2019

ANNUAL REPORT

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Group Key Performance Indicators

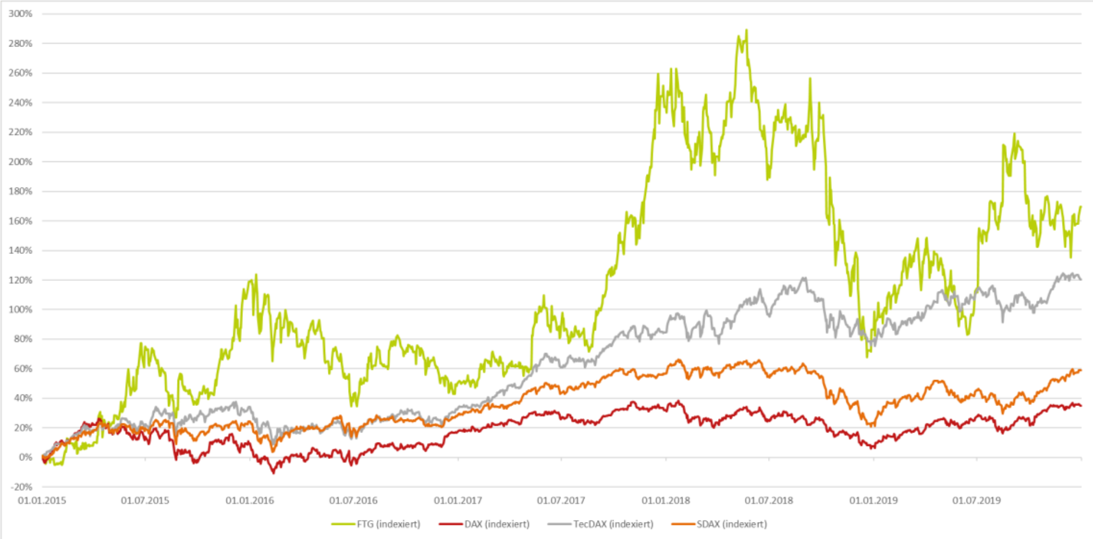
Group Key Performance Indicators

		2019	2018	Change in %
Operating business				
Transactions executed	number	12,274,525	12,483,344	-1.7
of which: B2C brokerage	number	11,228,756	11,377,455	-1.3
Number of customers	number	368,133	290,288	26.8
of which: B2C brokerage	number	317,783	244,098	30.2
Transactions per customer/year	number	33.34	43.00	-22.5
of which: B2C brokerage	number	35.34	46.61	-24.1
Customer assets under management	mEUR	14,586	10,995	32.7
of which: custody volume	mEUR	13,600	10,000	36.0
of which: cash deposits	mEUR	986	995	-0.9
Financials				
Revenues	kEUR	131,952	125,100	5.5
EBITDA	kEUR	37,580	42,368	-11.3
EBIT	kEUR	24,751	30,618*	-19.1
Net profit	kEUR	14,908	17,474*	-14.7
Earnings per share (undiluted)	EUR	0.77	0.98*	-21.4
Earnings per share (diluted)	EUR	0.77	-	-
Equity	kEUR	182,202	163,656*	11.3
Total assets	kEUR	1,265,962	1,224,168*	3.4
Equity ratio	in %	14.4	13.4*	7.7
Operating cash flow from operating activities - before banking operations	kEUR	49,427	17,536*	181.9
Cash flow from banking operating activities	kEUR	-206,673	232,535*	-
Cost-income ratio	in %	59.9	52.0	15.2
Employees (average)	number	527	497	6.0
Segments				
	Revenues kEUR	112,767	107,140	5.3
Financial Services (FIN)	EBITDA kEUR	21,209	28,349	-25.2
	Revenues kEUR	36,230	39,730	-8.8
Technologies (TECH)	EBITDA kEUR	16,370	14,019	16.8
	Revenues kEUR	-17,045	-21,770	21.7
Consolidation	EBITDA kEUR	-	-	-
	Revenues kEUR	**131,952**	**125,100**	**5.5**
TOTAL	**EBITDA kEUR**	**37,580**	**42,368**	**-11.3**

Previous year's figures were adjusted. For a detailed presentation, see Note 7

The flatex AG share

Key figures of flatex AG share



		2019	2018	Change in %
Number of shares outstanding as of 12/31	number	19,595,637	18,736,637	4.6
Number of shares outstanding - year average	number	19,410,996	17,882,865	8.5
Subscribed capital	kEUR	19,596	18,737	4.6
Market capitalisation	mEUR	480.09	317.77	51.1
Price at year-end	EUR	24.50	16.96	44.5
Year high	EUR	29.00	35.80	-19.0
Year low	EUR	16.40	15.22	7.8
EBITDA per share (undiluted)	EUR	1.92	2.26	-15.0
Earnings per share (undiluted)	EUR	0.77	0.98*	-21.4
Equity per share (undiluted)	EUR	9.30	8.85*	5.1
Dividend per share	EUR	-	-	-

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

Letter from the Management Board

Letter from the Management Board

Dear Shareholders,
Dear Friends of flatex AG,

2019 was a remarkable year for flatex AG in many respects. After our record year in 2018, we focused our efforts on the internationalisation strategy of the flatex brand. We wanted to prove that our focus on the high-margin B2C business is the right strategy.

