), and ended the year at –0.38 %.

Average interest rates in new business for fixed-rate consumer loans declined slightly by 46 basis points compared to December 2018 to 6.26 % as at the end of 2019. At the same time, there was a rise in demand for loans, which was reflected in higher new business volumes.

Overall brokerage framework

After a clear decline in 2018, the German benchmark index, the DAX, rose every quarter this year, ending it at a two-year high of 13,249 points (up 25 %). The VDAX, which is typically used as an indicator of market volatility, averaged around 16 % in 2019, slightly lower than in the previous year (18 %).

The trading volume in value terms on the German spot market (Xetra, Tradegate and the Frankfurt Stock Exchange) was down by 12.8 % on the figure for the previous year. Equities declined by 14.0 %. The traded volumes of ETFs, ETCs and ETNs fell by 12.9 % compared to 2018.

Open-ended retail funds tracked by the BVI investment statistics achieved net fund flows of €17.5 bn in the period from January to December 2019, significantly less than the prior-year figure of €22.5 bn. Equity funds experienced net flows of €4.4 bn. However, real asset funds were especially popular with a net fund flow of €10.7 bn. Fixed-income funds suffered the highest outflows at €–3.7 bn.

Overall regulatory framework

comdirect spent less time and effort implementing new statutory and regulatory requirements in the 2019 financial year than in the previous year.

One of the main priorities of this work was the implementation of the revised Payment Services Directive (PSD2), which introduced more stringent precautions for electronic payment transactions.

In addition, comdirect bank AG addressed the implementation of the new EU Prospectus Regulation, which made securities prospectuses more straightforward and consumer-friendlier, as well as the impact of the ESMA Suitability Guidelines on comdirect bank's robo-advisor product ("cominvest") in the period under review. comdirect also analysed the amendments to the German Stock Corporation Act as a result of the Revised German Act Implementing the Shareholder Rights Directive (ARUG II).

Significant events

The sale of European Bank for Financial Services GmbH (ebase), which was contractually agreed in July 2018, was concluded on 16 July 2019. Following approval by the banking supervision and antitrust authorities, the wholly owned subsidiary of comdirect bank AG was sold to the financial technology provider FNZ Group, London. The reason behind the disposal was the stronger focus on the core business of comdirect bank AG.

The purchase price was €153.7 m. Taking into account the costs of the transaction, the book value of the assets and liabilities being transferred and ebase's current profit, the contribution from discontinued activities to profit before tax amounts to €115.1 m.

Overall assessment of the economic situation

comdirect group enjoyed a successful 2019 financial year. With a record pre-tax profit of €190.6 m thanks to the sale of ebase, a record net fund flow of €10.0 bn and 220 k net new customers, comdirect is still a profitable growth company.

€190.6 m
record pre-tax consolidated profit

With a pre-tax consolidated profit of €190.6 m (2018: €70.7 m), we surpassed the target that we formulated after the first six months (more than €170 m) and increased in the third quarter (more than €185 m). This translates into a pre-tax ROE for comdirect group of 27.4 % for 2019 as a whole (2018: 11.3 %).

At €363.4 m, we generated appreciably higher income from continued activities than in the previous year (€334.3 m). The growth in net commission income to €219.7 m (2018: €206.3 m) contributed to this considerably. Net interest income before provisions for possible loan losses also increased by 5.5 % to €125.1 m despite the ongoing deterioration of interest rates. The swell in other income components to €20.2 m (2018: €11.0 m) likewise made a significant contribution to the rise in total income.

Administrative expenses from continued activities remained virtually stable in the 2019 financial year, climbing only marginally to €287.9 m (2018: €279.6 m). Other administrative expenses were reduced. Key factors driving the increase included higher personnel expenses and higher depreciation.

The financial, liquidity and risk status of comdirect group is consistently robust.

Comparison of forecast and actual performance

Without exception, we have achieved or surpassed the targets for financial and non-financial indicators that we first presented in the forecast for 2018 and later, in some cases, raised in our revised earnings projections in October 2019.

In core business, the strong rise in total assets under control was driven firstly by a record net fund flow and secondly by the positive capital market performance. Furthermore, not only did we tangibly increase the number of custody accounts, but the number of trades rose by 11.5 % as well.

+11.5 %
more trades than in 2018

The revised target for the pre-tax consolidated profit of comdirect group of more than €185 m published in October 2019 was achieved with €190.6 m and thus – as predicted as at the end of the previous year – considerably surpassed the prior-year figure. Consequently, ROE – both pre-tax (27.4 %) and after tax (23.6 %) – was higher than in the previous year (11.3 % and 8.0 %), as expected.

Based on the forecast published in the 2018 annual report, the comparison of forecast and actual performance is as follows:

Key performance indicator

		Actual 2018	Outlook report 2018	Actual 2019	Change in % from 2018
comdirect group					
Pre-tax ROE	in %	11.3	Considerable increase	27.4	+16.1[1]
Pre-tax profit	in €m	70.7	Considerable increase	190.6	+169.5
Business segment B2C					
Pre-tax ROE	in %	9.0	Clear increase	11.0	+2.0[1]
Pre-tax profit	in €m	54.7	Clear increase	75.5	+38.2
Total AuC	in €bn	62.1	Clear increase	80.2	+29.1
Net fund flow	in €bn	9.2	Increase	10.0	+8.6
Number of custody accounts	in k	1,384	Noticeable increase	1,562	+12.9
Number of trades	in m	21.88	Visible increase	24.38	+11.5
Net Promoter Score (NPS)	in %	54	Stable	54	0[1]

1) in percentage points.

The above table no longer shows the key performance indicators included until the previous year, return on equity and total assets under control, for the B2B segment as the figures are no longer comparable following the sale of ebase.

Business performance and income situation

Growth in B2C segment

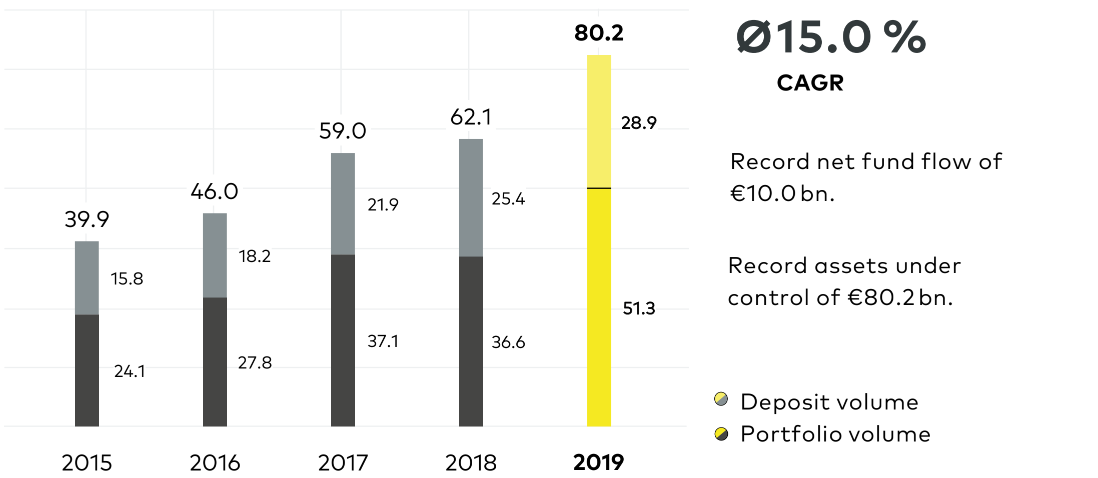
We continued the momentum of previous years with strong organic growth in the 2019 financial year. As at the end of the year, new records were set not just for the number of customers, but also in total assets under control and the number of trades.

220 k
net new customers

The customer base grew by around 220 k as against the end of 2018 (2,522 k) to a new record of 2,743 k. Hand-in-hand with this, the number of custody accounts also increased by 178 k to 1,562 k (2018: 1,384 k) and the number of trades rose by 11.5 % to 24,385 k (2018: 21,879 k).

Total assets under control similarly climbed by 29.1 % in the period under review to a new record of €80.2 bn (2018: €62.1 bn). The volume of deposits expanded visibly by €3.4 bn to €28.9 bn (2018: €25.4 bn). The increase essentially related to current accounts and securities and clearing accounts. The growth in the portfolio volume to €51.3 bn (2018: €36.6 bn) is thanks to a net fund flow of €6.5 bn on the one hand and positive market value effects of €8.1 bn on the other.

Total assets under control (B2C)
(in € bn)



+22.0 %
credit volume in 2019

The retail lending business volume grew by €134 m or 22.0 % as against the end of 2018 (€609 m) to €743 m. In addition to the greater utilisation of credit cards and loans against securities, the increase was driven in particular by higher lending volume in consumer loans business.

Profit from continued activities
The pre-tax profit from continued activities of €75.5 m clearly bettered the prior-year figure (€54.7 m). The positive developments in net interest income, net commission income and other income components more than compensated for the slight increase in administrative expenses. Pre-tax ROE rose to 11.0 % (2018: 9.0 %).

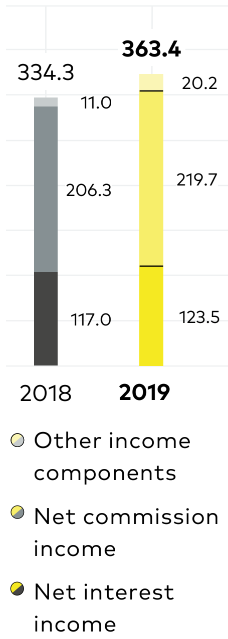
Development of total income from continued activities
The increase in total income by 8.7 % to €363.4 m (2018: €334.3 m) was owed to all income components. Not only did net interest income and net commission income continue to develop positively, but there was also an increase in other income components, defined as total income less net interest income after provisions for possible loan losses and net commission income.

The rise in net interest income before provisions for possible loan losses of 5.5% to €125.1 m (2018: €118.6 m) essentially related to volume effects in deposit and lending business. The slightly lower cost of provisions for possible loan losses of €1.6 m (2018: €1.7 m) is due to higher reversals of portfolio loan loss provisions (due to expanding lending business) which were more than offset by a change in risk model parameters. Net interest income after provisions for possible loan losses therefore amounted to €123.5 m (2018: €117.0 m).

Net commission income increased by 6.5 % to €219.7 m (2018: €206.3 m). Commission income was higher than in the previous year at €274.0 m (€256.1 m), more than compensating for the rise in commission expenses of €54.2 m (2018: €49.8 m). The rise in net commission income is predominantly thanks to higher net commission income from brokerage business of €189.4 m after €184.1 m, which essentially resulted from the higher number of trades. In addition, net commission income from payment transactions rose noticeably by 22.8 % to €26.0 m (2018: €21.2 m). In particular, this was caused by an increase in card use on account of the growing number of current account customers.

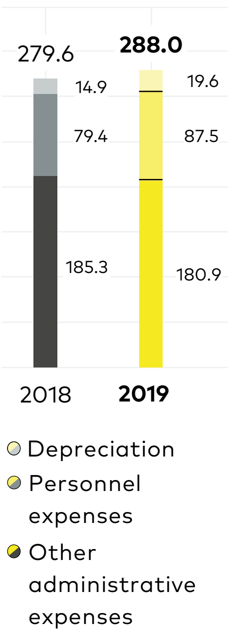
Other income components amounted to €20.2 m in total, improving on the previous year's figure of €11.0 m. The disposals and valuation result from financial assets of €13.4 m (2018: €4.3 m) contributed to this in particular. Other operating result also rose to €6.8 m (2018: €6.7 m).

Total income (B2C)
(in € m)



8.7 %
growth

Administrative expenses (B2C)
(in € m)



78.9 %
CIR

Development of administrative expenses from continued activities
The rise in total income of 8.7 % was offset by an increase in administrative expenses of just 3.0 % to €287.9 m (2018: €279.6 m). This increase was as a result of higher personnel expenses and higher depreciation on tangible assets and amortisation on intangible assets, while other administrative expenses were down. The cost/income ratio fell to 78.9 % (2018: 83.2 %).

Personnel expenses rose by 10.1 % to €87.5 m (2018: €79.4 m). In addition to the growth-related rise in the number of employees over the previous year and in the first three months of this year, this was also affected by standard salary adjustments.

Other administrative expenses declined to €180.9 m (2018: €185.3 m). While higher mandatory contributions to deposit insurance schemes were incurred as a result of the expansion in the volume of deposits in particular, this was countered by the first-time application of IFRS 16 and the halt to the recognition of other administrative expenses for leases that this entailed. Further information can be found in Note (11) from page 94.

The growth in depreciation on tangible assets and amortisation on intangible assets of 31.7 % to €19.6 m (2018: €14.9 m) is essentially due to the adoption of IFRS 16 and the associated depreciation on capitalised right-of-use assets. Further information can be found in Note (11) from page 94. There was also the effect of the higher amount of amortisation entailed by the increase in internally generated software.

Profit from discontinued activities
The pre-tax profit from discontinued activities of €115.1 m clearly bettered the prior-year figure (€16.0 m). This consists of the gain on the disposal of ebase completed on 16 July 2019 of €103.3 m and the current income from discontinued activities in the period from 1 January 2019 to closing on 16 July 2019 of €11.8 m. Further information can be found in Note (4) from page 84.

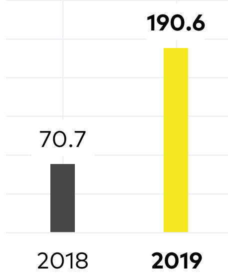
Pre-tax consolidated profit and consolidated net profit
comdirect group generated a record pre-tax profit of €190.6 m, consisting of the profit from continued activities and the profit from discontinued activities, resulting in a pre-tax ROE of around 27.4 %. Both pre-tax consolidated profit and pre-tax ROE therefore significantly outperformed the prior-year figures of €70.7 m and 11.3 %. The higher pre-tax profit from discontinued activities was essentially due to the disposal of ebase. There was also a positive development not just in net interest income and net commission income from continued activities, but also in other income components.

The consolidated net profit amounted to €164.1 m (2018: €50.4 m), corresponding to earnings per share of €1.16 (2018: €0.36) and an ROE after taxes of 23.6 % (2018: 8.0 %). At 13.9 %, the rate of income tax was significantly lower than in the previous year (28.8 %) as the majority of the gain on the disposal of ebase was tax-free.

The comprehensive income of comdirect group, including changes in the revaluation reserves directly recognised in equity, was €169.5 m (2018: €43.7 m).

Proposal for the appropriation of profit
At the annual general meeting in Wiesbaden on 5 May 2020, the Board of Managing Directors and the Supervisory Board will propose using the distributable profit calculated in accordance with the German Commercial Code of comdirect bank AG of €164.7 m (2018: €44.5 m) for a dividend of €49.4 m (€0.35 per share; 2018: €0.25), and to transfer the surplus of €115.3 m to retained earnings. Assuming that the proposal for the appropriation of profit is accepted, this translates into a distribution ratio of 30.1 % of the IFRS consolidated net profit. Transferring some of the net income for 2019 to retained earnings ensures that we have appropriate capital levels for continued growth.

Pre-tax consolidated profit (in € m)



27.5 %
pre-tax ROE

Financial situation and assets of comdirect group

Main features of financial management and Treasury
The main features of our financial management changed to only an insignificant degree in the period under review. In the reinvestment of customer deposits on the money and capital market, comdirect Treasury continued to focus on investment grade counterparties while largely matching maturities with the economic holding period of deposits. In this context, it also ensures appropriate cash holdings at all times and manages liquidity and interest rate risk in particular.

By far most of our investments in the reporting period were once again with Commerzbank AG on an arm's-length basis. Treasury investments with these companies are fully collateralised – by either a general assignment or securities (pledged securities) (see Note (20) on page 101).

We use derivative financial instruments as necessary to protect against interest rate risks from bonds, for interest rate portfolio management in Treasury and to protect against price and currency risks. To a small extent, price and currency risks from a position in VISA Preferred Stocks held in USD were hedged in the reporting period. Derivatives with a positive fair value of €0.2 m (end of 2018: €1.1 m) and a negative fair value of €1.3 m (end of 2018: €0.0 m) were held as of the balance sheet date.

Balance sheet structure of comdirect group
The ongoing growth in deposits allowed the balance sheet total to rise to €29.76 bn (end of 2018: €26.91 bn).

The equity and liabilities side of the balance sheet predominantly (around 97 %; previous year: around 96 %) consisted of customer deposits, the majority of which were due on demand and unlimited in time (see Note (47) from page 125).

The increase in other liabilities includes the effect arising from the first-time application of IFRS 16 and the associated recognition of lease liabilities (see Note (11) from page 94). There are no further liabilities from discontinued activities following the closing of the sale of ebase. The liabilities of the former B2B segment were reported separately in aggregate in this balance sheet item in the previous year (see Note (4) from page 84).

Equity increased by €134.2 m to €768.4 m (end of 2018: €634.2 m), largely as a result of the consolidated net profit generated in the financial year and the rise in revaluation reserves. This was partially countered by the dividend distribution for the 2018 financial year of €35.3 m.

The majority of the increased deposit volume was invested with Commerzbank Group companies. In total, claims on banks increased by €2.53 bn to €23.88 bn, while the volume of financial investments decreased from €2.23 bn to €1,40 bn. This was predominantly on account of maturing securities. Financial investments mainly comprise bonds and Pfandbrief in addition to the preferred stocks held in VISA Inc. USA.

The rise in claims on customers of €135.0 m to €765.5 m is due not just to growing consumer loan business and the increased utilisation of loans against securities, but also to the increased use of credit cards and credit lines.

The cash reserve of €3.60 bn (end of 2018: €2.20 bn) related almost exclusively to balances held at Deutsche Bundesbank.

The increase in tangible assets includes the effect arising from the first-time application of IFRS 16 and the associated capitalisation of right-of-use assets (see Note (11) from page 94).

There are no further assets from discontinued activities following the closing of the sale of ebase. The assets of the former B2B segment were reported separately in aggregate in this balance sheet item in the previous year (see Note (4) from page 84).

Cash flow statement of comdirect group

The cash flow statement has little significance for comdirect group overall. It does not substitute liquidity or financial planning and it is not used as a management instrument. Given our business model, the cash flow from operating activities (see page 80) is predominantly influenced by the development in customer deposits and their reinvestment. In the financial year, the cash flow from investing activities was essentially influenced by the disposal of ebase and the associated deduction from the cash reserve and the purchase price payment contained. Other effects result from additions to and disposals of tangible and intangible assets. The cash flow from financing activities predominantly results from the dividend distribution by comdirect bank AG. Principal repayments on lease liabilities are reported here for the first time as a result of the adoption of IFRS 16 in 2019.

Deposit insurance scheme

Statutory deposit insurance under the Compensation Scheme of German Private Banks covers customer deposits up to an amount of €100 k 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 every customer was protected up to a deposit amount of 20 % of liable capital as of the balance sheet date. The protection limit is gradually being reduced, and is 15 % of liable own funds from 1 January 2020 and will be 8.75 % from 1 January 2025. The new protection limit per person is €79.74 m from 1 January 2020.

comdirect shares

€1.84 bn
market capitalisation as of 31.12.2019

Over the course of the year, the comdirect share price on Xetra rose by 27.0 % compared to the closing price at the end of 2018 to €13.00 (€10.24). In September 2019, Commerzbank Inlandsbanken Holding GmbH (a wholly owned subsidiary of Commerzbank AG) announced a voluntary public acquisition offer for comdirect bank AG of €11.44 per share. Spurred by this, comdirect's shares reached their high for the year of €13.58 on 30 October. The acquisition offer expired on 6 December. The minimum acceptance level of 90 % of all comdirect shares was not reached. The closing price as at the end of the year was equivalent to a market capitalisation of €1.84 bn, around €0.24 bn of which was held in free float. An average of 61.9 k comdirect shares were traded per day on Xetra (previous year: 25.6 k).

Key share data and figures as of 31.12.2019

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 sponsors	Bankhaus Lampe AG Commerzbank AG
Shareholder structure[2)]	82 % Commerzbank AG[1)] 5 % Petrus Advisers Ltd. 13 % free float

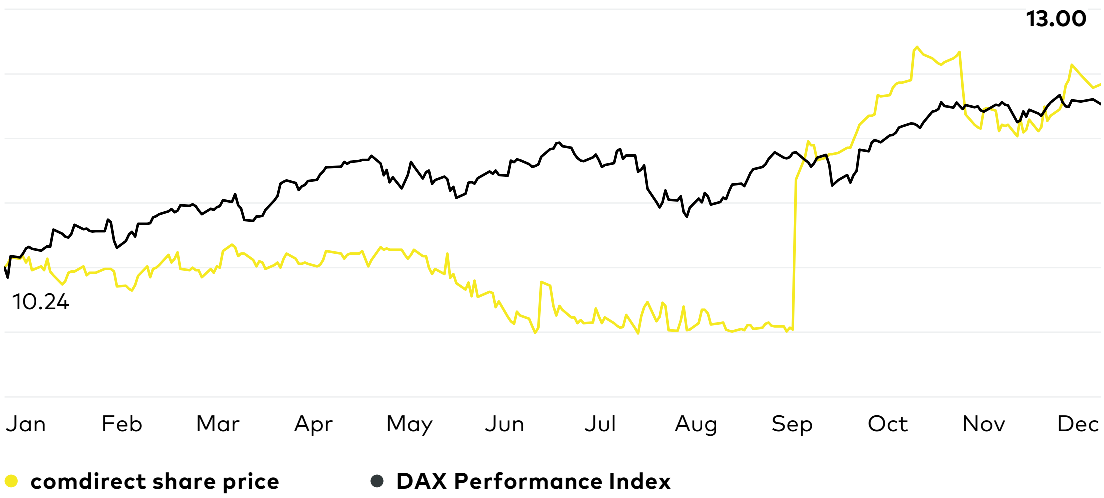
1) indirectly.
2) according to voting rights announcements.

Following the annual general meeting on 9 May 2019, comdirect paid its shareholders a dividend of €35.3 m in total or €0.25 per share, equivalent to a dividend yield of 2.4 % as of the payment date. Approximately €15.1 m was transferred to retained earnings.

comdirect's shares are currently regularly rated by four analysts. Three of these analysts recommended holding the shares as at the end of 2019, and one advised investors to buy. The median price target was €13.30.

Current recommendations www.comdirect.de/analysts

Price performance of comdirect shares in 2019 (indexed)
(in €)



Non-financial declaration

Non-financial declaration under www.commerzbank.com/NFR2019

In accordance with the requirements of the CSR Directive Implementation Act, certain companies must publish non-financial information on aspects including environmental, social and employee concerns. Under Section 340a(1a) HGB, comdirect group is required to produce non-financial reporting. Given comdirect group's inclusion in the combined separate non-financial report of the Commerzbank Group and its parent company Commerzbank AG, comdirect group exercises the exemption option under Section 340a(1a) Sentence 3 in conjunction with Section 289b(2) HGB. The combined separate non-financial report has been published in the electronic Federal Gazette and is publicly available at www.commerzbank.com/NFR2019. Furthermore, disclosures on certain aspects such as combating corruption can be found in comdirect group's annual Corporate Governance Statement.

Supplementary report

There were no events or developments of special significance after the balance sheet date.

Forecast

Forward-looking statements

We plan for our future development on the basis of the assumptions that are currently the most plausible. Nonetheless, comdirect group's planning and all statements regarding future development are subject to uncertainty. The actual development of the market environment or of the bank can deviate from the assumptions made. In addition, Commerzbank AG is planning a merger with comdirect bank AG. The merger could take place in 2020. However, as the timing is uncertain at the current time, the forecast period is still the 2020 financial year.

Forecast economic environment

We assume that the economic environment will be largely stable in Europe in 2020, though characterised by weak economic growth in general and consistently low inflation. According to the latest forecast by the European Commission, growth in gross domestic product (GDP) of 1.2 % is expected in the Eurozone for the current year and for 2021, with the inflation rate set to remain stable in 2020 at 1.2 %. The European Commission reports that the economic development in Germany, which was negatively influenced by a sharp decline in international demand in the previous year, is also a key factor in the slightly more downbeat economic outlook. However, it expects that the consistently robust labour market – with an unemployment rate of recently just 3.2 % – should continue to support private consumer spending.

The latest decisions by the ECB Council to keep the base rate at its current level (–0.50 %) and the reduced economic outlook indicate that low interest rates in Europe will continue overall. In particular, council members see the absence of inflation pressure as a reason to maintain an expansive monetary policy. We do not expect base rates to rise in 2020 either.

On the equity markets, we anticipate that while more expansive monetary policy around the world should continue to fire asset prices, the risks of a recession scenario on account of a weaker global economy have increased significantly.

Given the political risks, we expect fluctuating securities prices on the equity markets. However, volatile markets mean brisk trading activity in brokerage business, hence the trading environment can be considered good for comdirect. Consistently low interest rates are likely to further boost demand for direct fund investments and fund-based savings plans.

Meanwhile, the regulatory environment will stay challenging in the coming year as well. For instance, the agenda for 2020 includes the implementation of new company law provisions (from the Revised German Act Implementing the Shareholder Rights Directive (ARUG II)) and ongoing work to implement the German Act for Combating Tax Evasion.

Expected business and earnings situation

We have significantly accelerated the growth in our key figures (net new customers, net fund flow) since the 2018 financial year, and we continued this growth trajectory in the 2019 financial year as well. Further improvements are expected in the 2020 financial year, albeit at a more moderate level than in the previous year.

We intend to increase the number of customers again in 2020, acquiring at least 150 k net new customers.

A further net fund flow in custody accounts is anticipated in 2020 that could be at the same level as in the previous year or even slightly higher (€6.5 bn to €7.5 bn; 2019: €6.5 bn). Deposits are expected to stabilise or diminish in 2020 after a custody charge of 0.5 % for deposits over €250 k was introduced towards the end of the reporting year. Assuming that the equity markets will track sideways at best, total assets under control are set to grow only slightly in 2020.

With the ongoing development of new products and smart services, we are aiming to keep the satisfaction of customers at a high level. As in previous years, we are striving to maintain a stable net promoter score (NPS; 2019: 54). The following developments are forecast for continued activities:

We are assuming that net interest income after provisions for possible loan losses will be within the range of €115 m to €125 m in 2020 (2019: €123.5 m). We expect that the positive effects of the custody fee on deposits of more than €250 k, the ECB's higher allowance for banks and the growth in credit volume should virtually compensate for the negative effect stemming from the consistently low interest rate environment.

The trading activity of our customers is particularly dependent on the stock market environment, and is very difficult to forecast in the short term. Nonetheless, we expect further growth in the number of custody accounts and trades. This prediction is based on the ongoing growth campaign that was launched in 2018 and the broader product range in brokerage business. If market volatility remains at a high level, trading activity by our customers could once again exceed the level of the year under review. These factors should contribute to the growth in net commission income in 2020. We will also continue the systematic profitability optimisation of our products and services in 2020, which should likewise lead to a clear increase in net commission income. Net commission income from payment transactions, which already rose significantly by 23 % to €23 m in the period under review, is set to continue its strong growth. In total, net commission income in the range of €250 m to €270 m is forecast (2019: €219.7 m).

For other income components, consisting of other operating result and the disposals and valuation result from financial assets, we are projecting €18 m to €23 m, which would match the level for 2019 (€20.2 m).

Overall, total income in the 2020 financial year should be appreciably higher than in the reporting year.

We expect that the administrative expenses for continued activities will remain stable at €280 m to €295 m (2019: €287.9 m). We anticipate that our current staffing levels and structures will be able to handle the future growth. The forecast stabilisation/reduction of the deposit volume would also drive down mandatory contributions in 2020.

Taken as a whole, continued activities are expected to generate a pre-tax profit of between €100 m and €120 m, significantly higher than the figure for the reporting year (2019: €75.5 m). Accordingly, the pre-tax ROE is likewise set to be much higher than the 2019 level (11 %) at 12.9 % to 15.4 %.

No contributions are expected from discontinued activities as their disposal was completed in July 2019. Thus, the forecast result for comdirect group in 2020 is the same as that for continued activities. The pre-tax profit of €100 m to €120 m will therefore be lower than for 2019 (€190.6 m) as the 2019 figure was influenced by significant disposal proceeds and also included an operating result from discontinued activities. This is reflected in the profit after taxes as well. At 12.9 % to 15.4 %, comdirect group's pre-tax ROE will also be substantially less than the comparative figure for 2019 (27.4 %).

Expected financial situation

We are not forecasting any material change in comdirect group's financial situation as compared to the end of 2019.

Risk report

Risk-oriented overall bank management

Our primary objective is to achieve a long-term increase in enterprise value with risks that can be controlled at all times. At the same time, we strive to maintain a good balance between attractive income and investment in future earnings potential from customer and asset growth.

comdirect pursues business models geared towards the objective of generating net commission income and net interest income in brokerage and banking business. The associated risks are transparent and, as far as they can be quantified, subject to limits. The utilisation of and compliance with these limits are monitored on an ongoing basis.

We do not analyse risks in isolation, but rather as an integral part of overall bank management. In every market and business phase, the goal is to ensure an optimal risk/return ratio in line with internal and external factors, taking both comdirect's risk-bearing capability and regulatory requirements into account.

A consistent risk strategy is derived from our business strategy and approved by the Board of Managing Directors of comdirect bank AG. This sets out the extent to which we are prepared to take risks to leverage opportunities and to provide equity for this purpose. Within our overall risk strategy, we have formulated separate risk strategies for all material individual risks.

In accordance with the minimum requirements for risk management (MaRisk), we have implemented a process for the planning, adjustment, implementation and assessment of our strategies, allowing us to compare targets and the results actually achieved.

Risk management

Our risk management system is the basis for implementing the risk strategy. With it, we can identify risks early on, assess them in monetary terms under various assumptions and scenarios and manage them prudently. This enables us to take immediate risk mitigation action in the event of any adverse developments. The procedures with which we measure, aggregate and manage risks on the basis of best practice approaches undergo constant ongoing refinement. We are closely integrated into the risk management systems of the Commerzbank Group in this respect.

The Board of Managing Directors of comdirect bank AG bears responsibility for the suitability of the risk management system. It sets the level of the permissible overall risk position and its distribution among the individual types of risk and business areas. We use the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), to ensure that there is sufficient equity to cover all risks, and that sufficient liquidity is available to meet our payment obligations at any given time. The risk management system is therefore appropriate for comdirect's profile and strategy.

The overall responsibility of the Board of Managing Directors notwithstanding, the Chief Financial Officer (CFO), who is also responsible for risk management, is responsible for monitoring and implementing the risk strategy.

Risk management at comdirect is based in the Risk Management & Compliance division. The Risk Controlling, OpRisk & ICS and Credit Risk Management departments are in charge of operational risk controlling. They monitor and aggregate risks at the level of the bank as a whole in addition to assessing them in monetary terms. The departments also implement the corresponding regulatory requirements and monitor their compliance.

The objective of risk management is to identify, measure, assess, manage, monitor and communicate all risks in the respective risk categories. It has the necessary authority to perform these activities. Risks such as market and liquidity risks are managed centrally, while risks such as operational risks (OpRisk) and reputation risks are managed on a decentralised basis. As part of a risk inventory, we regularly obtain an overview of the material risks and determine whether and to what extent these risks could impair our capital levels, earnings situation or liquidity situation. Taking risk concentrations into account, in the risk strategy that is updated at least annually, we set tolerances for all material risks and from which the guidelines for risk hedging and mitigation are derived. The effect of existing risk concentrations across all risk types is also analysed.

Comprehensive and up-to-date risk reporting is a key element of our risk management system. The Board of Managing Directors and the Supervisory Board receive regular and timely reports on the respective risk status. Key risk ratios are incorporated into comdirect's overall bank management. Among other things, risk status reports provide information on the current development of material risk categories. This allows us to detect any developments that may require countermeasures early on.

We have an escalation procedure for risk hedging and mitigation in the event that set risk limits are exceeded. In addition to ad hoc reporting to the Board of Managing Directors and, if necessary, to the Supervisory Board, this procedure also includes provisions on the measures implemented to mitigate risk.

Internal Audit reviews the functionality and appropriateness of risk management activities at regular intervals in accordance with MaRisk.

Inclusion in the Commerzbank Group

comdirect is included in the risk management processes of the Commerzbank Group for the identification, measurement, assessment, management, monitoring and communication of risks. In light of this, we exercise the waiver regulation of Section 2a of the German Banking Act (KWG) in conjunction with Article 7 CRR of the Capital Requirements Regulation (CRR). As a subsidiary of the Commerzbank Group, comdirect is exempt from applying the provisions of parts 2–5, 7 and 8 CRR (compliance with and reporting of own funds/equity levels, large loans of more than 10 % of liable capital, the leverage ratio and compliance with disclosure requirements).

Risk categories at comdirect

Our risk classification system is based on the German Accounting Standard DRS 20 and we present the risk status broken down by market, credit, liquidity and operational risks. There is also business risk and the risk of deposit modelling, which are likewise classified as material types of risk and taken into account in the risk-bearing capacity analysis. Reputation risk is a material type of risk as well, but as a non-quantifiable risk it is managed on a purely qualitative basis and is not backed by economically required capital in ICAAP. The general model risk is also managed qualitatively.

Market risk (including interest rate risks in the banking book) arises from changes in market prices or market parameters. A distinction is made between general changes in market prices/market parameters and a specific market risk in relation to individual financial instruments. In terms of risk factors, we distinguish between interest rate, credit spread, equity price, fund price and currency risks. comdirect's main market risks are equity price and interest rate risks in addition to the credit spread risk in the banking book. Equity price risk describes the loss risk resulting from fluctuations in the market price of equity exposure. Interest rate risk derives in particular from maturity transformations, i.e. mismatches in fixed-interest periods between the assets and liabilities side. Credit spread risk results from changes in risk premiums on bonds against a low risk reference interest rate. Underlying transactions are mainly bonds and promissory notes in addition to money market transactions with other banks used to invest surplus customer deposits. As necessary, we enter into interest rate swaps, forward rate agreements and forward contracts in foreign currency (FX forwards) for the purposes of hedging and general interest book management.

Credit risk describes the risk of the financial loss arising when a borrower is unable to pay the contractually agreed consideration or is unable to pay this on time, or in the event of a deterioration in the borrower's credit rating. This primarily includes counterparty and issuer risks arising from money and capital market transactions and credit risks in retail business.

Liquidity risks, in the narrower sense, refer to the risk that the bank will be unable to meet its current or future payment obligations or unable to meet them on time. The broader definition of liquidity risk also comprises refinancing risk, i.e. the risk that adequate liquidity will not be available if needed, or will only be available on the money and capital market at less favourable terms than expected, and market liquidity risk. The latter describes the risk that it will not be possible to unwind or close out securities positions to the desired extent, or that this is only possible at a loss, on account of inadequate market depth or market disruptions. Solvency, refinancing and market liquidity risk are all interlinked. Liquidity risk is a material risk for comdirect and is adequately taken into account in risk management and controlling processes.

Operational risks describe potential losses due to the inadequacy or susceptibility of business processes and systems to failure, but also due to human error or external events such as natural disasters or terror attacks. In addition, operational risks comprise legal risks resulting from contractual agreements or changes in the overall legal framework. Personnel risks, which can arise from insufficient staffing quality or quantity due to a lack of recruitment capability, have also been assigned to operational risks. Outsourcing risks are monitored in the context of operational risks as well.

Reputation risk is the risk of a loss of confidence among the public or our customers due to negative events in the context of business operations. They often arise as secondary effects of operational risks, such as IT, compliance, legal or information security risks.

Business risk comprises potential losses resulting from negative deviations from planning that can be triggered, for example, by a change in market parameters and competitive behaviour or bad planning.

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

General model risk describes the risk of poor management decisions due to misrepresentation in the models used for risk management.

Risk measurement concepts

The primary objective of the risk-bearing capacity concept is to maintain comdirect's ability to operate as a going concern. The aim of the ICAAP process is to ensure appropriate capital levels, while the goal of the ILAAP process is to ensure appropriate liquidity levels and an appropriate funding position. The ICAAP and ILAAP processes each have both a normative and an economic perspective. The normative perspective ensures that all regulatory requirements in relation to capital and liquidity levels are complied with. The economic perspective looks at all risks that can negatively influence capital levels, profitability and liquidity levels. To do so, we use proprietary models that are regularly and independently validated to ensure that our risk models are robust, sufficiently stable, risk-sensitive and sufficiently conservative. Risk quantification at a point in time is supplemented by a forward-looking assessment of capital and liquidity adequacy for a medium-term period. We also analyse adverse scenarios in the context of a stress test programme.

As a result of the waiver in accordance with Section 2a of the German Banking Act (KWG), in the ICAAP process our focus is on the economic perspective. The economic capital required is calculated using the value-at-risk model (VaR) applying a confidence level of 99.9% and a holding period of one year. Correlations that might have a risk-mitigating effect are not taken into account when aggregating the individual types of risk to establish the overall risk position.

The overall risk position is compared to economic capital, which comprises the subscribed capital, open reserves (capital reserve and retained earnings) and the profit and revaluation reserves (including hidden liabilities/reserves for securities) after taxes. Other intangible assets such as licences for the use of software or internally generated software and deferred taxes are deducted from risk cover potential as adjustment items. Risk-bearing capability is guaranteed when the utilisation of economic capital by comdirect's overall risk position is less than 90%. 10% is defined as the management buffer. This allows management to initiate measures at short notice in the event of a negative trend in capital levels to maintain comdirect's risk-bearing capability. In addition, countermeasures are initiated when defined early warning thresholds are reached. The individual types of risk are likewise limited as early warning indicators.

In the ILAAP process, we look at the regulatory minimum requirements for liquidity with the key figures liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) for the normative perspective. For the economic perspective, we prepare a liquidity progress review that analyses all future cash flows from all balance sheet items and off-balance sheet financial instruments to calculate a potential future funding requirement. To determine the cash flows, we use internal models that model, for example, the stability of customer demand deposits, the utilisation of open credit lines and the fungibility of securities. A confidence level of 99% is applied in modelling, and it is assumed that no funding options will exist within three months. The key limit for checking the adequacy of liquidity levels within the economic perspective is that the cumulative net liquidity within one year is positive.

Integrated stress tests across all risk types are carried out in the context of our stress test programme. They are used to verify the resilience of our portfolio under extreme but plausible scenarios with a low probability of occurrence. We use macroeconomic scenario analyses as defined by MaRisk for the integrated stress tests. These are applied at the level of comdirect group. All objectively quantifiable risks that are deemed material in accordance with the regular risk inventory are included. The results of the integrated stress tests are taken into account in the assessment of suitable capital and liquidity levels and the risks are limited overall.

In addition to the macroeconomic stress tests, we also perform stress tests specific to each type of risk in the context of operational management. Both past and hypothetical extreme events are taken into consideration. Inverse stress tests as defined by MaRisk are performed as a third type of stress test. Based on the sensitivity and scenario analyses, extreme events are identified both for each individual type of risk and for those across all risk types that would each jeopardise comdirect's ability to operate as a going concern if they were to occur. The aim of these analyses is to scrutinise the results and the implications potentially resulting from them for our business model and risk management.

Risk situation in the 2019 financial year

As at the end of 2019, comdirect's overall risk position based on the ICAAP economic perspective with a confidence level of 99.9 % and a holding period of one year was €147.6 m (end of 2018: €137.0 m), and therefore slightly higher than the previous year's level.

The limit utilisation level for aggregate risk remained non-critical throughout the year. Utilisation of the overall limit was 22.2 % as at the end of 2019 (end of 2018: 27.4 %). Even under stress conditions, economic risk-bearing capacity was consistently maintained; 30.9 % of economic capital was utilised with overall risk of €212.1 m under stress.

The economic risk capital requirement for market risks was up on the previous year at €29.6 m as at the end of 2019 (end of 2018: €19.8 m). Credit risks with a total credit value at risk (CVaR) of €89.7 m – slightly higher than the prior-year level (end of 2018: €80.9 m) – are included in the overall risk of comdirect group. The economic risk capital requirement for operational risks (ErC OpRisk) also rose slightly over the course of the year, to €14.6 m as at the end of 2019 (previous year: €12.1 m). The close-out risk decreased in 2019 due to the declining interest rate environment and the market value gains of model tranches this entailed. ErC amounts to €13.7 m as at the end of the year (previous year: €24.3 m).

Liquidity levels

Our liquidity situation remained secure in the period under review and was characterised by surplus liquidity.

The LCR liquidity indicator was well above the minimum limit at all times in the period under review and was 285 % as at the end of the year. The NSFR liquidity indicator to be complied with in future was 136 % as at the end of the year and therefore also in excess of the future minimum requirements.

The cumulative net liquidity positions consistently exceeded the defined minimums. In the stress scenario, the cumulative net liquidity for a one-year horizon was €220 m as of the balance sheet date (end of 2018: €42 m) and €243 m on average over the year (previous year: €106 m).

Summary

In summary, comdirect still has comfortable risk buffers to outlast even sustained periods of market weakness. No realistic risks that could threaten comdirect are currently discernible.

Summary of economic capital required in 2019 (in € m)

	As of 31.12.2019
Market risk	29.6
Credit risk	89.7
Operational risk	14.6
Close-out risk	13.7
Economic required capital	**147.6**

Market risk

Risk quantification, management and reporting

All trading transactions by comdirect must satisfy the requirements of our market risk strategy. The aim of the market risk strategy is to control – in particular to optimise and limit on a risk/return basis – market price risks through a conservative investment policy for the prudent investment of customer funds on the money and capital market and purely to support customer and deposit acquisition. We monitor market risks – in particular equity price, interest rate and credit spread risks in the banking book – on a same day basis. A VaR model on the basis of a holding period of one day and a confidence level of 97.5 % is used for operational management.

We supplement the VaR calculations with operational stress tests to monitor extreme market movements and the size of portfolio losses under worst-case conditions. Possible scenarios such as inversions and shifts in various market price curves are simulated. In addition to interest rate, credit spread and currency scenarios, equity price and fund price risks are also subjected to daily stress test calculations for the special funds held by comdirect.

The methodology is described in detail in Note (51) from page 131.

Current risk situation

The VaR for market risk was €1.4 m as of the 2019 balance sheet date (end of 2018: €0.8 m) and fluctuated between €0.7 m and €1.5 m over the course of the year. The overall stress value was also moderately higher than the previous year's level at €90.9 m (€80.0 m). The limits for all market risk types were consistently complied with.

Most of the market risk this year related to equity price risk, followed by credit spread risks. The share of interest rate risks in general market risks remains at a low level. Given the low exposure, fund price risk and currency risks still played only a minor role.

Credit risks

Risk quantification, management and reporting

Credit risks at comdirect primarily take the form of counterparty and issuer risks on money and capital market transactions. Retail lending business is also subject to credit risk.

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. In addition to 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. Another aim of the separate risk strategy is the effective management of lending to customers, in particular the limitation of credit losses and risk costs. To do so, we are constantly refining our credit processes and rating/scoring systems.

Treasury acts as the front office for counterparty and issuer risks, while Customer Services is responsible for lending to private customers. In accordance with MaRisk, other activities must be performed outside front office. Risk controlling for retail lending business is established in the Credit Risk Management department, while the processing of Treasury transactions is the responsibility of the Finance department.

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

In retail lending business, 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. Lending decisions are made using internal scoring models.

Loans against securities are collateralised by securities lent and pledged. Potential losses can arise when the market value of pledged securities declines as a result of general market developments or market risks specific to individual securities, and is no longer sufficient to collateralise claims on customers.

We maintain an early warning system for the credit risks associated with lending to customers for the necessary adjustment or termination of credit lines.

Credit risks are quantified by the monthly calculation of CVaR for Treasury transactions (excluding intra-group receivables) and retail lending business.

The provisions of IFRS 9 on accounting for expected credit risks (provisions for possible loan losses) are based on an expected credit loss model. This stipulates that a provision for possible loan losses must be recognised in the amount of the expected loss for all loans and off-balance sheet transactions not measured at fair value through profit or loss.

Expected credit losses are calculated based on the allocation of debt instruments not measured at fair value through profit or loss and off-balance sheet credit obligations to three stages. While debt instruments without default criteria are assigned to Stage 1 and Stage 2, Stage 3 consists of debt instruments that have been identified as being in default. Provisions for possible loan losses in the amount of the 12-month expected credit loss are recognised for financial instruments in Stage 1. The amount of provisions for possible loan losses for Stage 2 and Stage 3 financial instruments is determined by the lifetime expected credit loss.

The key parameters for the calculation of expected credit losses in Stages 1 and 2 and for non-significant business in Stage 3 are probability of default (PD), loss given default (LGD) and exposure at default (EaD).

The methodology for recognising provisions for possible loan losses is described in Note (8).

Provisions for risks arising from existing retail credit lines are recognised using an analogous procedure, taking conversion factors into account.

Cancelled retail claims, which we pass on to collection agencies for recovery, are written down in the amount of the loss incurred.

Current risk situation

The total CVaR for credit risks amounted to €89.7 m as at the end of 2019 (previous year: €80.9 m).

As in the previous year, the average rating of the Treasury portfolio outside the Commerzbank Group was Aa1 (Moody's). Measured by external ratings, 100 % of the portfolio was in the investment grade range. The asset classes are essentially government bonds or bonds from government-related issuers and covered bonds. As at the end of the year, 78 % of the portfolio was held by German investors, with the rest predominantly in other European countries.

In comdirect's securities credit business, the average total utilisation of loans against securities was higher than the previous year's level at €282.1 m (€250.5 m). The credit facility granted for loans against securities declined to €1.71 bn as against the end of 2018 (€1.95 bn). However, the possible utilisation of the credit facility is limited by the specific collateral value of the respective collateral. Owing to the stock market environment, this decreased marginally over the year from €1,036.1 m to €1,013.6 m. Equities accounted for approximately three quarters of the collateral portfolio. On average over the reporting year, 27.8 % (previous year: 24.2 %) of the credit facility for loans against securities was utilised based on the collateral value; the volume of loans against securities was €291.4 m as at the end of the year (previous year: €269.1 m). The overdraft volume was insignificant at 0.1 % (€0.29 m) of the volume of loans against securities.

The growth-related increase in the number of current accounts with a credit facility once again resulted in a higher average credit volume for credit lines than in the previous year. The volume fluctuated between €60.3 m and €73.7 m over the year (month-end figures) and was €71.1 m as of the 2019 balance sheet date, corresponding to 6.1% of the overdraft facility available of €1,163.5 m (end of 2018: €1,057.4 m). At 6.3%, the share of current accounts with overdrawn credit facilities was slightly higher year-on-year in the 2019 financial year.

The credit volume of the Visa card portfolio utilised was €169.9 m in total as at the end of the year (2018: €133.4 m), or 9.1% of the overall limit available of €1,862.5 m.

The number of consumer loans granted has risen steadily since being introduced in April 2016. There were 12,894 consumer loans with a total net credit volume of €202.6 m as at the end of the year (2018 €139.5 m).

Total receivables in retail lending business amounted to €768.9 m as at the end of 2019, significantly higher than in the previous year (€612.8 m). Provisions for possible loan losses in retail lending business amounted to €4.7 m as of the balance sheet date (end of 2018: €4.6 m). Appropriations of €12.9 m (2018: €12.7 m) were offset by reversals of €11.6 m (2018: €11.0 m) and amounts utilised of €1.1 m (2018: €1.2 m). The regular review of the parameters applied resulted in an adjustment requirement for the credit conversion factor (CCF) and the threshold value table in accordance with IFRS 9.

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

Liquidity risks

Risk quantification, management and reporting

The aim of our liquidity risk strategy is to ensure comdirect's solvency at all times. To do so, comdirect must maintenance adequate liquidity at all times. Above all, this is determined by the LCR and NSFR regulatory requirements, the advanced liquidity progress review model implemented throughout the Commerzbank Group and the regular performance of stress tests or a contingency plan specific to comdirect.

To cover a possible removal of liquidity by customers, we maintain an adequate volume of funds due on demand and highly liquid securities that can be used as collateral to obtain liquidity.

We use regulatory requirements and internal indicators to limit our liquidity risk. In addition to the indicators required by the regulatory authorities, liquidity risk is also managed using a limit system on the basis of the liquidity progress review. Future funding requirements will be calculated using cumulative cash flows in future, supplemented by the expected liquidity impact of business policy decisions and assumptions regarding customer behaviour. The liquidity progress review is calculated and monitored for defined stress scenarios.

The liquidity progress review and LCR are calculated daily, while the NSFR is calculated monthly. Regulatory compliance with the NSFR is expected to become mandatory by the middle of 2021.

Current risk situation

The liquidity position is presented under "Liquidity levels" in "Risk situation in the 2019 financial year" on page 45.

Operational risks

Risk quantification, management and reporting

The nature of operational risks varies depending on the underlying business activities and are typically specific to certain functions. The aim of our OpRisk strategy is to control, and in particular, to avoid/minimise operational risks through the systematic and continuous optimisation of all business processes and IT systems, including their organisational establishment both institutionally and culturally. Operational risks are therefore managed on a decentralised basis. Regular scenario analyses are one instrument used to monitor such risks. All operational risks are monitored on an ongoing basis and loss incidents must be reported immediately. Operational risks are assessed in monetary terms and aggregated using Commerzbank's AMA model to produce the VaR indicator.

In addition to the physical infrastructure (hardware in particular), the system architecture (for example, multi-tier server structure, software) is especially important to comdirect. Both typically use a redundant structure or are modular in construction to ensure a high level of availability of all necessary systems and components at all times. We also take our external service providers and their business contingency plans into account in our own business contingency planning for IT operations. In this context, we have formulated requirements with regard to availability and compared them against the business contingency measures of key service providers.

Organisational and technical measures as part of a continuous improvement process serve to prevent or limit losses for all operational risks. Examples of such measures include organisational instructions, staff training, IT project and quality management in addition to business continuity management.

Personnel risks are managed using suitable staff retention and personnel development measures.

In addition to the MaRisk Compliance function, the Legal, Data Protection & Organisation department is also responsible for preparing our company for possible legal changes early on. Corresponding developments are monitored closely, their impact is calculated if necessary and the areas affected are informed in good time. It uses information from sources such as comdirect's membership of the Association of German Banks and its general circulars, its membership of the working group for direct banks, the analysis of specialist journals and its cooperation with Commerzbank AG's Group Legal department.

Potential liability risks arising from financial advisory services are minimised by documentation and contractual provisions. We also actively use insurance as an additional means of minimising damages. Moreover, the insurability of risks is regularly reviewed and assessed in economic terms.

Current risk situation
The VaR for operational risks (OpVaR) amounted to €14.6 m as at the end of 2019, compared to €12.1 m as of the 2018 balance sheet date. Cases of misuse in online banking have risen compared to the previous year, though cases of misuse in connection with cards were down.

In addition to the continuous improvement of fraud prevention for card transactions and in the context of cybercrime, the core task of the management of operational risks is to advance the design and ongoing development of security measures while maintaining an appropriate cost-benefit ratio. Legal risks have increased on account of the growing number of new regulations and directives at EU level, and the corresponding national laws implementing them. The systems and technical processes used by comdirect were highly stable once again. On average over the year, system availability was higher than in the previous year at 99.97 %. Personnel risks in terms of ensuring the quality and quantity of the staff available were reduced by measures to boost our appeal as an employer.

Reputation risks

Risk quantification, management and reporting
The aim of our reputation risk strategy is to protect and enhance the reputation of comdirect group and to identify any developments that could harm comdirect group's reputation early on and to counter them effectively.

In most cases, reputation risks are considered consequential risks arising from other types of risk. It is therefore the responsibility of all divisions to detect reputation risks and to handle them both sensitively and responsibly. As a preventative measure, the risks identified in the risk inventory are also checked for potential reputation risk drivers and any effects are assessed in qualitative terms.

Furthermore, a reputation working group has been established across the various sections of the bank that examines and assesses potential reputation risks and discusses suitable measures. Its members include representatives from Risk Management & Compliance, Corporate Communications, Customer Management, Information Security & Outsourcing Management and Legal, Data Protection & Organisation. The reputation working group reports to the Board of Managing Directors on incidents relevant to reputation. Such incidents are also included in the regular management report on operational risks.

Current risk situation
No reputation risks arose during the reporting year. The matters discussed by the reputation working group concerned isolated cases that were conclusively dealt with. There are currently no material risks to comdirect.

Business risks

Risk quantification, management and reporting
The aim of business risk strategy is to minimise negative deviations from planning through restrictive/prudent budgeting, the ongoing management of variance analysis deviations and, if necessary, the use of the opportunities that exist to make our business model more flexible.

Our business risk comprises the risk of losses due to negative deviations in income and costs from planning. Central factors influencing this include both business strategy and the bank's internal planning process, in addition to changes in general conditions such as the market and competitive environment, customer behaviour or technological developments. The ongoing heightening of regulatory requirements also has a direct or indirect impact on our business risk.

Deviations in net operating profit (NOP) from planning in past business periods are used to assess business risk. A VaR for business risk is calculated using a risk model that simulates the deviations of future net operating profit from planning. The risk is calculated by offsetting NOP against VaR, i.e. a loss risk exists precisely when a negative result is expected after deducting VaR.

Business risk is taken into account in the determination of the amount of the management buffer and is not directly offset against economic capital.

Current risk situation

As in 2018, the positive future planned profit for 2019 is greater than VaR. Thus, additional capital still does not have to be taken into account in the management buffer.

Risks of deposit modelling

Risk quantification, management and reporting

The risk strategy aim of the management of deposit models is to ensure integrated earnings and risk controlling so as to achieve business strategy objectives in line with comdirect's risk tolerance. Risks of deposit modelling result from the management of customer deposits due on demand. 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 arise if a deposit outflow exceeds the level modelled, as a result of which Treasury investments would have to be disposed of prematurely. In such an event, any market value losses – induced by increases in interest rates or the widening of credit spreads in the interim – would have to be realised (close-out risks).