FinTech Group becomes flatex

Frank Niehage, CEO

Muhamad Chahrour, CFO

To solidify this strategy, we decided in spring 2019 to change the name of our bank into flatex Bank AG and in late autumn the group name into flatex AG. The significantly higher brand awareness of flatex compared to FinTech facilitates marketing for acquisition of new retail customers and institutional investors as well as the market entry into new countries. Moreover, flatex represents the operational and highly profitable B2C business of the Group with a revenue contribution of more than 75%. Last but not least, with the name change we wanted to avoid being confused with start-ups or venture capital investment companies from the FinTech industry.

flatex is a strong and well-known brand as well as the core of a 14-year success story, with a marketshare of around 50% in Austria and a share of over 20% in Germany. And this brand is now also clearly visible to the outside world.

flatex – a success story reaches its peak to date

The market entry of flatex in the Netherlands in June 2019 was the litmus test for our strong brand in other European countries – and by far exceeded our own expectations: more than 30,000 securities account openings within the first 15 weeks combined with manageable set-up costs before marketing expenses speak for themselves. With our team, our leading and highly scalable platform and with the best product offering on the market, we have successfully entered the third European market.

At the same time, this market entry was a good opportunity for us to look inward: What does the future development of flatex AG look like? How can we continue to increase the stakeholder value of flatex AG for you, dear stakeholders? Therefore, we decided on 4 July 2019 to examine strategic options regarding the future direction of the company.

The result of this process is the preliminary pinnacle of the flatex growth story and another milestone towards becoming the leading European online broker.

flatex and DeGiro – on the path to becoming European online brokerage champion

On 13 December 2019, we announced the forthcoming acquisition of DeGiro B.V., based in Amsterdam. This transaction allows us to create a European ‘financial supermarket’ that will be present in over 18 European countries. The highly complementary structures of the two brands will allow us to quickly leverage synergy potential in the areas of IT, processing and regulation. It will also help us significantly improve our operational KPIs in the short term.

We feel that this inorganic growth creates a lot of value for our stakeholders. flatex/DeGiro plans to establish itself as the largest and first pan-European broker.

We expect already to serve over 1 million customers and to have processed more than 35 million transactions by the end of 2020. As a medium-term goal, we have set a turnover target of EUR 300 million and a target for earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 150 million. Dear shareholders, following the capital increase against contribution in kind at the closing of the DeGiro transaction, approximately 27.1 million shares would mean for you

earnings per share of up to EUR 3.00

In a very short time, we have identified synergies that already show us how valuable and significant this collaboration will be. flatex/DeGiro will employ more than 800 people in four countries. Our goal is to create an environment in which our colleagues can grow with us, implement their own ideas and advance their professional careers. Soon, the result will be an international flatex Group with English as the official groupwide language.

Net cash – best liquidity level for future tasks

The company is perfectly equipped for this growth story. After the payment of approximately EUR 23.6 million to DeGiro for the acquisition of approximately 9.4%, the financial position of the company with

a net cash position of around EUR 29.9 million

at the end of 2019 is characterised by its excellent liquidity level. Even after the complete acquisition of DeGiro B.V., the Group will remain net debt-free. After the successful first quarter of 2020, we expect a strong double-digit million cash surplus for the year, which will support us in the future direction of the Group.

Stakeholder value – our mission

This annual report confirms our underlying strategy. The company’s invested capital is already earning a

return on tangible equity in the amount of approx. 20%

This illustrates how profitable the flatex Group has been in the past. We are firmly convinced that this is only the beginning of a long success story.

Together with our employees, we want to build our pan-European online brokerage champion. This vision enables us to inspire young, talented employees and well-trained specialists to join our company and to sustainably ensure high-quality work results of the entire flatex team.

Together with our customers, partners, employees and you, our valued shareholders, we have created the perfect starting position for a sustainable increase in stakeholder value. We are convinced that our strategic orientation will lead us to sustained success in the coming years and look forward to playing a major role in shaping the European online brokerage market over the next decade.

We would like to thank you for your strong support and continued trust in us!

We are facing considerable opportunities and some challenges, and we are glad to take this journey with you on our side.

Sincerely,

Frank Niehage	Muhamad Said Chahrour
CEO, Chairman of the Management Board	CFO, Member of the Management Board

Report of the Supervisory Board

Report of the Supervisory Board

Dear Shareholders,

flatex Group looks back on a truly successful year 2019. In addition to the once again extremely positive business development, the year was mainly characterised by the strategic direction of the company, the focused continuation of the growth and internationalisation strategy with the flatex brand, and the expansion of cooperation partnerships.