Deposit modelling for customer deposits is managed by an interdisciplinary team consisting of members from across the various sections of the bank with clear roles and responsibilities in the context of integrated earnings and risk controlling using state-of-the-art deposit models. In addition to intensive monitoring and comprehensive reporting of key figures on deposit development, customer behaviour and the competitive environment, model assumptions are regularly reviewed and possible adjustments are derived on the basis of defined triggers.

When calculating close-out risk, we use the same risk models (VaR and stress) for simulating potential future losses as for calculating market risk on consistency grounds.

Current risk situation

comdirect's deposit volume was highly stable in the reporting year and increased further as a result of the rising number of current and daily money accounts in particular. The close-out risk remained within the set limits at all times in the reporting period. Economic capital required amounted to €13.7 m as at the end of the year (previous year: €24.2 m).

General model risk

Risk quantification, management and reporting

For the respective types of risk, comdirect's risk management requires the use of quantitative risk models to produce mathematical formulae for the causal relationships of real economic events relevant for banking purposes.

The general model risk results from the potential deviation between the potential losses as forecast by models and the actual potential losses for each type of risk. This can be crucial for comdirect in deriving management stimulus.

The risk strategy aim of the management of our general model risk is to identify and, if possible, to avoid or appropriately take known model risks into account.

To this end, the models used at comdirect are reviewed during both development and calibration, and in the context of regular independent validation, to ensure the objective and reliable mapping of economic realities. The purely qualitative management of general model risk is therefore performed separately and within each individual type of risk.

Current risk situation

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

Report on opportunities

Opportunity categorisation

Our opportunities are divided into the following three categories:

- **Business strategy opportunities** arise from strategic initiatives such as the introduction of innovative product developments or from possible strategic business acquisitions in the context of intensive market observation.
- **Performance opportunities** are based on improvements in our operating processes and the leverage of cost/income synergies.
- **Opportunities from the development of external conditions** include growth potential stemming from positive market developments, changes in legislation and trends in the industry environment or in customer behaviour.

Identification, management and assessment of opportunities

We use various methods of analysis to systematically identify opportunities:

The observation of the market and competitive environment provides us with information on changes in customer behaviour and an awareness of how other banks are responding with product and market initiatives, for instance to regulatory changes, . The regular analysis of the market environment is supplemented by the use of market studies, some of which we commission. We also draw conclusions from feedback from our customers and employees, for example on new product initiatives. This feedback, and the feedback received from customers on a daily basis, is tracked and analysed anonymously in an annual survey of customer satisfaction. A further element for stimulating innovation is an actively used ideas and innovation tool.

Beyond the immediate market environment, we also monitor international trends with a focus on product innovations in the FinTech segment. We consider opportunities for growth through acquisitions when we become aware of potential options.

Opportunities are assessed in terms of their potential and estimated probability of occurrence based on past experience. As part of its annual strategy process, the Board of Managing Directors decides the extent to which comdirect uses its income to leverage opportunities for growth and returns. Reports on the current status of the opportunities considered in strategy are prepared quarterly, or more frequently if necessary. This ensures that opportunities are regularly re-prioritised and supplemented.

Overall, given the methods and processes used, we feel we are able to identify opportunities early on, to assess them in accordance with the defined strategy, earnings and risk targets and then leverage them.

Current opportunities

Commerzbank AG is planning a merger with comdirect bank AG. The merger could take place in 2020. However, as the timing is uncertain at the current time, the period under analysis is still the 2020 financial year. comdirect has the following opportunities for the 2020 financial year:

Business strategy opportunities

In brokerage, we have the opportunity that more and more customers with an affinity for trading will choose comdirect as their broker (e.g. API use) due to the range of our new technical solutions. With enhanced marketing of the securities savings plan or robo-advisory solutions such as cominvest , we can gradually introduce customers who do not yet have an affinity for trading to the trading environment and thus convert them into future traders.

In banking, we exploit the opportunities that arise from pushing our lending campaign, which has bolstered the balance between the deposit-taking and lending business. Here too, opportunities can arise from the general mobile trend, which is leading to a stronger shift in banking operations (and transactions in particular) to mobile devices. comdirect is well positioned here with its innovative apps and mobile payment solutions.

Opportunities can arise for us in customer management through advancing digitalisation. For instance, the increase use of chatbots and voice dialogue systems can lead to customer managers being able to take care of customers' individual concerns more intensively. As a result, comdirect can create greater value added for its customers.

Performance opportunities

To further advance our goal of end-to-end scalability, we are increasingly using robotic process automation (RPA). Furthermore, opportunities can arise from the development of new solutions on the basis of technological innovations such as chatbots and voice dialogue systems.

New performance opportunities can also arise from comdirect's increased sustainability. In particular, the rising level of digitalisation (e.g. E-Ident) means opportunities for scalability and for reducing the use of resources, e.g. through the reduced use of paper and more efficient computing centres.

Opportunities from the development of external conditions

The capital market environment can develop better for brokerage than assumed in business planning. For example, an extraordinary increase in market volatility would benefit our customers' trading activity and thus commission income.

A significant rise in the level of share prices in equity markets would grow the portfolio volume, which in turn would have a positive impact on the sales follow-up commissions included in net commission income. In addition, in a scenario of rising prices, securities could become even more significant for asset accumulation for private households. This could increase the net fund flow into custody accounts, which would also have a positive effect on our net commission income.

Furthermore, contrary to expectations and in spite of the ECB's ongoing expansive monetary policy, market interest rates could rise more quickly than assumed in planning. This would benefit the interest margin and, under certain circumstances, possibly the deposit volume as well, though such effects could be offset by a negative development in brokerage.

Looking at the industry environment, positive effects on our business could arise from the continuing reduction of the network of bank branches. This could lead to the acceptance of direct banking models and the use of smart solutions for banking and investment transactions rising at a faster rate than previously anticipated.

Disclosures in accordance with Sections 289a(1), 315a(1) HGB and explanatory report of the Board of Managing Directors of comdirect bank AG

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

Composition of subscribed capital: The subscribed capital of the company amounted to €141,220,815 as at the end of the financial year, and is divided into 141,220,815 no-par-value shares. In particular, the rights and duties associated with these ordinary shares derive from Sections 12, 53a et seq., 118 et seq. and 186 AktG. The shares are bearer shares.

Restrictions on voting rights or the transfer of shares: There are no known restrictions on voting rights or the transfer of shares.

Direct or indirect investments in excess of 10 % of voting rights: Commerzbank Inlandsbanken Holding GmbH, Frankfurt/Main, a wholly owned subsidiary of Commerzbank AG, Frankfurt/Main, held 82.31 % as at the end of the financial year. There are no other direct or indirect investments in capital in excess of 10 % of voting rights.

Bearers of shares with special rights granting control: There are no bearers of shares with special rights granting control. In particular, there are no rights to appoint members of the Supervisory Board in accordance with Section 101(2) AktG.

Nature of voting right control when employees have an interest in the capital and do not exercise their control rights directly: If employees of comdirect bank AG hold interests in the capital of the company, they exercise these voting right controls directly.

Appointment and dismissal of members of the Board of Managing Directors/amendment of the Articles of Association: The members of the Board of Managing Directors are appointed and dismissed by the Supervisory Board in accordance with Section 84 AktG and Article 6(2) of the Articles of Association. If the Board of Managing Directors lacks a required member and the Supervisory Board does not appoint such a member, in urgent cases this member is appointed by the courts in accordance with Section 85 AktG. Every amendment of the Articles of Association requires a resolution of the annual general meeting in accordance with Section 179(1) AktG. Unless the law requires a greater majority, a simple majority of the capital represented is sufficient (Article 20(2) of the Articles of Association). The authority to make amendments to the Articles of Association that affect their wording only has been transferred to the Supervisory Board in accordance with Article 8(2) of the Articles of Association as per Section 179(1) Sentence 2 AktG.

Powers of the 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 acquire own shares in accordance with Section 71(1) Nos. 7 and 8 AktG. The company has not exercised this authorisation. In particular, new shares can be issued in line with the authorisations as per Article 4(3) and (4) of the Articles of Association (authorised and conditional capital), which the company has also not exercised.

Material agreements subject to a change of control in the event of a takeover bid: There are no material agreements between comdirect bank AG and third parties that become effective in the event of a change of control following a takeover bid.

Compensation agreements with Members of the Board of Managing Directors or employees in the event of a change of control: There are no compensation agreements with members of the Board of Managing Directors or employees at comdirect bank AG for the event of a takeover bid.

Disclosures and information on the accounting-related internal control and risk management system

The aim of the accounting-related internal control and risk management system is to ensure that the annual and consolidated financial statements that must be published are consistent with generally accepted accounting principles and thus provide a true and fair view of the net assets, financial position and results of operations. This objective is achieved by embedding the system into the organisational structure and various components of the system throughout the group.

Organisation

The internal control and risk management system for the accounting process is the responsibility of the Chief Financial Officer (CFO). Under the CFO, the Finance, Controlling and Investor Relations division is responsible for financial reporting in accordance with the law and with internal and external guidelines. Within this division, the Finance department is responsible for external accounting and the calculation of current and deferred taxes. The Controlling department is in charge of internal reporting. The Risk Management department is responsible for the identification, measurement, assessment, management, monitoring and communication of risks throughout the bank, and for the management of retail credit risk. While Internal Audit reports to the CEO, Compliance reports to the CFO. The Supervisory Board primarily monitors the accounting process through the Risk and Audit Committee. In particular, this committee is responsible for accounting issues and the necessary independence of the auditor, for issuing the audit engagement, for defining key areas of the audit and for agreeing the auditor's fee. It also monitors compliance. The Rules of Procedure for the Supervisory Board require that the Chairman of the Risk and Audit Committee has special expertise and experience in the application of accounting principles and internal control procedures.

Control functions relating to financial reporting are performed firstly by the Board of Managing Directors and the Supervisory Board and secondly by various institutions within the finance function.

On behalf of the Board of Managing Directors as a whole, Internal Audit performs independent, objective and risk-oriented audit and consulting services intended to optimise the business processes of comdirect group in terms of their compliance, security and economic efficiency. Internal Audit assists the Board of Managing Directors by systematically and purposefully assessing the effectiveness and appropriateness of the internal control system and business processes, by overseeing key projects and by making recommendations. By doing so it helps to safeguard business processes and assets. Talks are held between the Chairman of the Risk and Audit Committee and the Head of Internal Audit prior to the accounts session of the Supervisory Board.

Internal Audit reports directly to the Board of Managing Directors and performs its duties autonomously and independently. The reporting and the assessment of audit findings are not subject to any instructions. In accordance with MaRisk, the Chairman of the Risk and Audit Committee can obtain information directly from the Head of Internal Audit. Internal Audit at comdirect is run on the responsibility of the comdirect Board of Managing Directors and reports to it directly. Information is shared between Internal Audit at comdirect and Group Internal Audit at Commerzbank in addition to regular reporting.

comdirect produces its financial statements on its own responsibility. The company has the necessary expertise to do so, in particular on account of its qualified personnel.

Components

There are clear and binding accounting standards within comdirect group that are consistent with both the statutory provisions and the accounting standards of the parent company Commerzbank. They are continuously reviewed to determine if revisions are required and are updated as necessary.

In addition to the accounting guidelines, reliable financial reporting is guaranteed by various organisational measures. For instance, comdirect has clear regulations on authority that ensure the assignment of technical responsibilities. Decisions are exclusively made in line with the powers granted. These provisions make significant contributions to ensuring proper accounting at all times.

Another means of ensuring proper accounting is the dual control principle. This states that critical activities performed by one person must always be checked by another. Furthermore, the finance function is organised according to the principle of separation of functions. Incompatible activities are organised and performed separately to avoid conflicts of interest.

IT systems are also an important component in the annual financial statement process, and must therefore satisfy the requirements of the internal control and risk management system. Various software systems are used within comdirect group to prepare the financial statements. comdirect essentially uses Commerzbank's systems for this purpose. Internal Audit at Commerzbank assists comdirect in monitoring and auditing the systems used. comdirect also receives excerpts from the reports by Commerzbank's auditors on an annual basis. In addition to standard software, accounting uses programmes specifically tailored to the individual requirements of the bank.

All programmes include a number of plausibility checks, constituting an integral part of the overall accounting system landscape. All systems used within the finance function are protected by an effective access authorisation concept.

The accounting and consolidation process as a whole, and all related instructions, are documented in writing in the company manual. The systems described are reviewed annually on a revolving basis, and are updated in line with the needs of changing laws, guidelines and financial reporting standards in particular.

Compensation report

Compensation of the Board of Managing Directors

Working in cooperation with the Commerzbank Group's compensation experts, comdirect bank AG reviewed and revised its compensation system for the members of the Board of Managing Directors in the context of Germany's Remuneration Regulation for Institutions (IVV). An additional bonus cap based on the amount of individual variable compensation as of the time it was set was already introduced for the 2014 financial year. This ensures that the individual variable compensation does not exceed the fixed annual salary. Also, a long-term assessment base is taken into account when determining the overall volume of variable compensation for the Board of Managing Directors. comdirect bank AG was classified as a significant institution in accordance with Section 25n(1) of the German Banking Act (KWG), formerly Section 17(1) IVV, for the first time in the 2016 financial year. As a result, comdirect bank AG is also required to satisfy the IVV's special requirements for significant institutions. In this context, the share of the long-term incentive (LTI) in variable compensation was increased from 40 % to 60 % for members of the Board of Managing Directors from 2016, bringing it to the same level that has applied to the CEO since 2011. The third version of the IVV became effective on 4 August 2017. In light of this, the compensation system for members of the Board of Managing Directors has been adjusted in line with the legal requirements from 2019. The changes essentially relate to a longer waiting period for the LTI of five years (previously three years) and a longer vesting period for share-based compensation components of twelve months (previously six months), the compensation from share-based components of variable compensation on the basis of 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.

comdirect bank AG is striving for appropriate and sustainable compensation for the Board of Managing Directors that provides effective incentives for achieving the targets set by the bank's strategy while avoiding incentives to take disproportionately high risks. The compensation policy is intended to contribute towards comdirect group's ongoing positive development. The compensation system relevant to the 2019 financial year is presented in detail below.

Main features of the compensation system

The compensation system for the Board of Managing Directors of comdirect bank AG is set and reviewed annually by the Supervisory Board. It takes the statutory and regulatory requirements into account. 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/cg in the Corporate Governance section. In the 2019 financial year, the Supervisory Board addressed issues concerning the compensation of the Board of Managing Directors three times in total, both in ordinary sessions and by way of circulation.

The overall compensation of the Board of Managing Directors consists of non-performance-related fixed compensation and a performance-related variable compensation component based on business success and personal performance. Furthermore, the members of the Board of Managing Directors receive a company old-age pension for their work at comdirect bank AG. The components of the compensation are set out in the employment contracts 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 member of the Board of Managing Directors, on the current economic situation and future prospects of the bank and on the level of compensation at peer group companies. The fixed compensation and the variable compensation are appropriate in relation to each other, thereby avoiding a significant dependence on variable compensation on the part of the member of the Board of Managing Directors, while at the same time creating an effective incentive. For active members of the Board of Managing Directors, the target amount for the variable compensation component is currently capped at 33 % of target overall compensation. The appropriateness of compensation is also reviewed annually in consultation with independent, external compensation advisers. The internal market comparison is updated every year and the external market comparison will be updated every two years in future.

Non-performance-related fixed compensation

Non-performance-related fixed compensation consists of a fixed annual salary and fringe benefits. Subject to the possibility of review by the Supervisory Board, the fixed annual salary of members of the Board of Managing Directors is set for the entire term of the respective member's contract and paid out in twelve monthly instalments. The Supervisory Board has defined set ceilings for the fixed annual salary. In addition to their fixed salary, the members of the Board of Managing Directors receive fringe benefits in the form of non-cash remuneration, which essentially consists of the payment of allowances, insurance premiums and the taxes and social security contributions owed on them. The specific amount varies among the individual members of the Board of Managing Directors according to their personal situation. Moreover, the Commerzbank Group maintains a D&O insurance policy with deductible that includes the members of the Board of Managing Directors and the Supervisory Board of comdirect bank AG.

Performance-related variable compensation

The performance-related variable compensation of the Board of Managing Directors is governed by the system described below.

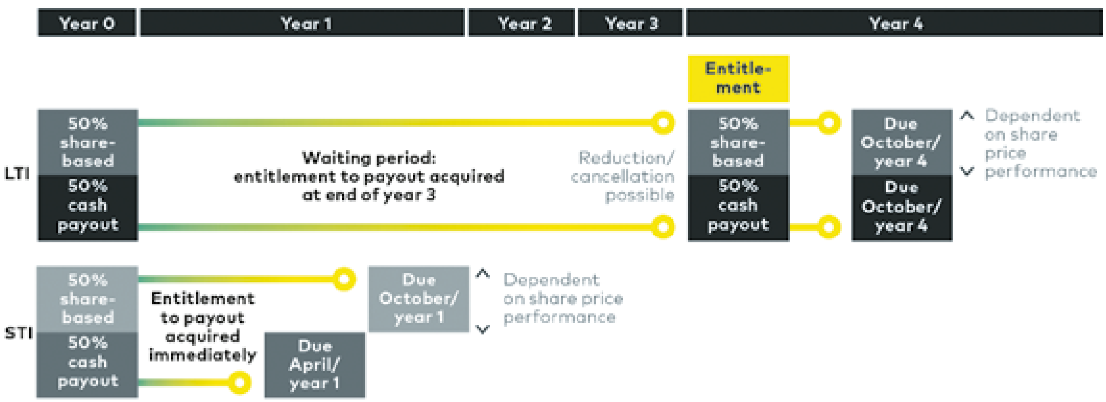
The volume of the performance-related variable compensation is dependent on the achievement of the business objectives of comdirect bank AG and the Commerzbank Group, and of individual goals in the financial year under review in conjunction with the target for the variable compensation component for members of the Board of Managing Directors. The targets are agreed annually between the Board of Managing Directors and Supervisory Board, are consistent with the strategic objectives of the bank and take the risks taken and the cost of capital into account in particular. The volume of variable compensation is calculated using a long-term assessment basis. The achievement of targets for the past three financial years is taken into account, though the individual financial years are weighted differently. Target achievement can range from 0 % of the variable compensation target at minimum to 200 % at maximum, and is capped according to the volume of variable compensation for the Board of Managing Directors. As of the time that it is set, the amount of individual variable compensation can also range from 0 % at minimum to 200 % at maximum of the individual target. At the same time, this individual variable compensation must not exceed the fixed salary for the respective financial year (bonus cap).

The individual variable compensation of the members of the Board of Managing Directors is divided into two components: a long-term incentive (LTI) that accounts for 60 % of the variable compensation and a short-term incentive (STI) that accounts for 40 %.

For variable compensation up to the 2018 financial year, the LTI is paid out after expiration of three and a half years after the end of the financial year at the earliest and the STI within ten months after expiration of the financial year. Entitlement to the LTI can only arise after expiration of the three-year waiting period. Entitlement to the STI is obtained immediately. A total of 50 %

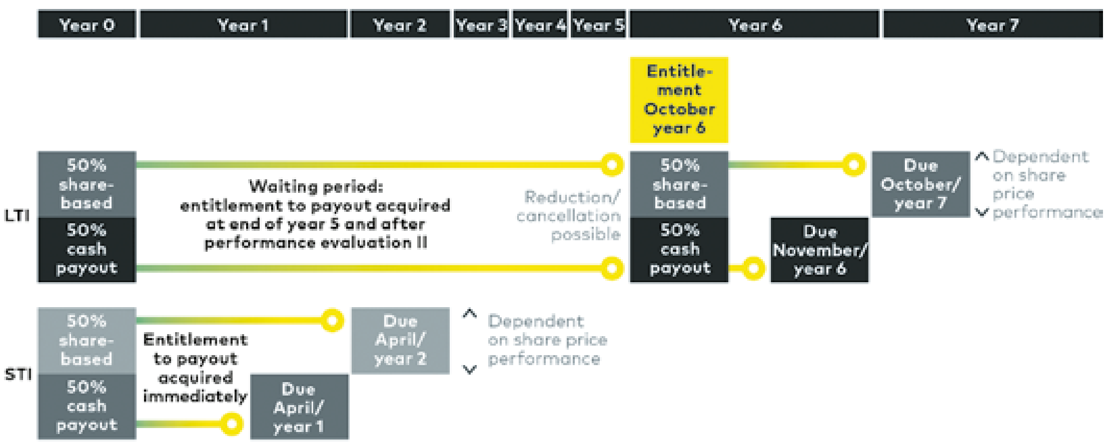
of the LTI component and the STI components are settled in the form of a cash payment and 50 % on the basis of shares in Commerzbank AG after a six-month vesting period. Entitlements to LTI and STI components arise and mature as shown in the graphic below.

Variable compensation until the 2018 financial year



For variable compensation from the 2019 financial year, the LTI is paid out within seven years and ten months of the end of the financial year and the STI within sixteen months after expiration of the financial year. Entitlement to the LTI can only arise after expiration of the five-year waiting period. Entitlement to the STI is obtained immediately. A total of 50 % of the LTI component and the STI components are settled in the form of a cash payment and 50 % on the basis of shares in comdirect bank AG after a twelve-month vesting period. Entitlements to LTI and STI components arise and mature as shown in the graphic below.

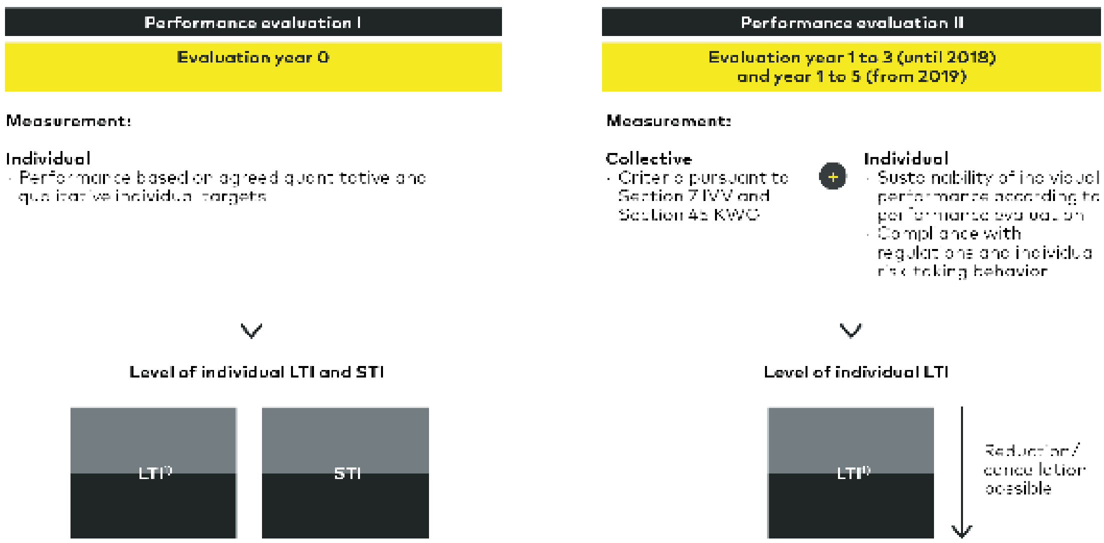
Variable compensation from the 2019 financial year



Regarding variable compensation for the 2019 financial year, the cash-settled portion of the STI matures in the 2020 financial year (year 1) and the share-based portion of the STI in the 2021 financial year (year 2). Entitlement to the LTI arises – subject to being reduced or curtailed – in 2025 (year 6). The cash-settled portion of the LTI matures in the 2025 financial year (year 6) and the share-based portion of the LTI in the 2026 financial year (year 7). Provided that the variable compensation for the 2019 financial year does not exceed the allowance of €50 k, it will be paid out in full in April 2020 (year 1).

The amount of individual variable compensation, for both the LTI and the STI, is determined on the basis of an individual performance appraisal based on the agreed quantitative and qualitative individual targets for the respective financial year (performance appraisal I). These individual targets are also agreed annually with the Supervisory Board and are consistent with the strategic objectives of the bank. To determine the amount of the LTI component, after expiration of the three-year waiting period for variable compensation until the 2018 financial year or after expiration of the five-year waiting period for variable compensation from the 2019 financial year, further collective and individual reviews are conducted in the context of performance appraisal II. Compliance with the criteria of Section 7 IVV and Section 45 of the German Banking Act (KWG) is checked at the collective level. The sustainability of the individual performance determined by performance appraisal I, compliance with rules and regulations and the risk behaviour of individual members of the Board of Managing Directors are assessed at the individual level. Negative individual performance contributions and the non-fulfilment of the criteria of Section 7 IVV or Section 45 KWG reduce the respective compensation from the LTI component (penalty). Furthermore, in especially serious cases, the bank can claim the repayment of variable compensation already paid (claw-back provision).

The performance appraisals are performed by the Supervisory Board. Variable compensation is measured on the basis of performance appraisals I and II as shown in the graphic below.



1) [illegible] performance evaluation I only indicative, reduction or cancellation possible up to time of payout depending on results of performance evaluation II

Measures intended to restrict or cancel out the risk orientation of variable compensation are precluded by contract. Current LTI components are cancelled if the respective member of the Board of Managing Directors leaves the bank as a bad leaver on the basis of defined criteria. In the event of extraordinary developments, the Supervisory Board can adjust the targets and parameters for the STI and LTI at its own discretion and appropriately limit the amount of individual variable compensation. The payment of variable components of the compensation is cancelled if prohibited or restricted by the German Federal Financial Supervisory Authority (BaFin).

Old-age pension

The members of the Board of Managing Directors receive a pension commitment for their work at comdirect bank AG. The active members of the Board of Managing Directors earn an entitlement to an annual pension component in the amount of a defined percentage of their respective basic annual salary. The pension level is therefore solely dependent on the length of service on the Board of Managing Directors. Pension rights become vested after expiration of five years of service in the Commerzbank Group. The company has recognised provisions for pensions for these future claims in accordance with the International Financial Reporting Standards (IFRS), the amount of which is dependent on the number of years of service, the pensionable salary and the current actuarial interest rate. The pension provisions are measured in accordance with the projected unit credit method based on actuarial opinions prepared by an independent actuary (see Note (65) from page 159).

Payments linked to early termination

If comdirect bank AG terminates the appointment of a member of the Board of Managing Directors prematurely, the respective contract is continued until the end of the original term of office. At maximum, the members of the Board of Managing Directors receive an amount of up to two years' compensation, based on the compensation for the last full financial year prior to termination. Members of the Board of Managing Directors are not entitled to further remuneration in the event of termination for cause.