Cooperation with the Management Board

Martin Korbmacher,

Chairman of the Supervisory Board

In fiscal year 2019, the Supervisory Board of flatex AG carried out the responsibilities incumbent upon it under law and under the Articles of Association of the company with utmost care. It regularly advised the Management Board on corporate management issues and monitored the administration's fulfilment of its tasks on an ongoing basis. Monitoring benchmarks were primarily the lawfulness, orderliness, expediency, and economic viability of management and the Executive Committee. The Supervisory Board was also involved, directly and in a timely fashion, in all decisions of material importance to the course of business of the company.

The primary basis for fulfilment of the statutory monitoring task were the written and verbal reports of the Management Board. The Management Board updated the Supervisory Board regularly, promptly and comprehensively about the course of business during the year and the position of the Group. The updates also included the risk situation and risk management, all matters relevant to the company and issues involving law, HR, the audit department and compliance, as well as other important events. Actual vs. plan variances were explained in detail. The members of the Supervisory Board always had ample opportunity to analyse the Management Board's reports and resolution proposals, and to submit their own suggestions and guidance. All significant business transactions during the reporting period were undertaken in agreement with the Supervisory Board.

Outside of the scheduled Supervisory Board meetings, the Supervisory Board chairman was also involved, via close and regular exchanges of information and ideas, with the Management Board, to discuss the course of business, strategy, planning, and other major events in the company and the flatex Group. The Chairman reported on important findings and significant events, at the latest at the next Supervisory Board meeting. In the year under review, there were no conflicts of interest between members of the Supervisory and Management Boards, which would have to be disclosed to the Supervisory Board without delay and which would have to be adressed at the Annual General Meeting.

Supervisory Board meetings and focus of activities

In fiscal year 2019, the Supervisory Board held nine meetings to discuss the Company's course of business, important individual transactions, and Management Board measures requiring its approval. All Supervisory Board meetings were attended by all members. Five of the meetings were held in the first half of 2019 and four in the second half. In addition, resolutions were also frequently passed outside the meetings by written ballot in circulation. The Supervisory Board granted the requested approvals, both at the scheduled meetings and ad hoc, after thorough examination and extensive discussion with the Management Board in each case.

A key focus of the Supervisory Board's activities in the past fiscal year was the implementation of the focused growth and internationalisation strategy with special emphasis on the flatex brand. In particular, this included advising, monitoring and, where necessary, passing resolutions on the market entry of online broker flatex in the Netherlands as part of the 'flatex goes Europe' project, on renaming the core companies to highlight 'flatex' as the key earnings and growth driver in the company name, on examining and developing strategic options, which led to the conclusion of the purchase agreement in December 2019 for the staggered acquisition of all shares in Dutch online broker DeGiro B. V. ('DeGiro') for a total purchase price of EUR 250 million on a cash and debt free basis, among other things. It resulted in the immediate acquisition of 9.44% of the shares in DeGiro at the time of the conclusion of the purchase agreement. Another focus of the Supervisory Board's activities was the exchange of information on significant strategic collaborations.

Regular discussions at the meetings of the Supervisory Board focused on strategy, sales and earnings development as well as the course of business of flatex AG and the major Group companies. This included, in particular, the liquidity, the Management Board's written reports on the risk situation, Group internal audit, as well as major developments in the areas of investments, cooperations, client business and trading.

The main subjects of discussions and resolutions in fiscal year 2019 were:

At the Supervisory Board meeting on 11 February 2019, the Supervisory Board received a detailed report on the status of the acquisition of factoring.plus.GmbH, which at that time was still subject to the approval by the German Federal Financial Supervisory Authority (BaFin) (ownership control procedure), in particular on the filling of key positions at factoring.plus.GmbH by employees of flatex Bank AG for better integration into the Group. It also dealt with exercising stock options under the stock option programme 2014 and the related reports of directors' dealings. Furthermore, the Supervisory Board was informed in detail by the Management Board about the preliminary financial figures of flatex AG and the Group for fiscal year 2018, before the key data of the bonus process including salary increases for Group employees were discussed. Finally, the Supervisory Board, subject to the approval of the respective Annual General Meeting, spoke out in favour of renaming the core companies with a focus on the flatex brand and authorised the Management Board to initiate all necessary steps for implementation.

In its meeting on 4 April 2019, the Supervisory Board was initially updated about the project status of introducing a core banking system for a major B2B client and the progress of preparations for expansion into the Netherlands as part of the 'flatex goes Europe' project. Other items on the agenda were the renaming of FinTech Group Bank AG to flatex Bank AG, which took effect on 20 March 2019, along with follow-up measures, the newly introduced active cost-cutting programme and the smooth relocation of the computer centre. Another topic of the meeting was the reporting on risk management, compliance, securities settlement, payment transactions and back office, taxes and currently relevant legal issues. The Supervisory Board also looked at the reports of the internal audit department of flatex Bank AG. As the meeting continued, the Supervisory Board was informed about the current business development and the progress in the integration and restructuring of factoring.plus.GmbH and its wholly owned subsidiary financial.service.plus GmbH. The members discussed the possibility of a partial sale or a reallocation of the shares held by factoring.plus.GmbH in financial.service.plus GmbH to flatex AG.

In the telephone conference on 8 May 2019, the Supervisory Board, exercising the authorisation granted to it by the Annual General Meeting and the Articles of Association, resolved to amend the Articles of Association to reflect the issuance of subscription shares that had previously taken place due to partial utilisation of the 2014 conditional capital as part of the 2014 stock option plan.

At the balance sheet meeting on 26 June 2019, the Supervisory Board was informed in detail by the Management Board of the single-entity and consolidated financial statements as of 31 December 2018, including the single-entity and group management report. Afterwards, the attending auditor reported in detail on the progress of his respective audit and went over the key findings and topics of the respective audit process. Furthermore, he was also available to provide additional information during the subsequent detailed discussion of the documents. Over the remaining course of the meeting, the report of the Management Board for the 2018 fiscal year on relations with affiliated companies dated 29 March 2019 ('Dependency Report 2018') was discussed and the content and scope of his audit of the report were explained by the auditor. Further discussions centred on the draft report of the Supervisory Board for fiscal year 2018 and the invitation to the Annual General Meeting on 12 August 2019 with the proposed resolutions to be submitted. Subsequently, the Management Board reported to the Supervisory Board on the strong equity position of the flatex Group, the next planned implementation steps for the new brand direction in the Group, the successful market entry of flatex in the Netherlands on 17 June 2019, current IT topics, such as the establishment of a phase model in a large IT project, as well as the progress regarding the restructuring of factoring.plus.GmbH and the integration of financial.service.plus GmbH into the IT portfolio. The meeting concluded with reports on risk management, compliance and money laundering prevention, the operational areas of securities settlements processing, payment transactions and back office, taxes as well as currently relevant legal issues.

The audit of the annual accounts including the management report as well as of the consolidated financial statements including the group management report by the auditors did not lead to any objections. The final review of the single accounts including the management report and the consolidated financial statements including the group management report by the Supervisory Board, which was carried out after a detailed reflection of the explanations and arguments of the auditor at the meeting on 26 June 2019, and taking into account the auditing reports, did not lead to any objections. At their meeting via telephone conference on 27 June 2019, the Supervisory Board approved the annual accounts as of 31 December 2018 and the consolidated financial statements as of 31 December 2018, prepared by the Management Board. The annual accounts as of 31 December 2018 were thus approved. The Supervisory Board also subjected the dependency report for 2018 to an in-depth audit and, taking into account the auditing report, concluded that the dependency report for 2018 complied with the legal requirements and that no objections were raised against the final declaration of the Management Board. The Supervisory Board also approved the draft report of the Supervisory Board for fiscal year 2018. At the end of the meeting, the board adopted the agenda and the proposed resolutions for the company's Annual General Meeting 2019, including the proposed resolution to change the company's name from FinTech Group AG to flatex AG.

On 4 July 2019, the company published an ad hoc announcement to publish the Management Board's decision to review strategic options for the future direction of the company with an investment bank and to initiate discussions with various parties for this purpose.

The subject of the Supervisory Board conference call meeting on 28 August 2019 mainly covered the commissioning of BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, as auditor of the annual financial statements and consolidated financial statements of flatex AG for fiscal year 2019 and as auditor for a possible audit review of financial reports during the year in fiscal years 2019 and 2020 until the next ordinary Annual General Meeting.

On 29 September 2019, the Supervisory Board was updated in detail by the Management Board in a telephone Supervisory Board meeting about the current status of the process initiated to determine strategic options. After detailed discussion, the Supervisory Board gave its approval to continue the preparatory and exploratory measures planned by the Management Board.

At the Supervisory Board meeting on 5 December 2019, the Management Board reported in detail on the extremely positive course of business in fiscal year 2019, in particular the strong customer growth in the Netherlands as well as in Germany and Austria. The briefing also included the status of the premium partner model at flatex including the smooth transition of a strategically important ETP partner, the very strong growth of the fully secured loan book and the progress of a major IT project as planned. It was followed by reporting on risk management, compliance and currently relevant legal topics. Subsequently, the Management Board presented the detailed planned transaction for the gradual acquisition of all shares in DeGiro. The conceivable structure and possible details of such a transaction were discussed and the Management Board was authorised to conduct further negotiations. However, the Supervisory Board did not yet give its final approval, but rather reserved the right to make a decision at a later date. As the meeting continued, the Supervisory Board was guided by the Management Board through the planning and guidance for fiscal year 2020 and approved the submitted plan. Finally, the Supervisory Board dealt with the Group internal audit reports.