Overall compensation of active members of the Board of Managing Directors

The overall compensation of active members of the Board of Managing Directors for their work in the 2019 financial year amounted to €1,693 k (previous year: €1,369 k). In accordance with Section 314 HGB, in addition to the non-performance-related fixed compensation, the performance-related variable compensation with short-term incentive effect granted for 2019 and the share-based portion of the performance-related variable compensation with long-term incentive effect granted for 2019, the amount paid out in 2019 for the performance-related variable compensation with long-term incentive effect granted for 2015 must also be reported as remuneration in the 2019 financial year.

In addition to the compensation granted for the period under review and the remuneration reportable for the period under review in accordance with Section 314 HGB, the following tables also show the cumulative payments made for the individual reporting year up to the 2019 balance sheet date and the payments made to the active members of the Board of Managing Directors in 2019, broken down individually by member.

Mr Walter resigned as the Chairman of the Board of Managing Directors effective as of 31 December 2019. The current payments until 31 December 2019 are reported in the following table under non-performance-related fixed compensation. The performance-related variable compensation for 2019 granted by this date is also shown in the appropriate line items of the table.

	Arno Walter **CEO** (from 15 March 2015)				
€k	**from 15.3.2015**	**2016**	**2017**	**2018**	**2019**
Non-performance-related fixed compensation					
Fixed salary					
Value upon payout	287	410	410	470	470
Fringe benefits					
Value upon payout	46	33	30	23	23
Performance-related variable compensation due in short term (STI component)					
STI cash payout					
Value upon granting and payout	34	54	46	40	37
Share-based STI[1)]					
Value upon granting	34	54	46	40	37
Value upon payout	26	77	32	35	
Performance-related variable compensation with long term incentive effect (LTI component)[2)]					
LTI cash payout					
Value upon granting	51	81	70	60	56
Value upon payout	51				
Share-based LTI					
Value upon granting	51	81[6)]	70[5)]	60[4)]	56
Value upon payout	37				
Compensation paid in 2019 for respective reporting year[3)]	**88**			**75**	**493**
Cumulative compensation paid for respective reporting year as of 31.12.2019	**481**	**574**	**518**	**568**	**493**
Compensation granted for respective reporting year	**503**	**713**	**672**	**693**	**679**
Amount to be reported for respective reporting year in accordance with Section 314 HGB	**452**	**632**	**602**	**633**	**674[7)]**

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 at least 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, in the 2022 financial year for the 2018 tranche and in the 2025 financial year for the 2019 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), 2022 (2018 tranche) and 2026 (2019 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 compensation for 2019, the STI component granted for the 2018 financial year and the LTI component granted for the 2015 financial year were also paid out in 2019.
4) Valuation of LTI component granted for 2018 as of 31.12.2019: share-based LTI €51 k.
5) Valuation of LTI component granted for 2017 as of 31.12.2019: share-based LTI €30 k.
6) Valuation of LTI component granted for 2016 as of 31.12.2019: share-based LTI €59 k.
7) In addition to the non-performance related fixed compensation, the STI component granted and the share-based LTI granted for the 2019 financial year, the 2015 LTI cash payout made in the 2019 financial year is also a component of the remuneration package to be reported for the 2019 financial year pursuant to Section 314 of the German Commercial Code (HGB).

The contract with Mr Walter ended as of 31 December 2019. All entitlements acquired by 31 December 2019 remain in effect. According to planning, payments under current STI and LTI components could continue to be made until the 2027 financial year.

	Dietmar von Blücher Member of the Board of Managing Directors (from 18 July 2016)			
€k	from 18.7.2016	2017	2018	2019
Non-performance-related fixed compensation				
Fixed salary				
Value upon payout	82	180	230	296
Fringe benefits				
Value upon payout	14	35	21	21
Performance-related variable compensation due in short term (STI component)				
STI cash payout				
Value upon granting and payout	10	19	20	20
Share-based STI[1]				
Value upon granting	10	19	20	20
Value upon payout	14	13	18	
Performance-related variable compensation with long term incentive effect (LTI component)[2]				
LTI cash payout				
Value upon granting	15	28	31	29
Value upon payout				
Share-based LTI				
Value upon granting	15[6]	28[5]	31[4]	29
Value upon payout				
Compensation paid in 2019 for respective reporting year[3]			**38**	**317**
Cumulative compensation paid for respective reporting year as of 31.12.2019	**120**	**247**	**289**	**317**
Compensation granted for respective reporting year	**146**	**309**	**353**	**415**
Amount to be reported for respective reporting year in accordance with Section 314 HGB	**131**	**281**	**322**	**386**

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 at least three-year waiting period at the earliest, i.e. in the 2020 financial year for the 2016 tranche, in the 2021 financial year for the 2017 tranche, in the 2022 financial year for the 2018 tranche and in the 2025 financial year for the 2019 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 2020 (2016 tranche), 2021 (2017 tranche), 2022 (2018 tranche) and 2026 (2019 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 compensation for 2019, the STI component granted for the 2018 financial year was also paid out in 2019.
4) Valuation of LTI component granted for 2018 as of 31.12.2019: share-based LTI €26 k.
5) Valuation of LTI component granted for 2017 as of 31.12.2019: share-based LTI €12 k.
6) Valuation of LTI component granted for 2016 as of 31.12.2019: share-based LTI €11 k.

	Matthias Hach Member of the Board of Managing Directors (from 30 January 2018)	
€k	from 30.1.2018	2019
Non-performance-related fixed compensation		
Fixed salary		
Value upon payout	211	296
Fringe benefits		
Value upon payout	20	22
Performance-related variable compensation due in short term (STI component)		
STI cash payout		
Value upon granting and payout	19	20
Share-based STI[1)]		
Value upon granting	19	20
Value upon payout	16	
Performance-related variable compensation with long term incentive effect (LTI component)[2)]		
LTI cash payout		
Value upon granting	28	29
Value upon payout		
Share-based LTI		
Value upon granting	28[4)]	29
Value upon payout		
Compensation paid in 2019 for respective reporting year[3)]	**35**	**318**
Cumulative compensation paid for respective reporting year as of 31.12.2019	**266**	**318**
Compensation granted for respective reporting year	**325**	**416**
Amount to be reported for respective reporting year in accordance with Section 314 HGB	**297**	**387**

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 at least three-year waiting period at the earliest, i.e. in the 2022 financial year for the 2018 tranche and in the 2025 financial year for the 2019 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 2022 (2018 tranche) and 2026 (2019 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 compensation for 2019, the STI component granted for the 2018 financial year was also paid out in 2019.
4) Valuation of LTI component granted for 2018 as of 31.12.2019: share-based LTI €24 k.

Furthermore, Mr Hach was paid an STI component of €3 k granted in the 2018 financial year in his capacity as a head of division.

Effective as of 1 April 2019, Ms Frauke Hegemann was appointed as a member of the Board of Managing Directors for a duration of three years.

	Frauke Hegemann Member of the Board of Managing Directors (from 1 April 2019)
€k	**from 1.4.2019**
Non-performance-related fixed compensation	
Fixed salary	
Value upon payout	195
Fringe benefits	
Value upon payout	5
Performance-related variable compensation due in short term (STI component)	
STI cash payout	
Value upon granting and payout	13
Share-based STI[1]	
Value upon granting	13
Value upon payout	
Performance-related variable compensation with long term incentive effect (LTI component)[2]	
LTI cash payout	
Value upon granting	20
Value upon payout	
Share-based LTI	
Value upon granting	20
Value upon payout	
Compensation paid in 2019 for respective reporting year[3]	**200**
Cumulative compensation paid for respective reporting year as of 31.12.2019	**200**
Compensation granted for respective reporting year	**266**
Amount to be reported for respective reporting year in accordance with Section 314 HGB	**246**

1) Figure determined in performance evaluation I. The actual value varies depending on share price performance up until date of payout.
2) Indicative figures for performance-related variable compensation with long term incentive effect (LTI component) determined in performance evaluation I reported as value upon granting. Entitlement to a payout is acquired upon expiry of the five-year waiting period at the earliest, so in financial year 2025 for tranche 2019. The amount can be reduced or cancelled depending on the results of performance evaluation II and payout is due in financial year 2026 (tranche 2019) at the earliest. The actual value of the payout also varies depending on share price performance up until date of payout or date of issue respectively.
3) Only the non-performance-related fixed compensation for 2019 was paid out in 2019.

Furthermore, Ms Hegemann was paid an STI component of €22k granted in the 2018 financial year in her capacity as a Chief Representative.

The following table shows the pension details of members of the Board of Managing Directors active in 2019, broken down individually by member.

€k	Pension obligation (DBO) under IFRS as of 31.12.2019	Vested rights as of 31.12.2019
Arno Walter	1,692	74
Dietmar von Blücher	745	23
Matthias Hach	38	39
Frauke Hegemann	80	90
Total	**2,555**	

The amounts reported for Mr Walter, Mr von Blücher and Ms Hegemann include claims acquired for their work for Commerzbank AG. The amounts reported for Mr von Blücher and Ms Hegemann include claims acquired during their time as Chief Representatives of comdirect bank AG. The "Vested rights" column shows the annual pension entitlement for Mr Walter and Mr von Blücher, and the entitlement to a one-time capital payment on retirement for the other members of the Board of Managing Directors.

In the past financial year, no member of the Board of Managing Directors received payments or promises of payment from a third party in relation to their work as a member of the Board of Managing Directors. Members serving on the executive bodies of subsidiaries were merely reimbursed for their expenses. The insurance premium for the group-wide D&O insurance for comdirect bank AG is paid by the company. The company incurred costs of €35k in this context in the period under review. Neither advance payments nor loans were extended in the period under review. The model tables recommended by the German Corporate Governance Code (GCGC) for the reporting of compensation for the Board of Managing Directors are presented below.

In accordance with the German Corporate Governance Code, the compensation granted for the respective financial year is shown in the table "Benefits granted". Variable compensation is deemed granted at the amount expected on 100 % achievement of targets for the period under review.

Benefits granted

€k	Arno Walter CEO (from 15 March 2015)				Dietmar von Blücher CFO (from 18 July 2016)			
	2018	**2019**	**2019 (min.)**	**2019 (max.)**	**2018**	**2019**	**2019 (min.)**	**2019 (max.)**
Fixed compensation[1]	470	470	470	470	230	296	296	296
Fringe benefits[1]	23	23	23	23	21	21	21	21
Total	**493**	**493**	**493**	**493**	**251**	**317**	**317**	**317**
One-year variable compensation[2]	47	47	0	94	26	25	0	50
Multi-year variable compensation	189	189	0	376	104	99	0	198
Share-based STI for 2018 or 2019[3]	47	47	0	94	26	25	0	50
LTI cash payout for 2018 or 2019[4]	71	71	0	141	39	37	0	74
Share-based LTI for 2018 or 2019[5]	71	71	0	141	39	37	0	74
Total	**729**	**729**	**493**	**963**	**381**	**441**	**317**	**565**
Benefit expense[6]	85	80	80	80	54	61	61	61
Overall compensation awarded according to GCGC	814	809	573	1,043	435	502	378	626

€k	Matthias Hach CMO (from 30 January 2018)				Frauke Hegemann COO and HR Director (from 1 April 2019)			
	2018	**2019**	**2019 (min.)**	**2019 (max.)**	**2018**	**2019**	**2019 (min.)**	**2019 (max.)**
Fixed compensation[1]	211	296	296	296	0	195	195	195
Fringe benefits[1]	20	22	22	22	0	5	5	5
Total	**231**	**318**	**318**	**318**	**0**	**200**	**200**	**200**
One-year variable compensation[2]	24	25	0	50	0	16	0	32
Multi-year variable compensation	96	99	0	198	0	64	0	128
Share-based STI for 2018 or 2019[3]	24	25	0	50	0	16	0	32
LTI cash payout for 2018 or 2019[4]	36	37	0	74	0	24	0	48
Share-based LTI for 2018 or 2019[5]	36	37	0	74	0	24	0	48
Total	**351**	**442**	**318**	**566**	**0**	**280**	**200**	**360**
Benefit expense[6]	0	14	14	14	0	12	12	12
Overall compensation awarded according to GCGC	351	456	332	580	0	292	212	372

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 German Corporate Governance Code, the compensation actually received for/in the respective financial year is shown in the table "Benefits received". Compensation is deemed to have been received if all performance conditions have been satisfied at the end of the reporting year and no further changes in value can occur.

Benefits received

€k	Arno Walter CEO (from 15 March 2015)		Dietmar von Blücher CFO (from 18 July 2016)	
	2019	**2018**	**2019**	**2018**
Fixed salary[1]	470	470	296	230
Fringe benefits[1]	23	23	21	21
Total	**493**	**493**	**317**	**251**
One-year variable compensation[2]	37	40	20	20
Multi-year variable compensation	123	32	18	13
Share-based STI for 2018 and 2017[3]	35	32	18	13
LTI cash payout for 2015 and 2014	51	n/a	n/a	n/a
Share-based LTI for 2015 and 2014	37	n/a	n/a	n/a
Other	0	0	0	0
Total	**653**	**565**	**355**	**284**
Pension expenses[4]	80	85	61	54
Overall compensation granted according to GCGC	**733**	**650**	**416**	**338**

€k	Matthias Hach CMO (from 30 January 2018)		Frauke Hegemann COO and HR Director (from 1 April 2019)	
	2019	**2018**	**2019**	**2018**
Fixed salary[1]	296	211	195	n/a
Fringe benefits[1]	22	20	5	n/a
Total	**318**	**231**	**200**	**n/a**
One-year variable compensation[2]	20	19	13	n/a
Multi-year variable compensation	16	n/a	n/a	n/a
Share-based STI for 2018 and 2017[3]	16	n/a	n/a	n/a
LTI cash payout for 2015 and 2014	n/a	n/a	n/a	n/a
Share-based LTI for 2015 and 2014	n/a	n/a	n/a	n/a
Other	0	0	0	n/a
Total	**354**	**250**	**213**	**n/a**
Pension expenses[4]	14	0	12	n/a
Overall compensation granted according to GCGC	**368**	**250**	**225**	**n/a**

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 2020 or April 2019).
3) Share-based STI payout in the financial year, taking target attainment and share price development up to the maturity date into account (October 2019 or October 2018).
4) Service cost in accordance with IAS 19 from pension schemes and other pension benefits for the respective financial year.

Overall compensation of former members of the Board of Managing Directors

The overall compensation of former members of the Board of Managing Directors amounted to €322 k in the financial year (previous year: €426 k). A total of €77 k (previous year: €111 k) of the LTI component granted in the 2015 (2014) financial year was paid out for former members of the Board of Managing Directors in 2019. As of the balance sheet date, there were pension obligations for former members of the Board of Managing Directors in accordance with IFRS of €5,438 k (previous year: €4,882 k).

Compensation of the Supervisory Board

The compensation of the Supervisory Board of comdirect bank AG is governed by its Articles of Association. The provisions for the compensation of the Supervisory Board on which the Articles of Association are based were resolved by the annual general meeting on 16 May 2013 at the proposal of the Board of Managing Directors and the Supervisory Board. They are consistent with the recommendations of the German Corporate Governance Code. The compensation of the Supervisory Board breaks down as follows:

In addition to the reimbursement of their expenses after expiration of the financial year, the members of the Supervisory Board receive fixed compensation of €20,000 per individual member, €60,000 for the Chairman of the Supervisory Board and €30,000 for the Deputy Chairman.

Members of the Risk and Audit Committee receive additional fixed compensation of €10,000. €5,000 is paid for participation in all other committees. The chairperson of a committee receives double the compensation of an ordinary member. Shareholder representatives on the Supervisory Board, who are also members of the Board of a group company of the majority shareholder, do not receive compensation for their work on the Supervisory Board.

The compensation of the Supervisory Board – including any statutory VAT incurred – is shown individually in the table below.

€k	Fixed compensation		Compensation for committee activities		Total	
	2019	2018	2019	2018	2019	2018
Dr. Jochen Sutor (from 9 May 2019)	30	0	29	0	59	0
Verena Pausder (from 9 May 2019)	18	0	11	0	29	0
Michael Mandel	0	0	0	0	0	0
Sandra Persiehl	24	24	11	9	35	33
Sabine Schmittroth	24	24	18	15	42	39
Henning Seeler (from 9 May 2019)	15	0	7	0	22	0
Frank Annuscheit (until 9 May 2019)	6	0	2	0	8	0
Georg Rönnberg (until 9 May 2019)	8	24	11	27	19	51
Maria Xiromeriti (until 9 May 2019)	8	24	0	0	8	24

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

As part of the Commerzbank Group, comdirect is required to prepare a dependent company report in accordance with Section 312 AktG.

In it, the Board of Managing Directors makes the following declaration:

"Under the circumstances known to us at the date on which the company entered into transactions, comdirect bank AG received adequate consideration for each such transaction and suffered no disadvantage from measures either being undertaken or refrained from.

comdirect was granted a legal right to compensation for one adverse measure."

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Income statement

Income statement of comdirect group according to IFRS

€k	Notes	1.1. to 31.12. 2019	2018
Interest income accounted for using the effective interest method	(21)	140,822	130,523
Interest income, other	(21)	1,556	1,575
Total interest income	**(21)**	**142,378**	**132,098**
Interest expenses	(21)	17,249	13,480
Net interest income before provisions for possible loan losses	**(21)**	**125,129**	**118,618**
Provisions for possible loan losses	(8), (22)	–1,595	–1,651
Net interest income after provisions for possible loan losses		**123,534**	**116,967**
Commission income	(23)	273,954	256,095
Commission expenses	(23)	54,238	49,775
Net commission income	**(23)**	**219,716**	**206,320**
Valuation result	(24)	100	4,373
Result from the disposal of financial assets measured at amortised cost	(24)	–37	–586
Result from the disposal of financial assets measured at fair value through other comprehensive income	(24)	13,316	480
Disposals and valuation result from financial assets	**(24)**	**13,379**	**4,267**
Other operating result	(26)	6,812	6,710
Total income		**363,441**	**334,264**
Personnel expenses	(25)	87,451	79,404
Other administrative expenses	(25)	180,851	185,305
Depreciation on fixed assets and intangible assets	(25)	19,593	14,877
Administrative expenses	**(25)**	**287,895**	**279,586**
Pre-tax profit from continued activities		**75,546**	**54,678**
Taxes on income	(15), (27)	19,742	15,665
After-tax profit from continued activities		**55,804**	**39,013**
Pre-tax profit from discontinued activities		115,056	16,045
After-tax profit from discontinued activities		108,335	11,356
Pre-tax consolidated profit		**190,602**	**70,723**
Consolidated net profit		**164,139**	**50,369**

Undiluted/diluted earnings per share

	Notes	1.1. to 31.12. 2019	2018
Consolidated net profit (€k)		164,139	50,369
Average number of ordinary shares (number)	(45)	141,220,815	141,220,815
Undiluted/diluted earnings per share (€)	**(17)**	**1.16**	**0.36**

No shares were issued in the financial year, hence the average number of ordinary shares is the same as the number of ordinary shares outstanding as of 31 December 2019. Continued activities account for earnings per share of €0.40 (2018: €0.28). Undiluted and diluted earnings per share are the same.

Statement of comprehensive income

Statement of comprehensive income of comdirect group according to IFRS

		1.1. to 31.12.	
€k	Notes	2019	2018
Consolidated net profit		**164,139**	**50,369**
Items which cannot be reclassified to the income statement			
Changes in actuarial gains/losses recognised in equity	(45)	–434	–195
Other comprehensive income for the period from equity instruments		7,899	–3,695
Items which can be reclassified to the income statement			
Changes in the revaluation reserves after tax	(45)		
Changes in value recognised in equity		10,909	–1,650
Reclassification to the income statement		–9,347	–329
Other comprehensive income for the period from continued activities		**9,027**	**–5,869**
Other comprehensive income for the period from discontinued activities		–3,617	–850
Total other comprehensive income		**5,410**	**–6,719**
Comprehensive income		**169,549**	**43,650**

The 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 2019			
Actuarial gains and losses	–655	221	–434
Other comprehensive income for the period from equity instruments	8,014	–115	7,899
Other comprehensive income for the period from debt instruments	2,285	–723	1,562
Other comprehensive income for the period	**9,644**	**–617**	**9,027**
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**

Balance sheet

Balance sheet of comdirect group according to IFRS

Assets

€k	Notes	as of 31.12.2019	as of 31.12.2018
Cash reserve	(7), (28)	3,602,207	2,195,423
Claims on banks	(7), (29), (52)	23,878,767	21,351,216
Claims on customers	(7), (30), (52)	765,489	630,487
Positive fair values from derivative financial instruments	(31)	208	1,099
Financial investments	(7), (32)	1,398,659	2,227,650
Intangible assets	(10), (33), (35)	43,343	40,654
Fixed assets	(11), (34), (35)	30,544	19,707
Current income tax assets	(15), (36)	1,001	5,176
Deferred income tax assets	(15), (36)	4,331	3,472
Other assets	(37)	33,961	25,872
Assets from discontinued activities	(4)	0	414,079
Total assets		**29,758,510**	**26,914,835**

Liabilities and equity

€k	Notes	as of 31.12.2019	as of 31.12.2018
Liabilities to banks	(13), (38)	4,487	214,261
Liabilities to customers	(13), (39)	28,874,386	25,459,751
Negative fair values from derivative financial instruments	(40)	1,286	0
Provisions	(14), (41)	25,128	23,173
Current income tax liabilities	(15), (43)	7,983	4,927
Other liabilities	(44)	76,800	39,783
Liabilities from discontinued activities	(4)	0	538,744
Equity	**(45)**	**768,440**	**634,196**
Subscribed capital	(45)	141,221	141,221
Capital reserve	(45)	223,296	223,296
Retained earnings	(45)	230,657	219,453
Revaluation reserves	(45)	9,127	–143
Consolidated net profit	(45)	164,139	50,369
Total liabilities and equity		**29,758,510**	**26,914,835**

Statement of changes in equity

€k	Notes	Subscribed capital	Capital reserve	Retained earnings	Revaluation reserves	Consolidated net profit	Total
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	**(45)**	**141,221**	**223,296**	**184,885**	**4,905**	**71,544**	**625,851**
Consolidated net profit from 1.1. to 31.12.2018		-	-	-	-	50,369	50,369
Changes in actuarial gains/losses recognised in equity	(14), (41)	-	-	–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	(53)	-	-	–626	617	-	–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 31.12.2018/1.1.2019	**(45)**	**141,221**	**223,296**	**219,453**	**–143**	**50,369**	**634,196**
Consolidated net profit from 1.1. to 31.12.2019		-	-	-	-	164,139	164,139
Changes in actuarial gains/losses recognised in equity	(14), (41)	-	-	–4,052	-	-	–4,052
Change in the revaluation reserves		-	-	-	9,459	-	9,459
Contributions from the disposal of equity instruments in the measurement category FVOCI	(53)	-	-	192	–189	-	3
Comprehensive income 2019		**-**	**-**	**–3,860**	**9,270**	**164,139**	**169,549**
Profit distributions	(17)	-	-	-	-	–35,305	–35,305
Allocation to reserves/transfer from reserves		-	-	15,064	-	–15,064	0
Equity as of 31.12.2019	**(45)**	**141,221**	**223,296**	**230,657**	**9,127**	**164,139**	**768,440**

Dividends of €35,305 k (2018: €35,305 k) were distributed to shareholders of comdirect bank AG in the 2019 financial year, corresponding to an amount of €0.25 (2018: €0.25) per share.

In the 2019 financial year, comdirect bank AG did not utilise either the existing authorisations of the annual general meeting to purchase own shares for the purposes of securities trading in accordance with Section 71(1) No. 7 of the German Stock Corporation Act (AktG) or the resolutions of the annual general meeting authorising the acquisition of own shares in accordance with Section 71(1) No. 8 of the German Stock Corporation Act (AktG) for purposes other than securities trading.

Cash flow statement

		1.1. to 31.12.	
€k	Notes	2019	2018
Consolidated net profit		**164,139**	**50,369**
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	(22), (24), (25), (26), (35), (41), (53)	30,524	33,105
Result from the sale of assets	(24), (57)	–13,272	115
Other adjustments	(21), (23), (26), (27)	–218,512	–72,448
Sub-total		**–37,121**	**11,141**
Change in assets and liabilities from operating activities after adjustment for non-cash items			
Claims			
on banks	(29)	–2,476,770	–4,088,360
on customers	(30)	–135,448	–173,903
Positive/negative fair values from derivative financial instruments		0	0
Securities	(32)	845,914	491,077
Other assets from operating activities	(37)	–6,302	–1,917
Liabilities			
to banks	(38)	–215,030	213,393
to customers	(39)	3,452,824	3,697,458
Other liabilities and equity from operating activities	(41), (44)	–8,863	–75,226
Interest and dividends received	(21), (53)	143,409	124,557
Interest paid	(21), (53)	–18,625	–15,435
Income tax payments	(27), (36), (43)	–17,694	–14,486
Cash flow from operating activities		**1,526,294**	**168,299**
Cash inflows from the sale of investments and shares in affiliated companies less cash sold		–336,766	
Cash inflows from the disposal of fixed assets and intangible assets	(33), (34), (35)	–6	–8
Cash outflows for the acquisition of fixed assets and intangible assets	(33), (34), (35)	–15,177	–25,868
Cash flow from investing activities		**–351,949**	**–25,876**
Dividend payment		–35,305	–35,305
Payment for the principal portion of the lease liability		–6,852	-
Cash flow from financing activities		**–42,157**	**–35,305**
Cash and cash equivalents as of the end of the previous period		**2,470,019**	**2,362,901**
Cash flow from operating activities		1,526,294	168,299
Cash flow from investing activities		–351,949	–25,876
Cash flow from financing activities		–42,157	–35,305
Cash and cash equivalents as of the end of the period	**(28)**	**3,602,207**	**2,470,019**

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 includes a contribution of €275 m from discontinued activities which, in accordance with IFRS 5, was not reported in the cash reserve but rather under "Assets from discontinued activities". The cash flows shown comprise both continued and discontinued activities.

The cash flow from operating activities is essentially determined by taking in customer deposits and reinvesting them on the money and capital market.

In the financial year, the sharp reduction in cash flow from investing activities resulted from the disposal of cash and cash equivalents of €482,964 k. This was offset by the purchase price payment received of €146,198 k for the disposal of ebase GmbH. This consists of the purchase price of €153,727 k minus the profit transferred for 2018 of €7,529 k. The cash flow from investing activities also results from acquisitions and disposals of fixed and intangible assets.

In addition to the dividend payment, the cash flow from financing activities also includes principal repayments on lease liabilities recognised for the first time in the financial year on account of the adoption of IFRS 16.

The cash flow statement has little significance for comdirect group. It does not substitute liquidity or financial planning and it is not used as a management instrument. It does not allow any conclusions to be drawn about the actual liquidity position, which is dependent on operating activities rather than 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 2019 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, plus other regulations on the adoption of certain International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB). Other provisions applicable under Section 315e(1) of the German Commercial Code (HGB) were also complied with.

comdirect bank Aktiengesellschaft, Pascalkehre 15, 25451 Quickborn, Germany, is the parent company of comdirect group and is registered with the 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/Main. The consolidated financial statements of Commerzbank AG as of 31 December 2018 were published in the electronic Federal Gazette on 9 April 2019.