In the Supervisory Board conference call meeting on 9 December 2019, the Supervisory Board approved the acquisition of 100% of the shares in DeGiro B.V. by flatex AG for a total purchase price of EUR 250 million on a cash and debt free basis, as requested by the Management Board, as well as the necessary steps to implement such a transaction. This also included the possibility of allocating new flatex shares from authorised capital as acquisition currency for part of the DeGiro shares.

A corresponding share purchase agreement was concluded on 13 December 2019. Thus, flatex AG directly acquired 9.44% of the shares in DeGiro against immediate cash payment of the purchase price. According to the purchase agreement, the remaining shares will be acquired after the occurrence of certain conditions precedent, approximately 76% will be acquired through the issuance of 7,500,000 new shares to be created from authorised capital under exclusion of subscription rights and the rest through cash payment of the purchase price. At the time this report on fiscal year 2019 was adopted, not all conditions precedent had been met.

Organisational matters of the Supervisory Board

The Supervisory Board did not form any committees during the reporting period. The decisions of the Supervisory Board were regularly taken in face-to-face meetings or in telephone conferences. Other resolutions, which were additionally required between the scheduled meetings, were passed through written ballots in circulation.

Composition of Supervisory Board and Management Board

The Supervisory Board consists of three members in accordance with flatex AG’s Articles of Association. Throughout the entire reporting period, the Supervisory Board consisted (and still consists) of Mr Martin Korbmacher (Chairman), Mr Stefan Müller (Deputy Chairman) and Mr Herbert Seuling.

There were also no personnel changes within the Management Board. Throughout the entire reporting period, the Management Board consisted of Mr Frank Niehage as Chairman and Mr Muhamad Said Chahrour as CFO.

Audit of single-entity and consolidated 2019 year-end accounts

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg audited the single-entity and consolidated financial statements as of 31 December 2019, as prepared by the Management Board, and the single-entity and group management reports for the 2019 fiscal year, including bookkeeping, and issued unqualified audit opinions for each.

The documentation for the financial statements (single accounts and management report as well as consolidated financial statements and group management report) and the auditing reports were delivered to the members of the Supervisory Board, each in a timely fashion. In turn, the Supervisory Board examined the documents submitted by the Management Board, in particular with regard to their lawfulness, orderliness and adequacy.

The auditor participated in the Supervisory Board meeting regarding the balance sheet on 19 May 2020 and reported on the scope, focus and key findings of his respective audit. Moreover, the auditor provided detailed explanations about the auditing reports and made himself available for additional information. The members of the Supervisory Board took note of the auditing reports and opinions, subjected them to a critical assessment, and discussed them in conjunction with the audits themselves with the statutory auditor, including questions about the types and extent of the tests conducted and the audit result. The Supervisory Board was able to verify that the audits were carried out correctly and approved the audit results.

The Supervisory Board subsequently submitted the single-entity and consolidated financial statements, the consolidated financial statements of the Management Board, under consideration of the audit reports and the auditor’s opinion, to a final review and, as a result of this review, raised no objections. The Supervisory Board has approved the single and consolidated financial statements for fiscal year 2019 as prepared by the Management Board. The annual accounts are thus adopted. In its assessment of the position of the Company and the Group, the Supervisory Board agrees with that of the Management Board in its respective management report.

Review of the Management Board’s report on relationships with affiliated companies

The report prepared by the Management Board pursuant to section 312 German Stock Corporation Act (Aktiengesetz, AktG) on relationships with affiliated companies (‘dependency report’) for fiscal year 2019 was presented to the Supervisory Board along with the corresponding auditing report prepared by the statutory auditor.

The statutory auditor examined the dependency report pursuant to section 313 German Stock Corporation Act (AktG) and issued the following audit opinion:

> “After duly auditing and assessing the report, we confirm that
>
> 1. The factual details of the report are correct, and
> 2. The Company’s consideration with respect to the legal transactions listed in the report was not inappropriately high.”

The Supervisory Board, in turn, examined the Management Board’s dependency report and the corresponding auditing report by the statutory auditor. The Supervisory Board concluded that, in particular, both the auditing report, and the audit itself, as conducted by the auditor, meet the statutory requirements. The Supervisory Board examined the dependency report, especially to ensure its completeness and accuracy, and was satisfied that the group of affiliated companies had been determined with due care and that appropriate measures had been taken to identify reportable transactions and measures. No indications that would give rise to objections to the dependency report were found in the course of the examination. The Supervisory Board approves the result of the statutory auditors audit of the dependency report. After the final examination by the Supervisory Board, there are no objections to be raised against the declaration made by the Management Board at the end of the dependency report.

The Supervisory Board would like to thank the members of the Management Board as well as the employees of flatex AG and of the Group companies, for their performance and their great personal commitment over the past fiscal year.