In addition to the consolidated balance sheet, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated financial statements also comprise 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), is presented in our annual report.

The consolidated financial statements were approved for publication by the Board of Managing Directors on 19 February 2019.

Accounting and measurement methods

1 Principles and estimation uncertainty

The consolidated financial statements have been prepared on a going concern basis.

Income and expenses are recognised in the income statement pro rata temporis in the period to which they relate in economic terms. Income is accounted for at the fair value of the consideration. Interest income and interest expenses are recognised in net interest income in line with the effective interest method, taking into account all the contractual agreements in connection with 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.

Assets and liabilities are measured at their (amortised) historical or production cost (assets) and their issue or settlement amount (liabilities), unless an IFRS requires a different measurement, as is the case for certain financial instruments measured at fair value.

Financial instruments are recognised and measured in accordance with the recognition, measurement and impairment principles of IFRS 9.

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 euro, the reporting currency of the group. For arithmetic reasons, the figures presented below may contain rounding differences up to one unit (e.g. €k, %).

2 Standards effective for the first time, new and revised standards

The consolidated financial statements of comdirect group were prepared in accordance with all Standards and Interpretations effective in the EU for the 2019 financial year.

In addition to IFRS 16, the interpretation IRFIC 23, amendments to IAS 19, IAS 28 and IFRS 9 and the Annual Improvements to IFRS (2015 – 2017 cycle) are effective for the first time in 2019.

The introduction of IFRS 16 replaces IAS 17 and the Interpretations IFRIC 4, SIC-15 and SIC-27.

IFRS 16 provides a single accounting model for lessees. Under this model, lessees recognise all lease assets and liabilities in their balance sheet, unless the lease has a term of twelve months or less or is for a low-value asset. Further information on this and the effects of the first-time adoption of IFRS 16 on comdirect group's consolidated financial statements can be found in Note (11).

IFRIC 23 contains provisions on uncertainty over income tax treatments under IAS 12. The amendments to IAS 19 relate to accounting for a plan amendment, curtailment or settlement of a defined benefit plan. The IASB's amendments to IAS 28 clarify that a company applies IFRS 9 to long-term interests in associates and joint ventures. The amendments to IFRS 9 regulate the classification of certain financial assets with prepayment features. The Annual Improvements to IFRS (2015 – 2017 cycle) contain amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23. IFRIC 23, the amendments to IAS 19, IAS 28 and IFRS 9 and the Annual Improvements to IFRS (2015 – 2017 cycle) have no impact on the consolidated financial statements of comdirect group.

Additional Standards and Interpretations effective in future:

Standard	Title	Date of application
	Amendments to references to the general concept	1 January 2020
IAS 1/IAS 8 (amendments)	Definition of Material	1 January 2020
IFRS 3 (amendments)	Definition of a Business	1 January 2020[1]
IFRS 9/IAS 39 and IFRS 7 (amendments)	Interest rate benchmark reform	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021[1]

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

Standards and Interpretations that are not effective until the 2020 financial year or thereafter have not been adopted early.

Provisions that will be effective in future are not expected to have a significant impact on the consolidated financial statements of comdirect group.

3 Changes in accounting policies and estimates

Changes in the method of presentation due to the application of new Standards (IFRS 16)

There were changes in the reporting of financial statement items compared to the previous year as a result of the adoption of IFRS 16 in the reporting period. “Depreciation on office furniture and equipment and intangible assets" was renamed " Depreciation on fixed assets and intangible assets”. In the income statement, lease expenses were recognised in the form of fixed asset depreciation for the first time. In prior periods this was recognised in other administrative expenses. In addition, interest expenses on lease liabilities are recognised under “Other interest expenses” in the income statement. Leases that were not previously recognised in the balance sheet are now recognised in the form of a right-of-use asset. A corresponding lease liability was recognised under “Other liabilities”.

Changes in estimates

There were adjustments to provisions for credit risks in the reporting period due to the validation of the parameters used in the risk models. Together with the adjustments for the definitions of default based on the EBA Guidelines, changes in estimates reduced the overall volume of expected credit losses and provisions for credit risks by €0.5 m. The effect on future periods is dependent on the development of lending volumes, the credit facilities available and credit quality.

4 Disclosures on discontinued activities (IFRS 5)

The full sale of ebase (European Bank for Financial Services) GmbH, which was contractually agreed in July 2018, was successfully concluded on 16 July 2019. Following approval by the banking supervision and antitrust authorities, the wholly-owned subsidiary of comdirect bank AG was sold to the financial technology provider FNZ Group, London. The reason behind the disposal is the stronger focus on the core business of comdirect bank AG.

The purchase price is €153.7 m. Taking into account the costs of the transaction, the book value of the assets and liabilities being transferred and ebase's current profit, the contribution from discontinued activities to comdirect's 2019 consolidated pre-tax profit amounts to around €115.1 m. This consists of ebase's current profit until 16 July 2019 (€11.8 m) and the realisation gain on disposal (€103.3 m). Thanks to this realisation gain, the profit from discontinued activities before tax is unusually high for the past financial year at €115.1 m. comdirect had acquired ebase at a purchase price of €24.9 m from what was then Commerz Asset Management Holding in 2009.

As a result of the disposal of ebase agreed in July 2018 and closed in July 2019, a distinction must be made between continued and discontinued activities in accordance with IFRS 5. ebase's contributions are assigned to discontinued activities. The B2C and B2B (ebase) segments largely correspond to continued and discontinued activities. Deviations arise as a result of IFRS 5 provisions.

IFRS 5 applies when long-term assets or disposal groups are classified as held for sale. This occurs when their book value will be recovered principally through a sale transaction rather than through continuing use and its 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.

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. Tax expenses from discontinued activities amounted to €6,721 k (2018: €4,689 k).

Discontinued activities account for earnings per share of €0.77 (2018: €0.08). Undiluted and diluted earnings per share are the same.

The amounts of the assets and liabilities from discontinued activities over which control was lost on 16 July 2019 break down as follows:

€k	as of 16.07.2019	as of 31.12.2018
Cash reserve	482,964	274,596
Claims on banks	13,712	59,142
Claims on customers	37,006	36,170
Financial investments	26,714	23,172
Intangible assets	13,942	15,685
Fixed assets	8,669	1,253
Income tax assets	4,398	1,001
Other assets	3,334	3,060
Total assets	**590,739**	**414,079**
Liabilities to banks	3,164	8,420
Liabilities to customers	519,312	510,327
Provisions	18,014	14,085
Income tax liabilities	5,447	0
Other liabilities	10,785	5,912
Total liabilities	**556,722**	**538,744**

ebase GmbH had overnight money and fixed-term deposits at comdirect bank AG of €171.6 m in total as of the balance sheet date of the previous year. The prior-year figure for claims on banks from discontinued activities shows the figure included in the consolidated financial statements after the consolidation of ebase's claims on comdirect. After ebase's deconsolidation following the closing of the transaction, the consolidated financial statements of comdirect without ebase will show the previously consolidated liabilities of comdirect to ebase GmbH. The transactions still in place were reversed as of the date of the disposal, resulting in a corresponding increase in the cash reserve.

The following cash flows were generated from discontinued activities:

€k	1.1.-16.07.2019	1.1.-31.12.2018
Cash flow from operating activities	213,871	178,225
Cash flow from investing activities	–2,852	–4,887
Cash flow from financing activities	–2,651	0
Total cash flow	**208,368**	**173,338**

The high cash flow from operating activities predominantly results from the disposal of ebase's deposits with comdirect. These were sold prior to closing in the context of the disposal, and are reflected in the operating cash flow.

The cash flow from financing activities includes principal repayments on lease liabilities recognised for the first time in the financial year on account of the adoption of IFRS 16.

5 Consolidated companies

In addition to the parent company comdirect bank AG, Quickborn, the consolidated companies include the following entities as of the 2019 balance sheet date:

- five special funds included in the consolidated financial statements as structured entities
- comdirect Versicherungsmakler AG (formerly: onvista AG) domiciled in Quickborn
- onvista media GmbH domiciled in Cologne

comdirect bank AG holds all shares in each of the consolidated group units. All Group companies have prepared annual financial statements as of 31 December 2019. A list of the holdings of comdirect bank AG can be found in Note (66).

There are no other legal relationships in which comdirect bank AG has control. There are no investments in associated companies or joint ventures.

The disposal of the wholly-owned subsidiary ebase (European Bank for Financial Services GmbH) agreed with the financial technology provider FNZ Group, London, on 10 July 2018 took place as of 16 July 2019.

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 Financial instruments: recognition, measurement and reporting

Basic information and recognition

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 through 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. Results from the disposal of 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 re-ported 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.

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 hierarchy levels that result, for example, from market changes and affect the inputs used to measure the financial instrument are shown as of the last day of a quarter.

Further information on the fair values of financial instruments and their levels in the fair value hierarchy can be found in Notes (49) and (50).

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 invest-ments" 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.

8 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 €5 m. For significant exposures with volumes exceeding €5 m, 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.

9 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.

10 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.

11 Fixed assets

Office furniture and equipment and right-of-use assets from leases are reported under "Fixed assets".

Office furniture and equipment

Office furniture and equipment are reported at historical cost and depreciated on a straight-line basis over their expected useful economic lives.

The useful economic lives are determined taking into account expected physical wear and tear, technical obsolescence and legal and contractual restrictions.

Depreciation is recognised over a period of 3 to 20 years.

In the income statement, depreciation is reported under "Administrative expenses", while gains and losses from the disposal of fixed assets are reported in "Other operating result".

The appropriateness of both the useful economic lives and the depreciation method is checked at the end of the reporting period. Impairment triggers as defined by IAS 36 that necessitate impairment in profit or loss are also tested for once per year.

Leases

IFRS 16 was adopted at comdirect as of 1 January 2019 using the modified retrospective approach. The prior-year figures are not restated. There were no material adoption effects to be recognised in equity.

comdirect operates solely as a lessee. Lease liabilities that were previously classified as operating leases in accordance with IAS 17 have been recognised at the net present value of the outstanding lease payments. The leases identified were divided into the classes "Land and buildings", "IT", "Motor vehicles" and "Others". The IT class was only used in discontinued activities.

Land and buildings were discounted as of 1 January 2019 with a weighted average incremental borrowing rate of 0.28 %. The effect of discounting is immaterial for the other classes of assets, hence discounting is dispensed with. For these leases, we did not assess whether a lease that existed prior to 1 January 2019 would have been classified in full or in part as a lease in accordance with IFRS 16. Previously made assessments were applied. The right-of-use assets for leases were reported in line with the lease liability, corrected for prepayments. There were no leases that would be classified as finance leases as of the date of first-time application.

The probability of options to extend or terminate a lease being exercised was assessed according to the latest information. Initial direct costs were disregarded as of the adoption date.

The capitalisation of right-of-use assets and the expensing of the corresponding liabilities resulted in a minor increase in total assets/total equity and liabilities of €12 m from continued activities as of 1 January 2019. A further €10 m resulted from discontinued activities. A significant portion of this relates to rented properties.

Instead of the previously recognised other administrative expenses from leases, depreciation on capitalised right-of-use assets and interest expenses from the discounting of lease liabilities have been recognised in the income statement since the beginning of the year.

We have exercised the option to exclude leases for low-value assets from lease accounting and to recognise them directly as an expense.

Reconciliation of lease obligations from continued activities

€k	
Off-balance sheet lease liabilities as of 31.12.2018	**12,794**
Simplified accounting for low-value assets	192
Not relevant for IFRS 16	818
Gross lease liabilities as of 1.1.2019	**11,784**
Discounting	70
Total lease liabilities as of 1.1.2019	**11,714**

The relevant leases were typically essentially identified by inspecting a central contracts database and implementing the option of the automatic analysis of identified leases in future.

The term of a lease is determined as its uncancellable minimum term. Options to terminate or extend a lease are taken into account as soon as it is considered reasonably certain that they will be exercised. The interest rate underlying the lease cannot be determined with the information accessible. We therefore calculate an incremental borrowing rate applicable for comdirect and use this for discounting taking into account the term of the lease. The option to exclude leases for low-value assets from lease accounting has been exercised. We have exercised the option of dispensing with the separate consideration of lease and non-lease components for the “IT” and “Others” classes. Also, the rental payments for intangible assets, such as software, are not recognised as a lease.

For each leased asset, we recognise a right-of-use asset and a corresponding lease liability on the day the asset is provided. The right-of-use asset is measured at historical cost and reported under “Fixed assets”. This is amortised on a straight-line basis over its term. The lease liability is recognised under “Other liabilities” with net present value of the outstanding lease payments. The expenses of unwinding are reported under interest expenses. Subsequent measurement uses the effective interest method. Impairment triggers as defined by IAS 36 that necessitate impairment in profit or loss are tested for once per year.

12 Leases under IAS 17 (applied until 31 December 2018)

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 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.

13 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.

14 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 bene-fit 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.

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.

In the previous year there also were 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 (41) 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 (41) and Note (65). Contributions of ebase were shown in the balance sheet under "Liabilities from discontinued activities" and in the income statement under "Income from discontinued activities" up to its deconsolidation.

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 deter-mined 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".

15 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 2019 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.

16 Appropriation of profits
Profits are appropriated on the basis of German legislation, in particular the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

In its annual financial statements prepared in accordance with the German Commercial Code (HGB), comdirect bank AG reports a distributable profit for the 2019 financial year of €164,695,566.87.

At the annual general meeting, the Board of Managing Directors and the Supervisory Board of comdirect bank AG will propose the payment of a dividend of €0.35 per no-par-value bearer share, corresponding to a total dividend volume of €49,427,285.25. The Board of Managing Directors and Supervisory Board will also propose to the annual general meeting to transfer the remaining distributable profit of €115,268,281.62 to other retained earnings.

17 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.

18 Conditional and authorised capital
The Board of Managing Directors of comdirect bank AG is authorised until 8 May 2024, with the approval of the Supervisory Board, to increase the share capital of the company by up to a maximum of €70.0 m by issuing new no-par-value shares against cash or non-cash contributions on one or more occasions (Authorised Capital 2019). Shareholders must be granted subscription rights in principle. Statutory subscription rights can also be granted by having the new shares underwritten by one or more banks or equivalent companies in accordance with Section 186(5) Sentence 1 AktG with the obligation to offer them for subscription to the shareholders of comdirect bank AG. Shareholders' subscription rights can be partially disapplied by the Board of Managing Directors with the approval of the Supervisory Board.

By way of resolution of the annual general meeting on 4 May 2018, there is conditional capital of €14.0 m. The conditional capital increase will only be implemented to the extent that bearers/creditors of convertible bonds, convertible profit sharing rights, convertible hybrid bonds or of warrants attached to bonds or warrant-linked profit sharing rights exercise their conversion or option rights or fulfil their corresponding conversion obligations. The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to issue the above convertible bonds or bonds with warrants, profit sharing rights or hybrid bonds, dated or undated, up to a total nominal amount of €250.0 m on one or more occasions. The authorisation is limited until 3 May 2023.

The above instruments could have a future dilutive effect on earnings per share in the event of their being exercised. However, they are not currently taken into account in the calculation of earnings per share.

19 Share-based compensation

In addition to members of the Board of Managing Directors, whose compensation system is explained in detail in the compensation report in the management report, other risk-takers also receive performance-related variable compensation. Risk-takers are employees whose activities have a significant effect on comdirect's overall risk profile.

If the allowance for the variable compensation actually determined of currently €50,000 is exceeded, variable compensation for risk-takers is paid in the form of a short-term incentive (STI) in the following year and a long-term incentive (LTI) after expiration of a retention period of at least three years and an additional vesting period. The variable compensation is paid pro rata in cash or on the basis of shares. This is based on the shares of Commerzbank AG for financial years up to 2018 and shares of comdirect bank AG from 2019 onwards.

The share-based components of compensation are accounted for in accordance with IFRS 2. comdirect bank AG has the obligation to pay compensation and can opt to do so either in cash or in the form of shares in Commerzbank AG or comdirect bank AG for years from 2019 onwards. As cash settlement is currently assumed, the share-based element of the LTI and STI components is treated as a cash-settled compensation component. The element of LTI and STI components for which cash settlement is intended without reference to shares is accounted for in accordance with IAS 19.

A notional compensation volume is calculated for all stated components on the basis of the achievement of corporate goals at the end of the financial year. Risk-takers' individual variable compensation is set on the basis of their performance as assessed in the financial year following the reporting year.

The amount in euro for both share-based components is determined when the individual variable compensation is set. The number of shares to be granted is calculated by dividing the set euro amount by the reference price. This reference price is calculated as the average price of Commerzbank shares, or comdirect bank shares from 2019 onwards, on all trading days in a reference period comprising the December of the reporting year and the January and February of the following year.

A provision is recognised in the full amount of the compensation volume calculated for the share-based STI component. After the number of shares to be issued has been set, the price equivalent can change by the time of issue or maturity as a result of share price fluctuations.

Entitlement to the share-based LTI component is linked to conditions precedent. These include a waiting period of at least three years after expiration of the financial year for which the compensation was calculated. The corresponding costs of recognising a provision for the share-based LTI component are recognised in tranches over a vesting period of at least four years as it takes this long for all the conditions precedent to expire.

During the vesting period, outstanding claims are accounted for on the basis of fair value, which is based on the price of Commerzbank AG/comdirect bank AG shares and recalculated at every balance sheet date up to and including the date of payment. In addition to recognising the provision over the vesting period of at least four years, any changes in obligations due to share price fluctuations prior to their final fulfilment are thereby also taken into account in profit or loss.

20 Related party disclosures

Relationships with affiliated companies

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

comdirect bank AG utilises services provided by Commerzbank AG on the basis of a framework agreement entered into effective as of 1 January 1999, and on the basis of separate related service contracts.

A master agreement was entered into with Commerzbank AG on 6 August 2007 that replaced the existing framework agreement. The individual agreements entered into under the framework agreement remain valid until the end of their respective term. New individual agreements are entered into on the basis of this master agreement.

There were the following service contracts on the basis of the framework agreement and the master agreement in the 2019 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
- Project services, e.g. customer taxes, new securities platform
- Other services

In total, the expenses for the above services amounted to €30.9 m in the financial year (2018: €31.5 m).

Income from these agreements amounted to €4.0 m in the reporting year (2018: €7.2 m).

There are also the following other material business relationships with Commerzbank AG outside the framework agreement:

There are projects conducted between comdirect bank AG and Commerzbank that are not covered by the framework agreement. comdirect paid Commerzbank €0.2 m for this in 2019 (2018: €0.3 m).

In connection with the liquidity transfer framework agreement entered into in August 2010, there is an assignment agreement between comdirect bank AG and Commerzbank AG for a customer loan portfolio consisting of retail loans. Claims are transferred from Commerzbank AG to comdirect bank AG as security for all existing, future and conditional claims of comdirect bank AG on Commerzbank AG or its group companies under the framework agreement or other loans. Commerzbank AG was paid compensation of €5.4 m (2018: €4.7 m) on the basis of this assignment agreement.

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

The nominal value of overnight money and fixed-term deposits in addition to promissory notes was €23,333 m in total as of the balance sheet date (2018: €20,975 m). comdirect group companies generated total interest income of €106.7 m from these transactions with Commerzbank AG in the financial year (2018: €98.7 m). There is a separate framework agreement between comdirect bank AG and Commerzbank AG for these money and capital market transactions.

In the context of an adjustment of the investment model, promissory notes and fixed-term deposits issued by Commerzbank in the amount of €1,964 m were repaid.

Bonds and notes of affiliated companies of €150.2 m were reported in the portfolio as of the balance sheet date (2018: €440.0 m). Interest income from these holdings amounted to €2.3 m in the financial year as a whole (2018: €4.6 m).

Bonds from the portfolio of affiliated companies with a nominal volume of €0 m were purchased in the financial year (2018: €93.2 m). No bonds were sold to affiliated companies (2018: €15.0 m).

If a building finance loan is successfully brokered to Commerzbank, comdirect receives commission in return. Commission from such brokerage activities amounted to €3.0 m in the financial year (2018: €3.0 m).

A securities lending framework agreement was entered into with Commerzbank AG on 16 May 2000, on the basis of which comdirect bank AG can lend securities to Commerzbank AG. As in the previous year, there was no securities lending in the reporting year.

Through its connection to Commerzbank AG, comdirect bank AG offers its customers new issues and a variety of certificates for subscription. The compensation for these sales is dependent on the commission for the banking syndicate or the issuing institution. Furthermore, comdirect bank AG receives pro rata commission for the performance of corporate actions. Commission from such transactions amounted to €0.2 m in the financial year (2018: €1.0 m).

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

comdirect bank AG (including onvista bank business unit) offers its customers a variety of funds from a range of fund companies. These also include Commerzbank Group fund companies. In the 2019 financial year, comdirect group companies received standard sales and sales follow-up commission from the Commerzbank Group fund companies. ebase also offers corresponding products. Prior to its disposal, Commerzbank AG received sales and current sales follow-up commission of €3.9 m for brokerage activities for ebase in the 2019 financial year (2018: €8.0 m).

ebase purchases support and other services from Commerzbank AG in the context of custody account handling and management. Commerzbank AG received compensation of €0.6 m for this in the financial year (2018: €1.0 m).

ebase purchased other services in the amount of €0.3 m (2018: €0.6 m) from Commerzbank AG in the financial year.

onvista media GmbH performed other services for Commerzbank in the amount of €0.6 m (2018: €0.4 m).

There were service relationships with affiliated companies other than Commerzbank AG. comdirect bank AG incurred costs of €1.9 m under these service relationships in the financial year (2018: €1.5 m).

comdirect bank AG entered into an agreement with Commerzbank AG on 22 March 2000. Among other things, the agreement covers assistance in public relations work and in compliance with stock market law and other post-admission obligations in addition to advice on the performance of the annual general meeting.

On 15 March 2005, comdirect bank AG entered into an agreement with Commerzbank AG on payment and depository services for the shares of comdirect bank AG.

To secure retirement benefit obligations, comdirect bank AG and its affiliated companies have allocated trust assets at Commerzbank Pension-Trust e. V. The market value of the trust assets managed by this trust amounted to €6.1 m in total as of 31 December 2019 (2018: €28.5 m). Continued activities accounted for €6.1 m of this as of 31 December 2019 (2018: €5.5 m).

The Board of Managing Directors reports separately on the extent and appropriateness of the service relationships of comdirect bank AG with its affiliated companies in the dependent company report (Section 312 AktG). All legal transactions were performed at arm’s-length conditions and comdirect group did not incur any disadvantages.

Government-related entity disclosures
The Federal Republic of Germany's holdings in Commerzbank AG, in addition to other influencing factors such as its membership on the Supervisory Board in particular, grant the Federal Republic of Germany, as the body responsible for the Federal Agency for Financial Market Stabilisation (FMSA), significant influence over Commerzbank AG. It therefore has an indirect influence over the consolidated financial statements of comdirect group.

As of the reporting date, comdirect group held government bonds and bonds of government-related entities with a book value of €29.1 m (31 December 2018: €64.5 m). comdirect group companies generated interest income of €0.7 m from such bonds in the reporting year (2018: €0.8 m).

Other related parties
In the financial year, there were economic relationships with natural related parties (members of the Board of Managing Directors and the Supervisory Board and their close relatives), including the use of comdirect group products as part of its normal business activities. All such business was performed at arm's-length conditions and is insignificant to the company. The related parties did not receive any unjustified advantage from their connection to comdirect group, and comdirect group did not suffer any financial losses.

In addition to economic relationships in the context of comdirect group's business activities, related parties received compensation on the grounds of their role as executive body members (see Note (65)). Employee representatives on the Supervisory Board also receive pay for their employment with comdirect bank AG of a normal amount in accordance with the corresponding works agreement and the associated classification of the respective job profile.

There were no further economic relationships with natural related parties in the financial year.

Notes to the income statement

21 Net interest income

€k	2019	2018	Change in %
Interest income accounted for using the effective interest method	140,822	130,523	7.9
Interest income from securities business	8,410	13,288	–36.7
Measured at amortised cost	4,263	9,218	–53.8
Measured at fair value without effect on income	4,147	4,070	1.9
Interest income from credit and money market transaction	132,412	117,235	12.9
Interest income, other	1,556	1,575	–1.2
Operating income from investments, shares and other variable-yield securities	1,556	1,575	–1.2
Interest income	**142,378**	**132,098**	**7.8**
Interest expenses for deposits	8,273	8,962	–7.7
Negative interest from active financial instruments	8,883	4,430	100.5
Other interest expenses	93	88	5.7
Interest expenses	**17,249**	**13,480**	**28.0**
Total	**125,129**	**118,618**	**5.5**

Other interest expenses essentially include net interest expenses for pensions and the interest expenses for leases.

22 Provisions for possible loan losses

€k	Allocation	Reversal	Direct write-downs	Income received on written-down claims	Total 2019
Provisions for possible loan losses for on-balance sheet lending transactions	**10,184**	**8,910**	**417**	**90**	**–1,601**
Claims on banks	228	183	0	0	–45
Claims on customers	9,349	8,012	417	90	–1,664
Significant lending business	0	0	0	0	0
Non-significant lending business	9,349	8,012	417	90	–1,664
Financial investments	607	715	0	0	108
Provisions for credit risks	**2,848**	**2,854**	**0**	**0**	**6**
Total	**13,032**	**11,764**	**417**	**90**	**–1,595**

€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**

	2019				2018			
€k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provisions for possible loan losses for on-balance sheet lending transactions	**–169**	**187**	**–1,619**	**–1,601**	**–787**	**–39**	**–1,465**	**–2,291**
Claims on banks	–45	0	0	–45	55	0	0	55
Claims on customers	–127	82	–1,619	–1,664	–746	–226	–1,465	–2,437
Financial investments	3	105	0	108	–96	187	0	91
Provisions for credit risks	**388**	**–122**	**–260**	**6**	**518**	**114**	**8**	**640**
Total	**219**	**65**	**–1,879**	**–1,595**	**–269**	**75**	**–1,457**	**–1,651**

23 Net commission income

€k	2019	2018	Change in %
Commission income	**273,954**	**256,095**	**7.0**
Brokerage business	215,741	208,009	3.7
Payment transactions	37,055	30,061	23.3
Placement business	10,432	8,843	18.0
Other commissions	10,726	9,182	16.8
Commission expenses	**54,238**	**49,775**	**9.0**
Brokerage business	26,293	23,868	10.2
Payment transactions	11,081	8,892	24.6
Placement business	0	0	-
Other commissions	16,864	17,015	–0.9
Net commission income			
Brokerage business	189,448	184,141	2.9
Payment transactions	25,974	21,169	22.7
Placement business	10,432	8,843	18.0
Other commissions	–6,138	–7,833	–21.6
Total	**219,716**	**206,320**	**6.5**

The commission income shown also 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.