Frankfurt am Main, 19 May 2020

On behalf of the Supervisory Board

Martin Korbmacher

Chairman of the Supervisory Board

Group Management Report

Basis of presentation

The group management report of flatex AG (hereinafter either 'flatex' or 'Group') was prepared in accordance with §§ 315 and 315a HGB and with German Accounting Standard (DRS) 20. All the Report’s contents information relate to the end of reporting period 31 December 2019 or the fiscal year ending on that date. In this group management report, 'we', 'us' or 'our' refers to flatex AG, together with its subsidiaries.

Forward-looking Statements

This management report may contain forward-looking statements and information, which may be identified by formulations using terms such as 'expects', 'aims', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'shall' or similar terms. Such forward-looking statements are based on our current expectations and certain assumptions, which may be subject to a variety of risks and uncertainties. The results actually achieved by flatex AG may substantially differ from these forward-looking statements. flatex AG assumes no obligation to update these forward-looking statements or to correct them in case of developments which differ from those anticipated.

1 Fundamentals of the Group

1.1 Business model of the flatex Group

The flatex Group at a glance

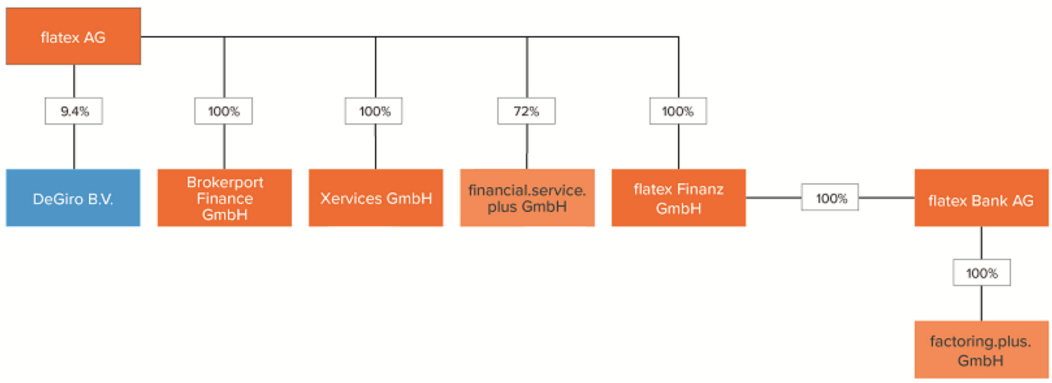
In the area of financial services and financial technology, flatex AG and its subsidiaries offers online brokerage and IT solutions with high standards in security, performance and quality.

The parent company, flatex AG acts as an important technology partner of German and international private and specialist banks with centralised corporate departments (Legal, Human Resources, IT, Accounting & Taxation, Controlling, Procurement & Organisation, and others).

The consolidated financial statements presented here are those of flatex AG and its subsidiaries. flatex AG's immediate parent company is GfBk Gesellschaft für Börsenkommunikation mbH, Kulmbach; the ultimate parent company of the Group is BFF Holding GmbH, Kulmbach.

flatex AG is headquartered in Frankfurt am Main, Germany. The business address is Rotfeder-Ring 7, 60327 Frankfurt am Main. The company is listed in the open market segment of the Frankfurt stock exchange (scale segment / German securities code: FTG111, ISIN: DE000FTG1111 / ticker symbol FTK.GR). The subsidiary flatex Bank AG, which is included in the consolidated financial statements, operates a branch office in Austria under the name 'flatex Bank AG, branch Austria in Vienna'.

flatex AG holds a 100% stake in flatex Bank AG, Frankfurt via flatex Finanz GmbH. The following diagram shows the Group structure of flatex AG with its subsidiaries:



In fiscal year 2019, the following changes took place in our Group structure:

> As of 1 July 2019, flatex AG acquired a total of 72% of the shares in financial.service.plus GmbH (Leipzig) from factoring.plus.GmbH.

> Effective 13 December 2019, flatex AG acquired 9.4% of the shares in DeGiro B.V. (Amsterdam).

1.2 Management of the Group

The management board has the responsibility of managing the group. As of 31 December 2019, the Management Board was composed of the following members:

Frank Niehage, Chairman of the Management Board (CEO)

Muhamad Said Chahrour, Member of the Management Board (CFO)

It is supported in operational matters by the Executive Committee. As of 31 December 2019, next to the board members, the Executive Committee consisted of the following additional members:

Stephan Simmang (CTO, Co-Head IT)

Niklas Helmreich (Co-Head B2C)

Dr. Benon Janos (Co-Head B2C/B2B)

Jörn Engelmann (CRO flatex Bank AG, since 1 February 2019)

Steffen Jentsch (Co-Head B2B/IT)

Jens Möbitz (Head Back Office)

Bernd Würfel (Management Board flatex Bank AG until 31 January 2019)

As of 31 December 2019, the Supervisory Board of flatex AG consisted of the following members:

Martin Korbmacher, Chairman of the Supervisory Board

Stefan Müller, Deputy Chairman of the Supervisory Board

Herbert Seuling, Member of the Supervisory Board

1.3 Business activities of the Group

SEGMENTS OF THE GROUP

The business structure of flatex AG is divided into the FIN (Financial Services) and TECH (Technologies) business segments. flatex Bank AG is a fully-licensed bank and covers the business in the Financial Services segment, while the TECH segment represents the operating business of flatex AG. The synergetic combination of FIN and TECH enables flatex AG to provide a full-service solution for online brokerage as well as flexible and secure solutions for white-label banking services and business process outsourcing.