24 Disposals and valuation result from 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	2019	2018	Change in %
Valuation result	**100**	**4,373**	**–97.7**
Result from fair value changes	4	4,200	–99.9
Foreign currency result	96	173	–44.5
Result from the disposal of financial assets measured at amortised cost	**–37**	**–586**	**–93.7**
Disposal gains	0	1,552	–100.0
Disposal losses	37	2,138	–98.3
Result from the disposal of financial assets measured at fair value through other comprehensive income	**13,316**	**480**	**2,674.2**
Disposal gains	13,377	754	1,674.1
Disposal losses	61	274	–77.7
Total	**13,379**	**4,267**	**213.5**

The 2018 valuation result essentially related to fluctuations in the value of preferred stocks of VISA Inc. USA in the first half of the year. In July 2018, offsetting positions were acquired to hedge the preferred stocks of VISA Inc. USA, with the result that such fluctuations in value are virtually neutralised.

As part of the Treasury strategy, market fluctuations were increasingly leveraged to implement portfolio adjustments in the financial year. A contribution of €13 m was generated in the result from the disposal of financial assets measured at fair value through other comprehensive income by the sale of bonds from the bond portfolio with the "Hold and sell" business model.

25 Administrative expenses

€k	2019	2018	Change in %
Personnel expenses	87,451	79,404	10.1
Other administrative expenses	180,851	185,305	–2.4
Depreciation on fixed assets and intangible assets	19,593	14,877	31.7
Total	**287,895**	**279,586**	**3.0**

As a result of the adoption of IFRS 16, among other things, depreciation on capitalised right-of-use assets has been recognised in "Depreciation on fixed assets and intangible assets" since the beginning of the year. In the previous year, other administrative expenses from leases were instead recognised in the income statement.

Personnel expenses

€k	2019	2018	Change in %
Wages and salaries	74,585	67,758	10.1
Compulsory social security contributions	12,420	11,183	11.1
Expenses for pensions and other employee benefits	446	463	–3.7
Total	**87,451**	**79,404**	**10.1**

"Wages and salaries" includes an expense of €220 k (2018: €142 k) from share-based payment (IFRS 2).

Breakdown of expenses for pensions and other employee benefits

€k	2019	2018	Change in %
Company pension scheme	211	219	–3.7
Contributions to Versicherungsverein des Bankengewerbes a. G. (BVV)	235	244	–3.7
Total	**446**	**463**	**–3.7**

Other administrative expenses

€k	2019	2018	Change in %
Sales	41,102	45,400	–9.5
External services	57,175	53,314	7.2
Business operations	27,809	33,649	–17.4
IT expenses	26,316	26,419	–0.4
Mandatory contributions	25,807	24,140	6.9
Others	2,642	2,383	10.9
Total	**180,851**	**185,305**	**–2.4**

Other administrative expenses include minimum lease payments for the previous year of €5,809 k that were recognised as an expense for operating leases. This predominantly relates to the item "Business operations".

Depreciation on fixed assets and intangible assets

€k	2019	2018	Change in %
Fixed assets	9,577	5,476	74.9
Intangible assets	10,016	9,401	6.5
Total	**19,593**	**14,877**	**31.7**

Depreciation on right-of-use assets from leases of €4,182 k is included in fixed asset depreciation for the first time in the reporting year.

26 Other operating result

€k	2019	2018	Change in %
Other operating income	**9,627**	**11,783**	**–18.3**
Income from writing-back provisions and accruals	3,154	6,321	–50.1
Income from service level agreements	2,906	149	1,850.3
Income and sales rebates not related to the accounting period	727	3,149	–76.9
Licence fees and royalties	55	55	0.0
Income from advertising cooperations	1,020	0	–
Income from recoverable input taxes	961	1,230	–21.9
Sundry income items	804	879	–8.5
Other operating expenses	**2,815**	**5,073**	**–44.5**
Goodwill payments and price differences in security transactions	1,206	1,833	–34.2
Non-income-related taxes including interest from previous years	507	79	541.8
Expense from legal proceedings and recourse	92	175	–47.4
Losses on the disposal of fixed assets	8	9	–11.1
Loan loss provisions and write-downs outside retail lending	130	27	381.5
Regulatory expenses for losses	348	429	–18.9
Subsequent contributions	0	2,200	–100.0
Sundry expense items	524	321	63.2
Total	**6,812**	**6,710**	**1.5**

27 Taxes on income

€k	2019	2018	Change in %
Current taxes on income in the current year	22,584	15,864	42.4
Current taxes on income from previous years	–690	–195	253.8
Deferred taxes	–2,152	–4	53,703.1
Total	**19,742**	**15,665**	**26.0**

Reconciliation of income taxes

€k	2019	2018
Income from continued activities	**75,547**	**54,678**
Multiplied by the respective income tax rate for the company		
= Calculated income tax paid in financial year	22,517	15,782
Effect of tax-free income from financial investments	–2,011	–710
Effect of losses from financial investments; not tax deductible	402	37
Effect of taxes from previous years recognised in the financial year	–996	18
Impact of changes to the applicable tax rate	–73	0
Impact of different tax rates of subsidiaries outside the scope of consolidation	188	–2
Recognition and measurement of deferred taxes from tax losses not yet utilised	–154	161
Other effects	–131	378
Total	**19,742**	**15,665**

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 13.981 %, which is the result of the weighted average of the trade tax rates of the municipalities of Quickborn, Aschheim, Rostock, Cologne and Frankfurt/Main.

The income tax rate for 2019 is therefore around 29.81 % (2018: 28.86 %).

Notes to the balance sheet

28 Cash reserve

€k	31.12.2019	31.12.2018	Change in %
Cash on hand	164	201	–18.4
Balances held with central banks	3,602,043	2,195,222	64.1
Total	**3,602,207**	**2,195,423**	**64.1**

The minimum reserve requirement of comdirect bank AG was €282,561 k as of the end of December 2019 (2018: €244,813 k).

29 Claims on banks

	Total			Due on demand		Other claims	
€k	31.12.2019	31.12.2018	Change in %	31.12.2019	31.12.2018	31.12.2019	31.12.2018
German banks	23,873,026	21,350,700	11.8	402,313	263,379	23,470,713	21,087,321
Foreign banks	5,741	516	1,012.6	5,741	0	0	516
Total	**23,878,767**	**21,351,216**	**11.8**	**408,054**	**263,379**	**23,470,713**	**21,087,837**

Claims on banks include foreign currency amounts of €309,105 k (2018: €293,251 k).

The claims on banks are essentially overnight money and fixed-term deposits of €21,497,022 k (2018: €16,976,947 k) and promissory notes of €1,973,820 k (2018: €4,110,478 k).

The claims on banks include accrued interest of €57,953 k (2018: €52,647 k).

The provisions for possible loan losses for claims on banks amount to €129 k (previous year: €84 k).

30 Claims on customers

	Total			Due on demand		Other claims	
€k	31.12.2019	31.12.2018	Change in %	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Claims on German customers	**759,539**	**623,439**	**21.8**	**556,893**	**475,230**	**202,646**	**148,209**
Companies and financial institutions	11,026	9,720	13.4	11,026	1,652	0	8,068
Private customers	748,513	613,719	22.0	545,867	473,578	202,646	140,141
Claims on foreign customers	**9,367**	**10,231**	**–8.4**	**9,100**	**10,028**	**267**	**203**
Companies and financial institutions	466	167	179.0	466	167	0	0
Private customers	8,901	10,064	–11.6	8,634	9,861	267	203
Total claims before provisions for possible loan losses	**768,906**	**633,670**	**21.3**	**565,993**	**485,258**	**202,913**	**148,412**
Provisions for possible loan losses	–3,417	–3,183	7.4	–1,611	–1,955	–1,806	–1,228
Total claims after provisions for possible loan losses	**765,489**	**630,487**	**21.4**	**564,382**	**483,303**	**201,107**	**147,184**

€291,086 k of claims on customers relates to securities credit business (2018: €265,792 k). These claims are for loans secured by securities. Claims on customers include foreign currency amounts of €25 k (2018: €21 k).

31 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	31.12.2019	31.12.2018	Change in %
Stock-related transactions	0	1,086	–100.0
Currency-related transactions	208	13	1,500.0
Total	**208**	**1,099**	**–81.1**

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.

32 Financial investments

"Financial investments" comprises bonds and other fixed-income securities, equities and other variable-yield securities not held for trading purposes.

€k	31.12.2019	31.12.2018	Change in %
Financial instruments measured at amortised cost	**625,690**	**1,218,565**	**–48.7**
Bond portfolios with business model "Hold"	625,690	1,218,565	–48.7
Financial instruments measured at fair value through OCI	**739,287**	**968,029**	**–23.6**
Bond portfolios with business model "Hold and Sell"	690,380	936,994	–26.3
Equities for which fair value measurement recognised directly in other comprehensive income (without recycling) has been selected	48,907	31,035	57.6
Financial instruments measured at fair value through profit or loss	**33,682**	**41,056**	**–18.0**
Funds and other debt instruments	33,682	41,056	–18.0
Total	**1,398,659**	**2,227,650**	**–37.2**

Equity exposure is a small, integral part of our investment strategy. We predominantly invest in European equities with high dividend payouts with the aim of receiving dividends in the long term. The table below shows the breakdown by region.

Share in %	31.12.2019	31.12.2018
Germany	19.3	21.1
France	28.0	25.5
Great Britain	20.5	23.4
Others	32.2	30.0

Disposals of such instruments in the amount of €7,491 k (2018: €22,835 k) resulted in the recognition of an amount of €192 k (2018: €-626 k) directly in equity without recycling in the reporting period. Dividend income of €37 k (2018: €665 k) was generated from these instruments in the reporting period. The dividend income from equities still in the portfolio amounted to €1,401 k (2018: €739 k).

Expected credit losses of €388 k (2018: €489 k) relate to the bond portfolio with the "Hold and sell" business model, and are shown in revaluation reserves.

Financial investments include foreign currency amounts of €75,545 k (2018: €38,478 k).

Financial investments include accrued interest of €5,911 k (2018: €11,939 k).

33 Intangible assets

€k	31.12.2019	31.12.2018	Change in %
Internally generated software	18,565	13,217	40.5
Software purchased	8,551	9,619	–11.1
Customer base	9,438	10,948	–13.8
Others	6,789	6,870	–1.2
Total	**43,343**	**40,654**	**6.6**

Other intangible assets include the "onvista" corporate brand. The brand comprises both the "onvista" name and the www.onvista.de domain, and is measured at €4.8 m. The calculation of this value did not give rise to any indications that it is finite-lived. This applies both to corporate planning and in contractual and legal terms. It is also not possible to derive a useful economic life from a product lifecycle as "onvista" is a corporate brand that has a much longer lifetime than a product brand. The asset therefore has an indefinite useful economic life.

Changes in intangible assets are shown in the schedule of assets (Note (35)).

34 Fixed assets

€k	31.12.2019	31.12.2018	Change in %
Office furniture and equipment	18,845	19,707	–4.4
Right-of-use assets from leases	11,699	–	–
Total	**30,544**	**19,707**	**55.0**

Changes in fixed assets are shown in the schedule of assets (Note (35)).

35 Schedule of assets

	Intangible assets							
	Internally generated software		Software purchased		Acquired customer relationships		Other intangible assets	
€k	2019	2018	2019	2018	2019	2018	2019	2018
Book value as of 1 January	**13,217**	**21,444**	**9,619**	**9,425**	**10,948**	**12,458**	**6,870**	**6,771**
Cost of acquisition/manufacture as of 1 January	67,009	111,327	54,456	65,865	25,182	25,182	7,137	6,876
Additions	9,459	9,843	3,188	5,201	0	0	109	261
Disposals	284	2,626	1,578	1,049	0	0	16	0
Contributions from business acquisitions	0	0	0	0	0	0	0	0
Reclassification to assets from discontinued activities	0	51,535	0	15,561	0	0	0	0
Cost of acquisition/manufacture as of 31 December	76,184	67,009	56,066	54,456	25,182	25,182	7,230	7,137
Cumulative write-downs as of 1 January	53,792	89,883	44,837	56,440	14,234	12,724	267	105
Additions	4,111	5,000	4,220	4,938	1,510	1,510	175	162
Impairments	0	0	0	0	0	0	0	0
Disposals	284	2,626	1,542	1,049	0	0	1	0
Reclassification to assets from discontinued activities	0	38,465	0	15,492	0	0	0	0
Cumulative write-downs as of 31 December	57,619	53,792	47,515	44,837	15,744	14,234	441	267
Book value as of 31 December	**18,565**	**13,217**	**8,551**	**9,619**	**9,438**	**10,948**	**6,789**	**6,870**

	Fixed assets			
	Office furniture and equipment		Right-of-use assets from leases	
€k	2019	2018	2019	2018
Book value as of 1 January	**19,707**	**18,596**	**11,714**	**–**
Cost of acquisition/manufacture as of 1 January	76,937	75,876	11,714	–
Additions	4,518	7,968	5,502	–
Disposals	5,230	3,525	1,329	–
Contributions from business acquisitions	0	0	0	–
Reclassification to assets from discontinued activities	0	3,382	0	–
Cost of acquisition/manufacture as of 31 December	76,225	76,937	15,887	–
Cumulative write-downs as of 1 January	57,230	57,280	0	–
Additions	5,395	5,653	4,188	–
Impairments	0	0	0	–
Disposals	5,245	3,511	0	–
Reclassification to assets from discontinued activities	0	2,192	0	–
Cumulative write-downs as of 31 December	57,380	57,230	4,188	–
Book value as of 31 December	**18,845**	**19,707**	**11,699**	**–**

Additions and disposals included amounts from discontinued activities in the previous year. These were reported separately on the face of income statement.

36 Income tax assets

€k	31.12.2019	31.12.2018	Change in %
Current income tax assets	1,001	5,176	–80.7
Deferred income tax assets	4,331	3,472	24.7
Total	**5,332**	**8,648**	**–38.3**

Current income tax assets include assets from the current and past financial years.

Deferred income tax assets and liabilities are offset to the extent that they relate to the same tax authorities. In financial year 2019, 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	31.12.2019 balance	Income tax asset	Income tax liabilities	31.12.2018 balance
Positive fair values from derivative financial instruments	0	0	0	0	–317	–317
Claims on customers (provisions for possible loan losses)	407	–66	341	225	–50	175
Financial investments						
recognised in profit and loss	12,426	–129	12,297	9,844	0	9,844
recognised directly in equity	0	–2,081	–2,081	0	–1,243	–1,243
Intangible assets	0	–9,031	–9,031	0	–7,420	–7,420
Fixed assets	703	0	703	819	0	819
Negative fair values from derivative financial instruments	321	0	321	0	0	0
Provisions						
recognised in profit and loss	670	0	670	879	0	879
recognised directly in equity	1,022	0	1,022	800	0	800
Other liabilities	0	–424	–424	0	–111	–111
Losses carried forward	513	0	513	45	0	45
Total	**16,062**	**–11,731**	**4,331**	**12,612**	**–9,140**	**3,472**

As in the previous year, deferred income tax assets and liabilities were measured using the currently applicable tax rates as of 31 December 2019.

37 Other assets

€k	31.12.2019	31.12.2018	Change in %
Deferred items	5,163	1,652	212.5
Claims on product providers	10,570	6,786	55.8
Claims on group companies	1,384	1,295	6.9
Claims from the securities business	47	948	–95.0
Trade receivables	8,295	8,272	0.3
Pay advances	0	2	–100.0
ECB collateral	2,997	2,997	0.0
Other	5,505	3,920	40.4
Total	**33,961**	**25,872**	**31.3**

38 Liabilities to banks

€k	31.12.2019	31.12.2018	Change in %
German banks	4,487	214,261	–97.9
Foreign banks	0	0	–
Total	**4,487**	**214,261**	**–97.9**

39 Liabilities to customers

	Total			Due on demand		With agreed maturity or withdrawal notice	
€k	31.12.2019	31.12.2018	Change in %	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Liabilities to German customers	**28,159,007**	**24,796,860**	**13.6**	**27,838,294**	**24,277,453**	**320,713**	**519,407**
Private customers	27,952,721	24,605,768	13.6	27,632,208	24,088,561	320,513	517,207
Corporate customers and self-employed private individuals	206,286	191,092	8.0	206,086	188,892	200	2,200
Liabilities to foreign customers	**715,379**	**662,891**	**7.9**	**701,580**	**640,000**	**13,799**	**22,891**
Private customers	714,856	661,739	8.0	701,057	638,848	13,799	22,891
Corporate customers and self-employed private individuals	523	1,152	–54.6	523	1,152	0	0
Total	**28,874,386**	**25,459,751**	**13.4**	**28,539,874**	**24,917,453**	**334,512**	**542,298**

Liabilities to customers include foreign currency amounts of €337,044 k (2018: €320,286 k).

Deposits of up to €100 k per customer are protected under the Compensation Scheme of German Private Banks. Furthermore, these deposits are protected by the Deposit Protection Fund of the Association of German Banks up to a deposit amount of €106.3 m each for customers of comdirect bank AG as of the balance sheet date.

40 Negative fair values from derivative financial instruments

Negative fair values from derivative financial instruments not used in the context of hedge accounting are reported in this balance sheet item.

€k	31.12.2019	31.12.2018	Change in %
Stock-related transactions	1,286	0	–
Currency-related transactions	0	0	–
Total	**1,286**	**0**	**–**

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

41 Provisions

€k	31.12.2019	31.12.2018	Change in %
Provisions for pensions and similar commitments	5,676	5,064	12.1
Other provisions	19,452	18,109	7.4
Total	**25,128**	**23,173**	**8.4**

Provisions for pensions and similar commitments consists of obligations for pensions and deferred compensation for continued activities.

The provision reported for pensions and deferred compensation is the amount of the net liability; there are no effects due to asset ceiling.

Changes in the net liability of the defined benefit obligation for pensions and deferred compensation

€k	Pension obligations	Plan assets	Net liabilities
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**
As of 1.1.2019	**10,559**	**–5,495**	**5,064**
Current service cost	167	0	167
Contributions from employees from salary sacrifice	29	–29	0
Interest expenses/income	198	–105	93
Pension payments	–240	0	–240
Transfers	0	0	0
Earnings/loss in the plan assets excluding amounts already recognised in the net interest expenses/income	0	–863	–863
Experience gains and losses	234	0	234
Gains and losses from changes in financial assumptions	1,284	0	1,284
Gains and losses from changes in demographic assumptions	0	0	0
Allocations to plan assets	0	–63	–63
As of 31.12.2019	**12,231**	**–6,555**	**5,676**
of which provisions for pensions	12,231	–6,555	5,676
of which activated plan assets	0	0	0

Service cost is reported in personnel expenses and interest components are reported in net interest income. The gains and losses arising from the experience adjustments shown for pension obligations and plan assets and those arising from changes in financial or demographic assumptions are reported in other comprehensive income for the period. The information in the above table includes contributions from ebase for the period 1 January to 30 June 2018. The information is presented in accordance with IFRS 5 from this date onwards on account of the agreed disposal. The contributions by ebase for the previous year and the current year until the closing of the transaction are allocated to discontinued activities in the income statement and in other comprehensive income for the period.

The result from continued activities also includes costs of €30 k (2018: €24 k) for pension insolvency insurance and €235 k (2018: €244 k) for Versicherungsverein des Bankengewerbes a.G. (BVV). Current gains from plan assets amounted to €968 k (2018: current losses from plan assets of €157 k) within continued activities. Contributions relating to ebase are reported in income from discontinued activities and are not included in the above figures.

The weighted duration of pension commitments from continued activities is 15.1 years (31 December 2018: 14.4 years). The forecast maturities for pension payments are as follows:

€k	2020	2021	2022	2023	2024	2025–2029
Expected pension payment	253	274	278	361	288	2,331

The following table shows the effects of individual changes in parameters on pension obligations in the form of a sensitivity analysis. Correlation effects have been disregarded. The same measurement methods were applied as in the calculation of the pension obligation. The sensitivities relate to the pension obligations from continued activities.

€k	DBO as of 31.12.2019	DBO as of 31.12.2018
Interest rate sensitivity		
Discount rate +50 basis points	–850	–694
Discount rate –50 basis points	984	805
Pension-adjustment sensitivity		
Pension-adjustment +50 basis points	357	305
Pension-adjustment –50 basis points	–327	–280
Mortality rate (life expectancy) adjustment sensitivity		
Reduction in probability of death by 10 %[1]	331	259

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 predominantly held in assets through a pension trust. An amount of €440 k (31 December 2018: €400 k) relates to reinsurance policies covering pension liabilities. The assets held in the pension trust to fund pension entitlements break down as follows:

	31.12.2019		31.12.2018	
Market value of plan assets in %	**Active market**	**Inactive market**	**Active market**	**Inactive market**
Fixed-income securities/bond funds	38.6	23.2	44.8	23.2
Equities/equity funds	13.0	2.5	11.6	2.3
Other financial instruments	17.4	2.9	15.2	0.5
Liquidity	2.4	0.0	2.4	0.0
Total	**71.4**	**28.6**	**74.0**	**26.0**

Geographical breakdown of the plan assets in %	31.12.2019	31.12.2018
Germany	14.4	20.4
Other EU countries	54.2	52.6
US	13.8	12.8
Others	17.6	14.2

For the majority of pension commitments, allocations to plan assets are determined annually based on the ratio of pension obligations and plan assets to guarantee adequate funding as necessary. Other reasons for additions to or deductions from plan assets can include beneficiaries joining or leaving comdirect group companies.

The calculation of pension obligations is based on the Heubeck RT 2018 G mortality tables. The following parameters were also used in actuarial calculations:

in %	31.12.2019	31.12.2018
Parameters for determining the pension obligations at year-end		
Discount rate	1.1	1.9
Pension adjustment	1.9	1.9
Parameters for determining pension expenses in the financial year		
Discount rate	1.9	1.9
Salary progression	–	2.5
Pension adjustment	1.9	1.6

Changes in other provisions

€k	As of 1.1.2019	Utilised	Reversal	Allocation	As of 31.12.2019
Provisions for non-income-related taxes and interest due to tax claims	54	19	0	504	539
Provisions for staff	8,610	7,636	387	9,846	10,433
Provisions for credit risks	1,335	0	2,854	2,848	1,329
Sundry provisions	8,110	5,374	160	4,575	7,151
Total	**18,109**	**13,029**	**3,401**	**17,773**	**19,452**

Provisions for staff are essentially provisions for variable compensation components, which are expected to be predominantly utilised in the 2019 financial year.

The “Sundry provisions” item includes an amount of €3.4 m (31 December 2018: €4.1 m) for contribution obligations from the contribution year of the Compensation Scheme of German Private Banks that began in the financial year.

42 Contingent liabilities

As of the end of the reporting period, there are contingent liabilities of €1,419 m (31 December 2018: €1,380 m) from loan commitments in the form of credit facilities for loans against securities for private customers. Customers are permitted to use the credit facilities to the extent that their borrowing is secured by securities holdings in the respective custody accounts in accordance with the contractually agreed loan to value limits. Such utilisation gives rise to claims due on demand that bear interest at the contractually agreed rates.

There are also contingent liabilities of €3.0 m (31 December 2018: €3.0 m) to the Compensation Scheme of German Private Banks. This results from an irrevocable payment obligation from prior periods to cover a share of contribution obligations. In future periods, the Compensation Scheme of German Private Banks can draw on the payment obligations of its member institutions to cover claims for compensation at any time. The contingent liability is covered by cash collateral in the same amount held at the Deutsche Bundesbank.

43 Income tax liabilities

€k	31.12.2019	31.12.2018	Change in %
Current income tax liabilities	7,983	4,927	62.0
Deferred tax liabilities	0	0	–
Total	**7,983**	**4,927**	**62.0**

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 (36).

44 Other liabilities

€k	31.12.2019	31.12.2018	Change in %
Liabilities from final withholding tax	24,887	0	–
Trade accounts payable	19,947	26,770	–25.5
Liabilities to affiliated companies	14,072	10,754	30.9
Liabilities from leases	11,685	–	–
Other	6,209	2,259	174.9
Total	**76,800**	**39,783**	**93.0**

Liabilities from leases are reported for the first time in the reporting year as a result of the first-time application of IFRS 16. Further information and the effects of the first-time application of IFRS 16 on comdirect group's consolidated financial statements can be found in Note (11).

45 Equity

€k	31.12.2019	31.12.2018	Change in %
Subscribed capital	141,221	141,221	0.0
Capital reserve	223,296	223,296	0.0
Retained earnings	230,657	219,453	5.1
Revaluation reserves	9,127	–143	–
Consolidated net profit	164,139	50,369	225.9
Equity	**768,440**	**634,196**	**21.2**

Subscribed capital

The subscribed capital consists of no-par-value shares.

	Number
Number of shares held as of 1.1.2019	**141,220,815**
Issue of new shares	0
Number of shares held as of 31.12.2019	**141,220,815**

There are no preferences or restrictions on the distribution of dividends at comdirect bank AG. All shares outstanding are fully paid up.

Capital reserve

The capital reserve includes free reserves and the amount from the exercise of stock options exceeding subscribed capital.

Retained earnings

Consolidated net profits not distributed are reported in retained earnings. Retained earnings also include actuarial gains and losses from pension obligations 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. Gains from equity instruments are not later recycled to the income statement. Gains realised here are reclassified to retained earnings.

Other disclosures

46 Equity management

The goals of comdirect's equity management are to satisfy regulatory equity requirements, to maintain adequate capital levels at all times to ensure that the bank is able to operate and to achieve an appropriate return on equity.

Risk-bearing capacity analysis

The risk-bearing capacity analysis, i.e. the comparison of economic capital required against the economic capital available, is used to limit the bank's overall risk position in line with capital levels. The overall risk position represents comdirect's economic capital required for all key quantifiable types of risk (operational risks, credit risks, market risks and risk relating to deposit modelling). Economic capital comprises the subscribed capital, the capital reserve and retained earnings in addition to the profit and revaluation reserves (including unrealised gains and losses on securities) after taxes. Other intangible assets such as licences for the use of software or internally generated software and deferred taxes are deducted from economic capital as adjustment items. Risk-bearing capacity is guaranteed as long as the economic capital available exceeds the overall risk position. The maximum utilisation limit has been set at 90 %, leaving a management buffer of 10 % that can be used for countermeasures.

The economic capital required is measured using the value-at-risk model (VaR) applying a confidence level of 99.91 % and a holding period of one year.

Economic capital was composed as follows:

€m	31.12.2019	31.12.2018
Profit after tax[1]	114.7	15.1
Subscribed capital	141.2	141.2
Revaluation reserves	9.1	–0.1
Hidden liabilities/reserves for securities	5.9	4.1
General reserves[2]	451.0	451.1
Other intangible assets	–43.3	–56.3
Deferred tax assets and liabilities	–14.1	–7.4
Economic capital	**664.4**	**547.6**
Reserve for fluctuation in economic capital	–66.4	–47.6

1) Consolidated net profit after tax as shown in the income statement of comdirect group, including the planned dividend.
2) Less irrevocable payment obligations.

comdirect's overall risk position was €147.55 m as of the end of the year (2018: €137.0 m). The utilisation of economic capital was therefore 22.2 % as of the end of the year (2018: 27.4 %). Further information on the overall risk position can be found in the risk report.

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 sub-mitted to the regulatory authorities. The equity of the regulatory scope of consolidation comprising solely comdirect bank AG is used as a basis.

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 34.48 % (calculated in accordance with Section 92 CRR; 31 December 2018: 41.48 %).

€k	31.12.2019	31.12.2018	Change in %
Subscribed capital	141,221	141,221	0.0
General reserves	450,218	450,747	–0.1
Addition/reduction	–41,493	–55,007	–24.6
Core capital	**549,946**	**536,961**	**2.4**
Liable equity	**549,946**	**536,961**	**2.4**
Own funds for SolvV	**549,946**	**536,961**	**2.4**
Risk-weighted assets	1,381,132	1,126,814	22.6
Eligible amount for operational and other risks, multiplied by 12.5	213,840	167,600	27.6
Total	**1,594,972**	**1,294,414**	**23.2**

47 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.

€k	as of 31.12.2019 Short-term	Long-term	as of 31.12.2018 Short-term	Long-term
Cash reserve	3,602,207	0	2,195,423	0
Claims on banks	6,238,858	17,639,909	5,873,936	15,477,280
Claims on customers	567,655	197,834	494,578	135,909
Positive fair values from derivative financial instruments	208	0	13	1,086
Financial investments	306,043	1,010,027	822,185	1,333,374
Intangible assets	0	43,343	0	40,654
Fixed assets	0	30,544	0	19,707
Current income tax assets	1,001	0	5,176	0
Deferred income tax assets	–1,284	5,615	–672	4,144
Other assets	33,961	0	25,872	0
Assets from discontinued activities	0	0	414,079	0
Total	**10,748,649**	**18,927,272**	**9,830,590**	**17,012,154**
Liabilities to banks	4,487	0	214,261	0
Liabilities to customers	28,733,558	140,828	25,240,264	219,487
Negative fair values from derivative financial instruments	1,286	0	0	0
Provisions	19,266	5,862	17,613	5,560
Current income tax liabilities	3,181	4,802	125	4,802
Other liabilities	69,118	7,682	39,783	0
Liabilities from discontinued activities	0	0	538,744	0
Total	**28,830,896**	**159,174**	**26,050,790**	**229,849**

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.

€k	Remaining lifetimes as of 31.12.2019 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	23,878,767	408,054	1,217,199	4,613,605	9,346,809	8,293,100
Claims on customers	765,489	564,382	110	3,163	64,615	133,219
Bonds and notes	1,316,070	0	35,751	270,292	691,991	318,036
Positive fair values from derivative financial instruments	208	0	208	0	0	0
Total	**25,960,534**	**972,436**	**1,253,268**	**4,887,060**	**10,103,415**	**8,744,355**
Liabilities to banks	4,487	4,487	0	0	0	0
Liabilities to customers	28,874,386	28,539,874	154,440	39,244	128,010	12,818
Negative fair values from derivative financial instruments	1,286	0	0	1,286	0	0
Lease liabilities	11,685	0	376	3,627	7,682	0
Total	**28,891,844**	**28,544,361**	**154,816**	**44,157**	**135,692**	**12,818**

€k	Remaining lifetimes as of 31.12.2018 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
Negative fair values from derivative financial instruments	0	0	0	0	0	0
Total	**25,674,012**	**25,131,714**	**317,775**	**5,037**	**194,735**	**24,751**

48 Claims on/liabilities to affiliated companies

€k	31.12.2019	31.12.2018	Change in %
Assets			
Claims on banks	26,072,755	21,210,126	22.9
Financial investments	150,170	439,898	–65.9
Other assets	1,384	1,295	6.9
Assets from discontinued activities	0	58,361	–100
Total	**26,224,309**	**21,709,680**	**20.8**
Liabilities and equity			
Liabilities to banks	308	211,840	–99.9
Other liabilities	14,072	10,754	30.9
Liabilities from discontinued activities	0	292	–100
Total	**14,380**	**222,886**	**–93.5**

Money and capital market investments carried out via companies in the Commerzbank Group are collateralised under a general assignment agreement.

49 Fair value of financial instruments

The following table shows both the book values and the fair values of financial instruments by IFRS 9 measurement category.

€k	Fair value 31.12.2019	Fair value 31.12.2018	Book value 31.12.2019	Book value 31.12.2018
Financial assets measured at amortised cost				
Cash reserve	3,602,207	2,195,423	3,602,207	2,195,423
Claims on banks	24,329,933	21,492,671	23,878,767	21,351,216
Claims on customers	767,235	630,918	765,489	630,487
Bond portfolios with business model "Hold"	634,062	1,224,161	625,690	1,218,565
Discontinued activities	0	393,090	0	393,080
Total	**29,333,437**	**25,936,263**	**28,872,153**	**25,788,771**
Financial assets measured at fair value through OCI				
Bond portfolios with business model "Hold and Sell"	690,380	936,994	690,380	936,994
Equities for which fair value measurement recognised directly in other comprehensive income (without recycling) has been selected	48,907	31,035	48,907	31,035
Total	**739,287**	**968,029**	**739,287**	**968,029**
Financial assets measured at fair value through profit or loss				
Funds and other debt instruments	33,682	41,056	33,682	41,056
Positive fair values from derivative financial instruments	208	1,099	208	1,099
Total	**33,890**	**42,155**	**33,890**	**42,155**
Financial liabilities measured at amortised cost				
Liabilities to banks	4,487	214,261	4,487	214,261
Liabilities to customers	28,886,533	25,477,610	28,874,386	25,459,751
Discontinued activities	0	518,747	0	518,747
Total	**28,891,020**	**26,210,618**	**28,878,873**	**26,192,759**
Financial liabilities measured at fair value through profit or loss				
Negative fair values from derivative financial instruments	1,286	0	1,286	0
Total	**1,286**	**0**	**1,286**	**0**

The book value of financial instruments due on demand is equal to their fair value. These instruments include the cash reserve, bank overdrafts and demand deposits in the balance sheet item "Claims on banks" in the amount of €408,054 k (2018: €263,895 k), claims on customers of €564,382 k (2018: €492,247 k), liabilities to banks of €4,487 k (2018: €214,261 k), liabilities to customers of €28,539,874 k (2018: €24,917,453 k) and, in the previous year, those from discontinued activities.

The book value of the short-term financial instruments included in other assets and liabilities of €24,508 k (2018: €20,888 k) and €45,893 k (2018: €38,070 k) is essentially their fair value. These are essentially trade accounts receivable and payable.

The allocation of fair values is shown in Note (50).

50 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)

	31.12.2019			
€k	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets				
Financial assets measured at amortised cost				
Cash reserve	3,602,207	0	3,602,207	0
Claims on banks	24,329,933	0	24,329,933	0
Claims on customers	767,235	0	562,844	204,391
Bond portfolios with business model "Hold"	634,062	6,697	627,365	0
Discontinued activities	0	0	0	0
Financial assets measured at fair value through OCI				
Bond portfolios with business model "Hold and Sell"	690,380	279,981	410,399	0
Equities for which fair value measurement recognised directly in other comprehensive income (without recycling) has been selected	48,907	48,907	0	0
Financial assets measured at fair value through profit or loss				
Funds and other debt instruments	33,682	11,460	0	22,222
Positive fair values from derivative financial instruments	208	0	208	0
Total assets	**30,106,614**	**347,045**	**29,532,956**	**226,613**
Liabilities and equity				
Financial liabilities measured at amortised cost				
Liabilities to banks	4,487	0	4,487	0
Liabilities to customers	28,886,533	0	28,886,533	0
Discontinued activities	0	0	0	0
Financial liabilities measured at fair value through profit or loss				
Negative fair values from derivative financial instruments	1,286	0	1,286	0
Total liabilities	**28,892,306**	**0**	**28,892,306**	**0**

	31.12.2018			
€k	Total	Level 1	Level 2	Level 3
Assets				
Financial assets measured at amortised 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 assets 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 assets 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 and equity				
Financial 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
Financial liabilities measured at fair value through profit or loss				
Negative fair values from derivative financial instruments	0	0	0	0
Total liabilities	**26,210,618**	**0**	**26,210,618**	**0**

The short-term financial instruments included in other assets and liabilities of €24,508 k (2018: €20,888 k) and €45,893 k (2018: €38,070 k) are all assigned to Level 2 of the fair value hierarchy.

In the reporting period, securities with a fair value of €17 m (2018: €145 m) 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 €328 m (2018: €95 m) 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 ex-change 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 % (2018: 10 %) by 1 percentage point would have resulted in the fair value of the preferred stocks being reduced by €247 k (2018: €168 k).

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.

The VISA Inc. USA preferred stocks contributed €7,102 k to the valuation result in the reporting period (2018: €2,589 k).

51 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 €26,224 m (2018: €21,710 m) 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 €768.9 m before provisions for possible loan losses (2018: €633.7 m), default risks from loans against securities amounting to €291.1 m (2018: €265.8 m) 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 there-fore 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.

	Rating classes					
€k	**Very good**	**Good**	**Satisfactory**	**Adequate**	**High risk**	**Default**
31.12.2019						
Retail loan business						
Stage 1	102,949	248,667	285,729	66,989	2,141	0
Stage 2	0	0	17,490	23,987	13,270	0
Stage 3	0	0	0	0	0	7,684
Treasury Investments measured at amortised cost						
Stage 1	27,803,810	303,007	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	201,124	439,911	0	4,429	44,916	0
Stage 2	0	0	0	0	0	0
Stage 3	0	0	0	0	0	0
Total	**28,107,883**	**991,585**	**303,219**	**95,405**	**60,327**	**7,684**

	Rating classes					
€k	**Very good**	**Good**	**Satisfactory**	**Adequate**	**High risk**	**Default**
31.12.2019						
Loan commitments in the retail loan business						
Stage 1	1,113,767	1,958,297	293,370	77,090	32,832	0
Stage 2	1,383	4,405	19,752	18,827	8,713	0
Stage 3	0	0	0	0	0	3,721

	Rating classes					
€k	**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**

	Rating classes					
€k	**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

There are other financial assets outside those shown in the table of €24.5 m (2018: €20.9 m) in the form of short-term trade receivables from individual transactions in particular. They are not allocated to the credit qualities shown in the table. Experience shows that these assets do not lead to significant defaults.

In the previous year, assets from discontinued activities included financial instruments with a gross book value of €393.2 m. Balances held with central banks accounted for €274.6 m of this figure. Further details can be found in Note (4).

The risk report contains further information on the origin and cause of credit risk, on risk quantification and management and on the current risk status.

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.

Claims to payment from financial assets by contractually agreed maturity

	Remaining lifetimes as of 31.12.2019				
€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	3,602,207	3,602,207	0	0	0
Claims on banks	23,878,767	408,054	5,876,783	9,709,793	8,490,936
Claims on customers	765,489	565,993	3,354	68,554	149,084
Bonds and notes	1,316,070	0	315,053	699,040	316,443
Derivative financial assets	**208**	**0**	**208**	**0**	**0**
Total	**29,562,741**	**4,576,254**	**6,195,398**	**10,477,387**	**8,956,463**

	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 assets	**1,099**	**0**	**13**	**1,086**	**0**
Total	**26,333,784**	**2,945,377**	**6,504,699**	**10,917,986**	**6,603,658**

Payment obligations under financial liabilities by contractually agreed maturity

	Remaining lifetimes as of 31.12.2019				
€k	Book value	Due on demand	Up to one year	More than one year to five years	More than five years
Non-derivative financial liabilities					
Liabilities to banks	4,487	4,487	0	0	0
Liabilities to customers	28,874,386	28,539,874	201,415	135,292	12,818
Derivative financial liabilities					
Negative fair values from derivative financial instruments	1,286	0	1,286	0	0
Loan commitments					
Private customers	0	4,205,377	0	0	0
of which from loans against securities	0	1,418,789	0	0	0
Total	**28,880,159**	**32,749,738**	**202,701**	**135,292**	**12,818**

	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 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
Derivative financial liabilities					
Negative fair values from derivative financial instruments	0	0	0	0	0
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**

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 31.12.2018	As of 31.12.2019	Year high	Year low	Median 2019	Median 2018
Total-VaR 97.5 % Holding Period 1 day	768	1,434	1,537	725	1,201	957
Stress test - overall result	**79,973**	**90,944**	**106,458**	**70,768**	**91,932**	**87,543**

The risk report contains further information on the origin and cause of market risk, on risk quantification and management and on the current risk status.

52 Provisions for possible loan losses

Loan loss provisions by class of receivables

€k	As of 1.1.2019	Utilised	Reversal	Allowance	Reclassification to discontinued activities	As of 31.12.2019
Provisions for possible loan losses for on-balance sheet lending transactions	**3,786**	**1,103**	**8,910**	**10,184**	**0**	**3,957**
Claims on customers (AC)	3,183	1,103	8,012	9,349	0	3,417
Stage 1	1,664	0	3,704	3,831	0	1,791
Stage 2	702	0	2,591	2,509	0	620
Stage 3	817	1,103	1,717	3,009	0	1,006
Claims on banks (AC)	84	0	183	228	0	129
Stage 1	84	0	183	228	0	129
Stage 2	0	0	0	0	0	0
Stage 3	0	0	0	0	0	0
Financial investments measured at amortised cost	30	0	23	16	0	23
Stage 1	30	0	23	16	0	23
Stage 2	0	0	0	0	0	0
Stage 3	0	0	0	0	0	0
Financial instruments measured at fair value through other comprehensive income	489	0	692	591	0	388
Stage 1	384	0	393	397	0	388
Stage 2	105	0	299	194	0	0
Stage 3	0	0	0	0	0	0
Provisions for credit risks	**1,335**	**0**	**2,854**	**2,848**	**0**	**1,329**
Stage 1	1,046	0	1,849	1,461	0	658
Stage 2	259	0	878	1,000	0	381
Stage 3	30	0	127	387	0	290
Total	**5,121**	**1,103**	**11,764**	**13,032**	**0**	**5,286**

€k	As of 1.1.2018	Utilised	Reversal	Allowance	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 instruments 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**

Claims on customers did not include any significant lending business requiring provisions as of the reporting date.

Valuation allowances for risks from financial assets

Claims on customers (AC)

	2019				2018			
€k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowances as at 1.1.	**1,664**	**702**	**817**	**3,183**	**1,037**	**476**	**656**	**2,169**
New business	1,084	136	346	1,566	1,321	147	290	1,758
Change in portfolio from stage transfer								
from Stage 1 in Stage 2 and Stage 3	–394	1,583	1,512	2,701	–364	1,599	1,027	2,262
from Stage 2 in Stage 1 and Stage 3	242	–1,211	519	–450	227	–1,178	474	–477
from Stage 3 in Stage 1 and Stage 2	11	72	–150	–67	15	21	–203	–167
Other changes in the stage	365	–145	196	416	895	150	96	1,141
Deductions	1,181	517	1,131	2,829	1,348	513	293	2,154
Utilised	0	0	1,103	1,103	0	0	1,230	1,230
Transfer due to discontinued operations	0	0	0	0	–119	0	0	–119
Loss allowances as at 31.12.	**1,791**	**620**	**1,006**	**3,417**	**1,664**	**702**	**817**	**3,183**

Claims on banks (AC)

	2019				2018			
€k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowances as at 1.1.	**84**	**0**	**0**	**84**	**139**	**0**	**0**	**139**
New business	126	0	0	126	84	0	0	84
Change in portfolio from stage transfer								
from Stage 1 in Stage 2 and Stage 3	0	0	0	0	0	0	0	0
from Stage 2 in Stage 1 and Stage 3	0	0	0	0	0	0	0	0
from Stage 3 in Stage 1 and Stage 2	0	0	0	0	0	0	0	0
Other changes in the stage	–73	0	0	–73	–59	0	0	–59
Deductions	8	0	0	8	80	0	0	80
Utilised	0	0	0	0	0	0	0	0
Transfer due to discontinued operations	0	0	0	0	0	0	0	0
Loss allowances as at 31.12.	**129**	**0**	**0**	**129**	**84**	**0**	**0**	**84**

Financial investments: Bond portfolios measured at amortised cost

	2019				2018			
€k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowances as at 1.1.	**30**	**0**	**0**	**30**	**72**	**30**	**0**	**102**
New business	13	0	0	13	0	0	0	0
Change in portfolio from stage transfer								
from Stage 1 in Stage 2 and Stage 3	0	0	0	0	0	0	0	0
from Stage 2 in Stage 1 and Stage 3	0	0	0	0	8	–16	0	–8
from Stage 3 in Stage 1 and Stage 2	0	0	0	0	0	0	0	0
Other changes in the stage	–19	0	0	–19	–47	–14	0	–61
Deductions	1	0	0	1	3	0	0	3
Utilised	0	0	0	0	0	0	0	0
Transfer due to discontinued operations	0	0	0	0	0	0	0	0
Loss allowances as at 31.12.	**23**	**0**	**0**	**23**	**30**	**0**	**0**	**30**

Financial instruments measured at fair value through other comprehensive income

	2019				2018			
€k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowances as at 1.1.	**384**	**105**	**0**	**489**	**246**	**262**	**0**	**508**
New business	13	0	0	13	62	0	0	62
Change in portfolio from stage transfer								
from Stage 1 in Stage 2 and Stage 3	0	0	0	0	–13	46	0	33
from Stage 2 in Stage 1 and Stage 3	0	0	0	0	10	–175	0	–165
from Stage 3 in Stage 1 and Stage 2	0	0	0	0	0	0	0	0
Other changes in the stage	90	–75	0	15	171	–18	0	153
Deductions	99	30	0	129	92	10	0	102
Utilised	0	0	0	0	0	0	0	0
Transfer due to discontinued operations	0	0	0	0	0	0	0	0
Loss allowances as at 31.12.	**388**	**0**	**0**	**388**	**384**	**105**	**0**	**489**

Provisions for off-balance sheet business

	2019				2018			
€k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowances as at 1.1.	**1,046**	**259**	**30**	**1,335**	**1,564**	**373**	**38**	**1,975**
New business	174	25	24	223	249	22	15	286
Change in portfolio from stage transfer								
from Stage 1 in Stage 2 and Stage 3	–141	620	284	763	–140	756	75	691
from Stage 2 in Stage 1 and Stage 3	102	–501	25	–374	164	–808	37	–607
from Stage 3 in Stage 1 and Stage 2	1	4	–9	–4	4	4	–17	–9
Other changes in the stage	–368	44	31	–293	–508	65	17	–426
Deductions	156	70	95	321	287	153	135	575
Utilised	0	0	0	0	0	0	0	0
Loss allowances as at 31.12.	**658**	**381**	**290**	**1,329**	**1,046**	**259**	**30**	**1,335**

Other changes in the stage include changes in models and parameters, including in particular gross credit volume and probability of default.

The changes in valuation allowances presented are based on the following changes in the relevant portfolios:

Changes in portfolios relevant for valuation allowances

	2019				2018			
€k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Claims on customers as of 1 January	**566,672**	**64,032**	**2,966**	**633,670**	**438,556**	**56,288**	**2,298**	**497,142**
New business	184,991	0	0	184,991	249,283	0	0	249,283
Change in portfolio from stage transfer								
from Stage 1 in Stage 2 and Stage 3	–17,075	14,962	2,113	0	–22,758	22,004	754	0
from Stage 2 in Stage 1 and Stage 3	30,013	–30,517	504	0	13,125	–13,414	289	0
from Stage 3 in Stage 1 and Stage 2	175	180	–355	0	342	100	–442	0
Change to business volume	72,245	5,290	2,096	79,631	12,793	4,278	1,132	18,203
Deductions	123,465	4,612	1,309	129,386	82,610	5,224	1,065	88,899
Transfer due to discontinued operations	0	0	0	0	–42,059	0	0	–42,059
Claims on customers as of 31 December	**713,556**	**49,335**	**6,015**	**768,906**	**566,672**	**64,032**	**2,966**	**633,670**

	2019				2018			
€k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Claims on banks as of 1 January	**21,351,300**	**0**	**0**	**21,351,300**	**17,306,695**	**0**	**0**	**17,306,695**
New business	9,790,648	0	0	9,790,648	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	0	0	0	0
from Stage 2 in Stage 1 and Stage 3	0	0	0	0	0	0	0	0
from Stage 3 in Stage 1 and Stage 2	0	0	0	0	0	0	0	0
Change to business volume	150,900	0	0	150,900	16,349	0	0	16,349
Deductions	7,413,952	0	0	7,413,952	4,939,607	0	0	4,939,607
Transfer due to discontinued operations	0	0	0	0	–50,493	0	0	–50,493
Claims on banks as of 31 December	**23,878,896**	**0**	**0**	**23,878,896**	**21,351,300**	**0**	**0**	**21,351,300**

	2019				2018			
€k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial investments: Bond portfolios measured at amortised cost as of 1 January	**1,218,594**	**0**	**0**	**1,218,594**	**1,926,243**	**30,886**	**0**	**1,957,129**
New business	158,843	0	0	158,843	508	0	0	508
Change in portfolio from stage transfer								
from Stage 1 in Stage 2 and Stage 3	0	0	0	0	0	0	0	0
from Stage 2 in Stage 1 and Stage 3	0	0	0	0	20,885	−20,885	0	0
from Stage 3 in Stage 1 and Stage 2	0	0	0	0	0	0	0	0
Change to business volume	−303	0	0	−303	−4,754	0	0	−4,754
Deductions	751,420	0	0	751,420	713,966	10,001	0	723,967
Transfer due to discontinued operations	0	0	0	0	−10,322	0	0	−10,322
Financial investments: Bond portfolios with the "Hold" business model as of 31 December	**625,714**	**0**	**0**	**625,714**	**1,218,594**	**0**	**0**	**1,218,594**

	2019				2018			
€k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial instruments measured at fair value through other comprehensive income as of 1 January	**931,324**	**5,670**	**0**	**936,994**	**708,204**	**28,928**	**0**	**737,132**
New business	428,029	0	0	428,029	318,068	0	0	318,068
Change in portfolio from stage transfer								
from Stage 1 in Stage 2 and Stage 3	0	0	0	0	−2,523	2,523	0	0
from Stage 2 in Stage 1 and Stage 3	0	0	0	0	15,688	−15,688	0	0
from Stage 3 in Stage 1 and Stage 2	0	0	0	0	0	0	0	0
Change to business volume	4,838	−3,663	0	1,175	5,801	3,027	0	8,828
Deductions	673,811	2,007	0	675,818	113,914	13,120	0	127,034
Transfer due to discontinued operations	0	0	0	0	0	0	0	0
Financial instruments measured at fair value through other comprehensive income as of 31 December	**690,380**	**0**	**0**	**690,380**	**931,324**	**5,670**	**0**	**936,994**

The portfolio relevant for valuation allowances from discontinued activities amounted to €119 m as of 31 December 2018.

The breakdown of the portfolios relevant for valuation allowances and loan commitments by rating class can be found in Note (51).

53 Net income from financial instruments

The following table shows the net results before income taxes for each category of financial instruments as defined by IFRS 9.

€k	2019	2018	Change in %
Financial assets measured at amortised cost			
Interest income accounted for using the effective interest method	136,675	126,453	8.1
Provisions for possible loan losses	–1,696	–1,670	1.6
Results of sales	–37	–586	–93.7
Net result	**134,942**	**124,197**	**8.7**
Financial assets measured at fair value through OCI with recycling			
Fair value changes (recognised in equity)	15,601	–2,302	–777.7
Results of sales recycled from the revaluation reserve to the income statement	–13,316	–480	2,674.2
Interest income accounted for using the effective interest method	4,147	4,070	1.9
Provisions for possible loan losses	101	19	431.6
Results from financial instruments measured at fair value through OCI	13,316	480	2,674.2
Valuation result	96	173	–44.5
Net result	**19,945**	**1,960**	**917.6**
Financial assets measured at fair value through OCI without recycling			
Fair value changes (recognised in equity)	8,014	–3,740	–314.3
Results of sales repostet from the revaluation reserve to the retained earnings	–192	626	–130.7
Results reposted from financial instruments with rebooking in the retained earnings	192	–626	–130.7
Dividends and similar income	1,556	1,575	–1.2
Net result	**9,570**	**–2,165**	**–542.0**
Financial liabilities measured at amortised cost			
Interest expenses	–17,156	–13,392	28.1
Net result	**–17,156**	**–13,392**	**28.1**
Financial instruments measured at fair value through profit or loss			
Valuation result	4	4,201	–99.9
Net result	**4**	**4,201**	**–99.9**

There is an assignment agreement between comdirect bank AG and Commerzbank AG for a customer loan portfolio. Claims are transferred from Commerzbank AG to comdirect bank AG as security for all existing, future and conditional claims of comdirect bank AG on Commerzbank AG or its group companies from financial transactions or other loans. Commerzbank AG was paid compensation of €5.4 m (2018: €4.6 m) on the basis of this assignment agreement.

54 Provision of collateral for own liabilities

There is cash collateral for contingent liabilities to the Compensation Scheme of German Private Banks for an irrevocable payment obligation and cash collateral and securities collateral from business processing on Eurex.

€k	2019	2018	Change in %
Cash collateral	8,497	8,497	0.0
Securities collateral	6,697	6,833	–2.0
Total	**15,194**	**15,330**	**–0.9**

55 Average number of employees in the financial year

	2019			2018			Change (total) in %
	Total	Female	Male	Total	Female	Male	
At comdirect bank AG	**1,250**	**581**	**669**	**1,191**	**562**	**629**	**4.9**
In customer management	501	295	206	478	287	191	4.8
In other areas	749	285	463	713	275	438	5.0
At comdirect Versicherungsmakler AG	**2**	**0**	**2**	**–**	**–**	**–**	**–**
At ebase GmbH	**256**	**147**	**110**	**263**	**154**	**109**	**–2.6**
At onvista media GmbH	**36**	**10**	**27**	**27**	**9**	**18**	**34.0**
Average number of employees during the reporting period	**1,544**	**737**	**807**	**1,481**	**725**	**756**	**4.3**

The details listed above with regard to our employees include both full-time and part-time personnel. The figures for comdirect Versicherungsmakler AG relate to the period after it was renamed. The figures for ebase reflect the average number of employees while it was part of comdirect group. The number of employees does not include the average number of apprentices and trainees in the group in the 2019 financial year.