FIN segment

The Financial Services segment mainly comprises the activities of flatex Bank AG, which can be divided into the operating divisions Business-to-Consumer (B2C), Business-to-Business (B2B) and Credit & Treasury (C&T).

The B2C operating division includes products and banking services of the flatex and ViTrade brands. Furthermore, under the liability umbrella of flatex Bank AG, it offers the brokerage, capital markets and securities custody platforms, although this division is strategically declining.

B2B offers the complete product range of a fully-licensed bank as an outsourcing solution. flatex Bank AG does not appear to the outside but handles all processes on behalf of the respective partners. The central service components of flatex Bank AG are securities settlements processing and fully-automated technical transaction processing. Furthermore, under the liability umbrella of flatex Bank AG, it offers services in the areas of General Clearing Membership (GCM), Employee Participation, Cash Management and Payments.

Credit & Treasury reflects the treasury and investment activities as well as the conservatively operated and secured lending business.

TECH segment

The Technologies segment covers the development, production, distribution and maintenance of software, hardware and IT infrastructure. The core business activity is the flatex Core Banking System (FTX:CBS).

The FTX:CBS is designed as a standard platform for technological mapping of business processes for private and specialist banks, and meets current security and availability requirements. Hosting and housing of the FTX:CBS takes place in flatex AG's own high-performance data centre, which facilitates redundant and secure operation. The combination of software and IT infrastructure has created a scalable system that allows flatex AG to process a high number of transactions using its own systems.

Besides FTX:CBS, its own Limit Order System (L.O.X.) can monitor the limit orders of 22 European brokers against the price feed of connected issuers with more than 400,000 products. Products from the Corporate Payments division round off the portfolio. They range from individual authorisation procedures via distributed electronic signatures to multi-client capability.

1.4 Locations

flatex AG currently operates its business at ten locations in Germany. In addition, flatex Bank AG operates a branch in Vienna (Austria). The branch operates under the name 'flatex Bank AG, branch office Austria'. The purpose of the branch is to operate the Austrian flatex business with over 44,000 brokerage customers. Group-wide, a total of 532 employees were employed by flatex AG and its subsidiaries as of the closing date.

1.5 Products and services

As an innovative company in the financial sector, flatex AG delivers a high level of added value. From basic research, through the development of innovative IT technologies and efficient transaction processing, to the retail business in online brokerage, flatex AG offers one-stop shopping.

The products and services of flatex AG are based on an ecosystem consisting of the dimensions Software as a Service (SaaS) and Banking as a Service (BaaS):

SaaS forms the technology foundation and is provided by the Technologies segment. BaaS is responsible for the banking services of flatex Bank AG and is part of the Financial Services segment. This enables flatex AG to cover the entire product portfolio of a technology provider and a fully-licensed bank.

SEGMENT FINANCIAL SERVICES (FIN)

Business-to-Consumer operating division (B2C)

Online brokerage: flatex brand

The online broker flatex has established itself as a key business segment at flatex AG, specialising in advice-free securities business with over 300,000 customers. It targets independent traders and investors who trade and invest at their own discretion. flatex offers all types of securities and provides access to all German and many international exchanges, as well as over-the-counter direct trading, mainly of shares, ETPs and ETFs. At the forefront of the offer is a transparent pricing model as well as a bank-independent product range and customer-oriented service.

A total of 20 direct trading partners are available to flatex customers. The marketing strategy of the premium partners in the ETP segment was optimised through the introduction of three tariffs (Platinum Partner: EUR 0.00 per trade / Gold Partner: EUR 1.90 per trade / Silver Partner: EUR 3.90 per trade). The fee model that has already been in place since 2006 has waived the well-known volume-based fees in securities trading in favour of a fixed price of EUR 5.90 in German stock exchange trading plus the applicable stock exchange fees.

Online brokerage: ViTrade brand

A relatively small contribution is made by the trading boutique ViTrade, which specialises in professional traders with less than 3,000 customers and offers special conditions, professional trading platforms and individual customer support. Customers are also given the opportunity to engage in covered short sales of all shares and bonds traded in Germany. In addition, ViTrade offers so-called trading lines, which give customers the opportunity to use capital even more effectively. ViTrade has a standard pricing model that provides a percentage commission rate of 0.09% of its market value (plus exchange fees).