	2019			2018			Change (total) in %
	Total	Female	Male	Total	Female	Male	
Apprentices and trainees at comdirect bank AG	**30**	**8**	**22**	**28**	**8**	**20**	**6.3**

56 Income statement of comdirect group according to IFRS in a year-on-year comparison

€k	1.1. to 31.12.2019	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)]
Interest income accounted for using the effective interest method	140,822	130,523	–	–	–
Interest income, other	1,556	1,575	–	–	–
Total interest income	**142,378**	**132,098**	**111,693**	**134,741**	**165,024**
Interest expenses	17,249	13,480	16,869	16,578	27,334
Net interest income before provisions for possible loan losses	**125,129**	**118,618**	**94,824**	**118,163**	**137,690**
Provisions for possible loan losses	–1,595	–1,651	1,449	1,131	–2,852
Net interest income after provisions for possible loan losses	**123,534**	**116,967**	**96,273**	**119,294**	**134,838**
Commission income	273,954	256,095	223,775	179,394	192,621
Commission expenses	54,238	49,775	29,540	16,225	17,997
Net commission income	**219,716**	**206,320**	**194,235**	**163,169**	**174,624**
Valuation result	100	4,373	–	–	–
Result from the disposal of financial assets measured at amortised cost	–37	–586	–	–	–
Result from the disposal of financial assets measured at fair value through other comprehensive income	13,316	480	–	–	–
Disposals and valuation result from financial assets	**13,379**	**4,267**	**–**	**–**	**–**
Trading result and result from hedge accounting	–	–	–692	–1,351	219
Result from financial investments	–	–	21,463	43,221	4,154
Other operating result	6,812	6,710	9,285	3,424	2,521
Total income	**363,441**	**334,264**	**320,564**	**327,757**	**316,356**
Personnel expenses	87,451	79,404	75,501	68,836	64,211
Other administrative expenses	180,851	185,305	150,871	139,227	160,401
Sales	41,102	45,400	27,496	33,300	52,311
External services	57,175	53,314	47,943	44,353	44,660
Business operations	27,809	33,649	30,945	26,910	29,294
IT expenses	26,316	26,419	23,771	21,682	23,540
Mandatory contributions	25,807	24,140	19,218	11,224	8,483
Others	2,642	2,383	1,498	1,758	2,113
Depreciation on fixed assets and intangible assets	19,593	14,877	12,952	9,127	11,992
Administrative expenses	**287,895**	**279,586**	**239,324**	**217,190**	**236,604**
Pre-tax profit from continued activities	**75,546**	**54,678**	**81,240**	**110,567**	**79,752**
Taxes on income	19,742	15,665	19,496	25,337	22,556
After-tax profit from continued activities	**55,804**	**39,013**	**61,744**	**85,230**	**57,196**
Pre-tax profit from discontinued activities	115,056	16,045	13,621	10,097	10,856
After-tax profit from discontinued activities	108,335	11,356	9,800	7,281	7,846
Pre-tax consolidated profit	**190,602**	**70,723**	**94,861**	**120,664**	**90,608**
Consolidated net profit	**164,139**	**50,369**	**71,544**	**92,511**	**65,042**

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.

Statement of comprehensive income of comdirect group according to IFRS in a year-on-year comparison

€k	1.1. to 31.12.2019	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)]
Consolidated net profit	**164,139**	**50,369**	**71,544**	**92,511**	**65,042**
Items which cannot be reclassified to the income statement					
Changes in actuarial gains/losses recognised in equity	–434	–195	150	–556	–9
Other comprehensive income for the period from equity instruments	7,899	–3,695	–	–	–
Items which can be reclassified to the income statement					
Changes in the revaluation reserves after tax					
Changes in value recognised in equity	10,909	–1,650	–5,605	8,455	26,487
Reclassification to the income statement	–9,347	–329	–20,687	–37,052	–3,972
Other comprehensive income for the period from continued activities	**9,027**	**–5,869**	**–26,142**	**–29,153**	**22,506**
Other comprehensive income for the period from discontinued activities	–3,617	–850	625	–2,938	2,930
Total other comprehensive income	**5,410**	**–6,719**	**–25,517**	**–32,091**	**25,436**
Comprehensive income	**169,549**	**43,650**	**46,027**	**60,420**	**90,478**

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.

57 Income statement of comdirect group according to IFRS in a quarterly comparison

	2019			
€k	Q1	Q2	Q3	Q4
Interest income accounted for using the effective interest method	34,016	35,281	36,127	35,398
Interest income, other	376	801	238	141
Total interest income	**34,392**	**36,082**	**36,365**	**35,539**
Interest expenses	3,247	4,398	4,587	5,017
Net interest income before provisions for possible loan losses	**31,145**	**31,684**	**31,778**	**30,522**
Provisions for possible loan losses	685	–676	–333	–1,271
Net interest income after provisions for possible loan losses	**31,830**	**31,008**	**31,445**	**29,251**
Commission income	63,663	66,857	70,464	72,970
Commission expenses	13,514	13,080	13,095	14,549
Net commission income	**50,149**	**53,777**	**57,369**	**58,421**
Valuation result	127	87	344	–458
Result from the disposal of financial assets measured at amortised cost	0	–37	0	0
Result from the disposal of financial assets measured at fair value through other comprehensive income	3,753	3,989	5,562	12
Disposals and valuation result from financial assets	**3,880**	**4,039**	**5,906**	**–446**
Other operating result	1,427	501	1,772	3,112
Total income	**87,286**	**89,325**	**96,492**	**90,338**
Personnel expenses	21,048	22,110	20,549	23,744
Other administrative expenses	49,001	44,130	41,396	46,324
Sales	13,449	9,839	8,641	9,173
External services	14,514	14,186	13,348	15,127
Business operations	7,420	5,979	5,878	8,532
IT expenses	6,526	6,262	6,602	6,926
Mandatory contributions	6,447	7,559	6,068	5,733
Others	645	305	859	833
Depreciation on fixed assets and intangible assets	4,749	4,636	4,879	5,329
Administrative expenses	**74,798**	**70,876**	**66,824**	**75,397**
Pre-tax profit from continued activities	**12,488**	**18,449**	**29,668**	**14,941**
Taxes on income	2,156	4,297	9,852	3,437
After-tax profit from continued activities	**10,332**	**14,152**	**19,816**	**11,504**
Pre-tax profit from discontinued activities	5,606	5,006	104,444	0
After-tax profit from discontinued activities	4,049	3,493	102,119	–1,326
Pre-tax consolidated profit	**18,094**	**23,455**	**134,112**	**14,941**
Consolidated net profit	**14,382**	**17,644**	**121,935**	**10,178**

Statement of comprehensive income of comdirect group according to IFRS in a quarterly comparison

	2019			
€k	Q1	Q2	Q3	Q4
Consolidated net profit	**14,382**	**17,644**	**121,935**	**10,178**
Items which cannot be reclassified to the income statement				
Changes in actuarial gains/losses recognised in equity	–193	–128	–173	60
Other comprehensive income for the period from equity instruments	3,947	931	1,035	1,986
Items which can be reclassified to the income statement				
Changes in the revaluation reserves after tax				
Changes in value recognised in equity	6,106	4,879	2,599	–2,675
Reclassification to the income statement	–2,646	–2,788	–3,907	–6
Other comprehensive income for the period from continued activities	**7,214**	**2,894**	**–446**	**–635**
Other comprehensive income for the period from discontinued activities	–1,732	–1,885	0	0
Total other comprehensive income	**5,482**	**1,009**	**–446**	**–635**
Comprehensive income	**19,864**	**18,653**	**121,489**	**9,543**

Income statement of comdirect group according to IFRS in a quarterly comparison

	2018			
€k	**Q1**	**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	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**
Other operating result	3,972	757	1,538	443
Total income	**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 fixed assets 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**

Statement of comprehensive income of comdirect group according to IFRS in a quarterly comparison

	2018			
€k	**Q1**	**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**

58 Segment reporting

€k	B2C	B2B	Consolidation	IFRS 5 effects	Disposal of ebase	comdirect group total
	1.1. to 31.12.2019					
Interest income	142,378	234	–98	–136		142,378
Interest expenses	17,347	1,030	–98	–1,030		17,249
Net interest income before provisions for possible loan losses	**125,031**	**–796**		**894**		**125,129**
Provisions for possible loan losses	–1,595	0		0		–1,595
Net interest income after provisions for possible loan losses	**123,436**	**–796**		**894**		**123,534**
Commission income	273,991	125,035	–181	–124,891		273,954
Commission expenses	54,237	92,511	–38	–92,472		54,238
Net commission income	**219,754**	**32,524**	**–143**	**–32,419**		**219,716**
Disposals and valuation result from financial assets	**13,379**	**0**		**0**		**13,379**
Other operating result	6,812	–701		701		6,812
Total income	**363,381**	**31,027**	**–143**	**–30,824**		**363,441**
Administrative expenses	**288,183**	**23,939**	**–143**	**–24,084**		**287,895**
Pre-tax profit from continued activities	**75,198**	**7,088**		**–6,740**		**75,546**
Pre-tax profit from discontinued activities	–	–		11,777	103,279	115,056
Pre-tax consolidated profit	**75,198**	**7,088**		**5,037**	**103,279**	**190,602**
Segment investments	19,914	2,862				22,776
Segment depreciation	19,593	5,037		–5,037		19,593
Cost/income ratio	79.0 %	77.2 %				78.9 %
Segment income	439,473	126,633				
of which external income	439,473	126,391				
of which inter-segmental income	0	242				
Segment expenses	364,275	119,545				

Segment reporting

	1.1. to 31.12.2018					
€k	B2C	B2B	Consoli-dation	IFRS 5 effects	Disposal of ebase	comdirect group total
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	6,710	1,305		–1,305		6,710
Total income	**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				

The figures for discontinued activities are still shown in the tables to improve comparability. The figures from the income statement have also been reconciled. In addition, in accordance with the requirements of IFRS 5, the contributions by the former B2B business segment B2B have been deducted from the respective line items and its contribution is instead reported as a total amount in income from discontinued activities.

Management previously focused on two business segments: 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. Brokerage, banking and advice services are performed here in direct business with modern investors. This also includes onvista Media GmbH, which operates the onvista.de portal, and comdirect Versicherungsmakler AG (formerly: onvista AG).

The B2B business segment comprised the activities of ebase GmbH, which left comdirect group when its disposal closed on 16 July 2019.

Management and reporting now relates exclusively to the B2C business segment, which comprises all continued activities. No other reportable segments were identified.

comdirect group generates interest income, essentially from the reinvestment of customer deposits on the money and capital market. Commerzbank is a material business partner in these activities (cf. Related party disclosures, Note (20)). The interest income from money and capital market transactions of €110.0 m exceeds 10 % of the segments' total income. The income is incurred almost exclusively in the B2C business segment.

ebase performed money market transactions with the B2C business segment in the context of Treasury investments. This generated interest income of €98 k (2018: €166 k) and interest expenses of €0 k (2018: €9 k), which are included in the income from discontinued activities. The B2C business segment recognised interest expenses and income in the corresponding amounts.

Segment assets and segment debt are not relevant management indicators as defined by IFRS 8, and are therefore not shown in the table.

Net commission income in the B2C business segment predominantly results from custody account business with private customers. There is also commission from payment services and other commission, for example from advisory services. There was no impairment on intangible assets (2018: €0 k).

In the B2B business segment, net commission income is generated from brokerage services for institutional and private customers. Other sources of income, such as deposit business, are not material. There was no impairment on financial investments (2018: €0 k).

The segment income and expenses shown are the IFRS figures. They therefore reflect the figures in the consolidated income statement.

59 Leases

€k	Book value of right-of-use assets	Depreciation
	2019	**2019**
Land and buildings	11,095	3,806
Motor vehicles	452	324
Others	152	52
Total	**11,699**	**4,182**

€k	2019
Payment for leasing contracts	4,229
Cost of leases for low-value assets	54
Interest expenses for lease liabilities	28
Additions to right-of-use assets	5,502

The figures shown relate to continued activities. The expenses of leases for low-value assets were recognised on a straight-line basis over the term of the leases.

No distinction was made between lease and non-lease components for leases in the "Others" class. The practical expedient of treating the entire lease payment as the lease component was exercised for these groups of assets.

60 Other commitments

€k	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	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	–	7,618	–	0
Lease payments	–	816	–	641	–	0
Total	**–**	**4,535**	**–**	**8,259**	**–**	**0**

The above table shows the minimum lease payments under non-cancellable operating leases for the previous year. This table was replaced by disclosures in Note (59) on the adoption of IFRS 16.

61 Fees for auditors

€k	2019	2018	Change in %
Annual audits	426	566	–24.7
Other certification services	137	56	144.6
Tax advisory services	0	0	–
Other services	32	23	39.1
Total	**595**	**645**	**–7.7**

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 on regulatory changes.

Non-audit services as defined by Article 10(2)(g) of the EU Audit Regulation in the financial year included the review of the half-year report, the audit in accordance with Section 89 of the German Securities Trading Act (WpHG), the performance of audit activities in relation to the IFRS reporting package and the provision of regular information on regulatory changes. Audit services relating to the IFRS reporting package were performed for a controlled company.

62 German 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.

63 The company's boards

Supervisory Board

Dr Jochen Sutor (since 9 May 2019)
Chairman (since 18 October 2019)
CFO of LeasePlan Corporation N.V.,
Amsterdam/Netherlands

Verena Pausder (since 9 May 2019)
Deputy Chairwoman
Founder and Managing Director of Fox & Sheep GmbH, HABA Digital GmbH and Founder and Board Member of Digitale Bildung für Alle e. V.,
Berlin

Michael Mandel
Chairman (until 18 October 2019)
Member of the Board of Managing Directors of Commerzbank AG,
Frankfurt/Main

Sandra Persiehl
Chairwoman of the Works Council of comdirect bank AG,
Quickborn

Sabine Schmittroth
Member of the Board of Managing Directors of Commerzbank AG,
Frankfurt/Main

Henning Seeler (since 9 May 2019)
Brokerage product manager at comdirect bank AG,
Quickborn

Frank Annuscheit (until 9 May 2019)
Deputy Chairman
Member of the Board of Managing Directors of Commerzbank AG,
Frankfurt/Main (until 28 February 2019)

Georg Rönnberg (until 9 May 2019)
German public accountant and tax advisor,
Neu-Anspach

Maria Xiromeriti (until 9 May 2019)
Customer Management group leader at comdirect bank AG,
Quickborn

Board of Managing Directors

Frauke Hegemann (since 1 April 2019)
Chairwoman of the Board of Managing Directors, CEO
(since 1 January 2020)

Dietmar von Blücher
Member of the Board of Managing Directors, CFO/CIO

Matthias Hach
Member of the Board of Managing Directors, CMO

Arno Walter (until 31 December 2019)
Executive Manager for Wealth Management & Small-business Customers at Commerzbank AG, Frankfurt/Main
(since 1 January 2020)

64 Seats on supervisory boards and other executive bodies

Members of the Supervisory Board of comdirect bank AG

Dr Jochen Sutor (since 9 May 2019)
Seats on statutory supervisory boards:
- Commerz Real AG, Wiesbaden (until 30 September 2019)

Seats on comparable executive bodies:
- Commerz Real Investmentgesellschaft mbH, Wiesbaden (until 30 September 2019)
- Commerz Services Holding GmbH, Frankfurt/Main (until 30 September 2019)

Michael Mandel
Seats on statutory supervisory boards:
- Commerz Real AG, Wiesbaden, Deputy Chairman

Seats on comparable executive bodies:
- Commerz Real Investmentgesellschaft mbH, Wiesbaden, Deputy Chairman
- CommerzVentures GmbH, Frankfurt/Main
- mBank S.A., Warsaw/Poland

Sabine Schmittroth
Seats on statutory supervisory boards:
- Commerz Direktservice GmbH, Duisburg
- Commerz Real AG, Wiesbaden

Seats on comparable executive bodies:
- Commerz Real Investmentgesellschaft mbH, Wiesbaden

Frank Annuscheit (until 9 May 2019)
Seats on statutory supervisory boards:
- BVV Versicherungsverein des Bankgewerbes a.G., Berlin, Deputy Chairman

Seats on comparable executive bodies:
- BVV Versorgungskasse des Bankgewerbes, Berlin, Deputy Chairman
- Commerz Services Holding GmbH, Frankfurt/Main, Chairman of the Advisory Committee (until 31 January 2019)

Members of the Board of Managing Directors of comdirect bank AG

Frauke Hegemann (since 1 April 2019)
Seats on statutory supervisory boards:
- comdirect Versicherungsmakler AG, Quickborn (formerly: onvista AG, Frankfurt/Main), Chairwoman (since 1 February 2020), Member (until 31 January 2020)

Seats on comparable executive bodies:
- European Bank for Financial Services GmbH (ebase), Aschheim (until 16 July 2019)

Dietmar von Blücher
Seats on comparable executive bodies:
- European Bank for Financial Services GmbH (ebase), Aschheim (until 16 July 2019)
- onvista media GmbH, Cologne

Matthias Hach
Seats on statutory supervisory boards:
- comdirect Versicherungsmakler AG, Quickborn (formerly: onvista AG, Frankfurt/Main) (until 14 August 2019)

Seats on comparable executive bodies:
- European Bank for Financial Services GmbH (ebase), Aschheim (until 16 July 2019)
- onvista media GmbH, Cologne, Chairman

Arno Walter (until 31 December 2019)
Seats on statutory supervisory boards:
- comdirect Versicherungsmakler AG, Quickborn (formerly: onvista AG, Frankfurt/Main), Chairman (until 31 January 2020)
- Commerz Direktservice GmbH, Duisburg, Deputy Chairman

Seats on comparable executive bodies:
- European Bank for Financial Services GmbH (ebase), Aschheim, Chairman (until 16 July 2019)
- NEUGELB STUDIOS GmbH, Berlin, Deputy Chairman of the Board of Directors (until 31 October 2019)

65 Remuneration and loans to board members

Compensation of the Board of Managing Directors

The compensation of the Board of Managing Directors consists of non-performance-related fixed compensation and performance-related variable compensation. This is composed of a short-term incentive (STI) and a long-term incentive (LTI). The STI and LTI are both granted half in the form of cash and half in the form of share-based payment. comdirect bank AG has revised its compensation system for members of the Board of Managing Directors for financial years from 2019. Further information on the compensation of the Board of Managing Directors in general, the changes made and the individualised disclosures can be found in the compensation report.

The overall compensation of the Board of Managing Directors pursuant to IAS 24.17 and German Accounting Standard (DRS) 17 breaks down as follows.

€k	2019	2018
Short-term benefits	1,424	1,134
Post-employment benefits	167	163
Other long-term benefits	99	123
Termination benefits	13	88
Share-based payment	146	91
Overall compensation pursuant to IAS 24.17	**1,849**	**1,599**
minus		
Post-employment benefits	167	163
Termination benefits	13	88
Measurement and other differences	–24	–21
Overall compensation pursuant to Section 314 (1) no. 6a clause 1 of the German Commercial Code	**1,693**	**1,369**

In accordance with the provisions of commercial law, the total remuneration for the 2019 financial year includes the following compensation components: fixed remuneration, fringe benefits, STI cash payment, share-based STI and share-based LTI. The cash-settled share of the LTI component granted for 2015 is also reported as part of the remuneration for the 2019 financial year. In accordance with the provisions of commercial law, the corresponding component granted in 2019 will not be reported as part of overall compensation until it has been sufficiently defined after the conditions precedent have been fulfilled, at which time it will be reported in the amount then determined.

Further information on the individual components is provided below under the IAS 24.17 bullets.

Short-term benefits

Short-term variable compensation components of €40 k (2018: €39 k) for Mr Walter, €21 k (2018: €20 k) for Mr von Blücher, €21 k (2018: €19 k) for Mr Hach and €14 k (2018: €0 k) for Ms Hegemann were recognised as an expense in the income statement in the 2019 financial year.

Share-based payment

One component of STI and LTI each will be paid in shares of comdirect bank AG (for variable compensation for the financial years up to 2018: Commerzbank AG). These are therefore considered share-based payment in accordance with IFRS 2. For the LTI component, the expenses are recognised over a vesting period of four years for variable compensation granted for the financial years up to 2018, and over a vesting period of six years for variable compensation that will be granted from the 2019 financial year. The amount for the STI component was expensed in full in the 2019 financial year.

Amounts of €69 k (2018: €39 k) for Mr Walter, €33 k (2018: €21 k) for Mr von Blücher, €27 k (2018: €25 k) for Mr Hach and €17 k (2018: €0 k) for Ms Hegemann from the share-based compensation components described were recognised as an expense in the income statement in the financial year.

Other long-term benefits

Entitlements to the cash-settled LTI compensation component will not arise until after expiration of a five-year waiting period at the earliest. Depending on the results of a further performance appraisal, the amount can be reduced or cancelled at the end of the waiting period and, at the earliest, will not be paid out until the sixth year after the end of the financial year in which the underlying work was performed. It will not be considered as part of the overall compensation of the Board of Managing Directors until such time. The stated periods apply to variable compensation from the 2019 financial year. Shorter periods apply to variable compensation for financial years up to 2018; further information can be found in the compensation report in the management report.

Each tranche is expensed pro rata temporis over a total period of four years for variable compensation granted for the financial years up to 2018, and over a total period of six years for variable compensation that will be granted from the 2019 financial year. Expenses for the cash-settled LTI component of €63 k (2018: €68 k) for Mr Walter, €22 k (2018: €18 k) for Mr von Blücher, €11 k (2018: €6 k) for Mr Hach and €3 k (2018: €0 k) for Ms Hegemann arose in the reporting year.

Post-employment benefits

The members of the Board of Managing Directors receive a pension commitment for their work at comdirect bank AG. The company has recognised provisions for pensions for these future claims in accordance with IFRS, the amount of which is dependent on the number of years of service, the pensionable salary and the current actuarial interest rate. The pension provisions are measured in accordance with the projected unit credit method based on actuarial opinions prepared by an independent actuary.

The pension obligations in accordance with IFRS developed as follows for the members of the Board of Managing Directors active in the financial year:

2019 €k	DBO (IFRS) as of 1.1.2019	Change in 2019	DBO (IFRS) as of 31.12.2019	Service cost 2019
Arno Walter	1,248	444	1,692	80
Dietmar von Blücher	454	291	745	61
Matthias Hach	13	25	38	14
Frauke Hegemann (from 1 April 2019)	0	80	80	12
Total	**1,715**	**840**	**2,555**	**167**

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**

Termination benefits

Termination benefits of €13 k were expensed in the 2019 financial year (2018: €88 k).

Disclosures on former members of the Board of Managing Directors

The bank provides an old-age pension for former members of the Board of Managing Directors or their surviving dependents. As of the balance sheet date, there are pension obligations in accordance with IFRS (defined benefit obligations) for former members of the Board of Managing Directors of €5,438 k (2018: €4,882 k).

The remuneration of former members of the Board of Managing Directors of comdirect bank AG amounted to €322 k in the 2019 financial year (2018: €426 k). €77 k (2018: €111 k) of the LTI component granted in the 2015 (2014) financial year was paid out for former members of the Board of Managing Directors in 2019.

Compensation of the Supervisory Board

The compensation of the members of the Supervisory Board is governed by the Articles of Association of comdirect bank AG. The members of the Supervisory Board received overall compensation of €222 k (2018: €146 k), consisting of fixed compensation of €133 k (2018: €96 k) and compensation for committee work of €89 k (2018: €50 k). The compensation includes any statutory VAT incurred.

Neither advance payments nor loans were extended. comdirect bank AG assumed no contingent liabilities. Individualised disclosures can be found in the compensation report.

66 Holdings

The following companies are included in the consolidated financial statements in accordance with IFRS 10. The disclosures on the companies' equity and net income are taken from their financial statements prepared in accordance with national financial reporting standards.

Affiliated companies

Name	Domicile	Share of capital held in %	Equity in €k	Net profit for the year in €k
comdirect Versicherungsmakler AG[1]	Quickborn, Germany	100.0	38,222	–1,211
onvista media GmbH	Cologne, Germany	100.0	2,373	666

1) formerly: onvista AG

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	144,351	–3,722
CDBS-Cofonds II	Frankfurt/Main, Germany	100.0	96,678	224
CDBS-Cofonds III	Frankfurt/Main, Germany	100.0	133,728	799
CDBS-Cofonds IV	Frankfurt/Main, Germany	100.0	134,116	811
CDBS-Cofonds V	Frankfurt/Main, Germany	100.0	112,016	1,940

67 Supplementary report

There were no events or developments of special significance after the balance sheet date.

Responsibility statement 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, 19 February 2020
The Board of Managing Directors

Frauke Hegemann

Dietmar von Blücher

Matthias Hach

Further information

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 2019, and the income statement, statement of other comprehensive income, cash flow statement and statement of changes in equity for the fiscal year from 1 January 2019 to 31 December 2019, 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 fiscal year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Sec. 315d HGB ["Handelsgesetzbuch": German Commercial Code] in conjunction with Sec. 289f HGB included in the "Corporate Governance Statement" section of the group management report.

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 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 2019, and of its financial performance for the fiscal year from 1 January 2019 to 31 December 2019, 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. Our opinion on the group management report does not cover the content of the statement on corporate governance pursuant to Sec. 315d HGB in conjunction with Sec. 289f HGB included in the "Corporate Governance Statement" section of the group management report.

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

[1)] Translation of the German independent auditor's report concerning the audit of the consolidated financial statements and management report prepared in German.

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 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 2019 to 31 December 2019. 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 matter:

Recognition of commission income from securities trading

Reasons why the matter was determined to be a key audit matter:

comdirect Bank AG earns commission income from investment 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 securities trading 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 securities trading, 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 securities trading. In so doing, we examined in particular the development of the number of securities trades in relation to the development of commission income from securities trading.

Our procedures did not give rise to any reservations regarding the recognition of commission income from securities trading.

Reference to related disclosures:

The Board of Managing Directors describes the methods for recognizing commission income from securities trading in Note (1) "Basic principles and estimation uncertainties" in the accounting and measurement methods and in Note (23) "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 "Corporate Governance Statement," "Key figures of comdirect group," "Management of comdirect," "Letter to the shareholders," "Report of the Supervisory Board," Digitalization is gathering pace in retail banking," "Striking a perfect balance between innovation and efficiency," "Taking responsibility – innovative, digital and committed," "Declaration of the Board of Managing Directors," "Financial calendar 2020" 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 9 May 2019. We were engaged by the Supervisory Board on 9 May 2019. We have been the group auditor of comdirect bank AG, Quickborn, without interruption 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. 89 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]
- Performance of procedures regarding the IFRS reporting package
- Review of the IFRS reporting package of ebase GmbH for the period ended 31 July 2019
- Performance of procedures regarding non-financial information
- Provision of regular information about regulatory changes
- Voluntary audit of the annual financial statements of comdirect Versicherungsmakler AG (formerly onvista AG) in compliance with Sec. 317 HGB

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Frank Bühring.

Hamburg, 21 February 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bühring	Meyer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Financial Calendar 2020

29	**January**	2019 Preliminary figures
20	**March**	2019 Annual report
28	**April**	Quarterly statement
5	**May**	Annual general meeting in Wiesbaden
30	**July**	Half-year report
27	**October**	Nine-month statement

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