Business-to-Business operating division (B2B)

General clearing member (GCM) / Business process outsourcing (BPO)

flatex Bank AG is a GCM for stocks and other securities. This enables brokers and securities trading banks to be connected to securities settlements processing.

Also, the bank offers banking services in securities custody and administration.

Employee participation

Since 2015, flatex Bank AG has been providing a liability umbrella and the German custodial service for Equatex AG, who manages employee stock option programmes for major German companies (DAX corporations) around the globe.

Institutional brokerage

Koch Wertpapier GmbH executes customer orders (for suitable counterparties and professional clients) to flatex Bank AG under the KochBank brand. Customers include major international banks, asset managers and hedge funds. It is expected that the provision of the liability umbrella will be terminated in 2020, same as with FIB Management AG in 2019.

Cash management

The cash supply business, which was started in 2011 with Prosegur Deutschland GmbH, has been contributing to stable earnings for years.

Credit & Treasury operating division (C&T)

Treasury

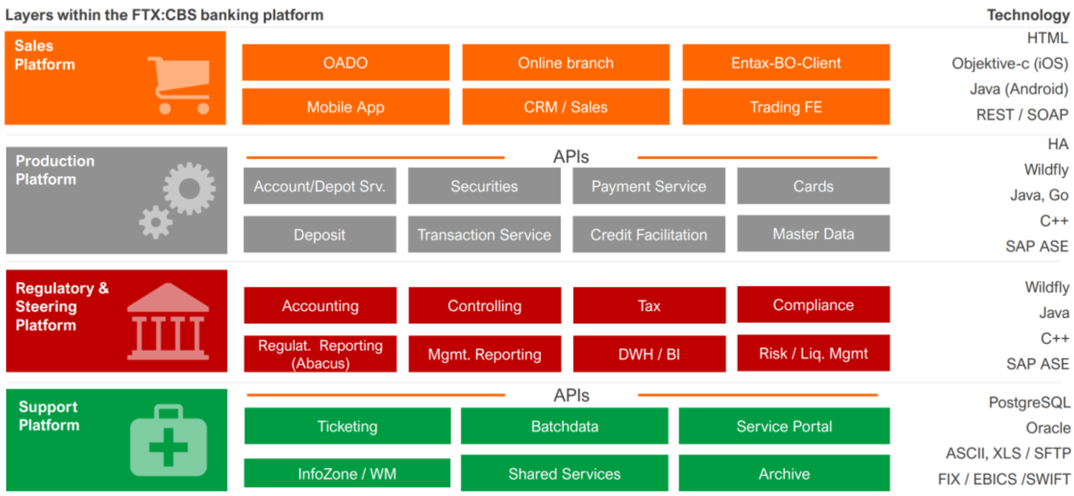
In the Treasury area, we pursue a broader diversification of investments (among others, in overnight money/fixed-term deposits, cash loans, bank and government bonds, mortgage bonds and special funds) by significantly spreading adequate counterparty risk while leaving the holding period unchanged.

Lending business

Diversification brought on further expansion of our lending business in fiscal year 2019, mainly in fully secured loans. In addition to the increase in lombard credit utilisations and flex loans at flatex, the portfolio has risen significantly by expanding the true sale factoring book and by adding syndicated and specialist loans.

TECHNOLOGIES SEGMENT (TECH)

The FTX:CBS is a standard platform for private and specialist banks and is divided into four platforms from which modular technology support can be offered:



The **sales platform** is the basis for customer contacts, with components relating to online opening of a cash and securities account (OCSA), customer relationship management (CRM), online banking front-end, trading front-end, support and call centre, as well as (marketing) campaign management. Technical support is provided through modular software solutions of the Banking Suite, such as ENTAX or CRM tools for B2C/B2B customers.

The **production platform** includes all technical processes for cash and securities custody account maintenance, cash deposits, settlements processing, payments, money market and foreign exchange transactions, loans, and ready cash (ATM) logistics. Software solutions such as the WebFiliale and WinFiliale, but also solutions such as corporate payments, tools for professional trading or market data & low latency services are integrated into this platform.

The **control platform** (regulatory & steering platform) covers business processes in accounting, regulatory reporting, management reporting and risk management. On the software side, the support is provided, among other things, by connecting a general ledger with the cloud-based ERP solution 'SAP Business ByDesign©' based on S/4HANA technology as well as ABACUS/DaVinci by BearingPoint. It also includes business intelligence and management reporting tools.

The **support platform** assists the other three platforms with archiving, release management, fulfilment, and authentication processes.

Outside the platform activities, the development and operation of the trading platform L.O.X., consulting services as part of B2B mandates as well as shared services of the IT infrastructure (ITIF) are worth mentioning. This encapsulates services such as data Centre, hosting, network and IT/office infrastructure.

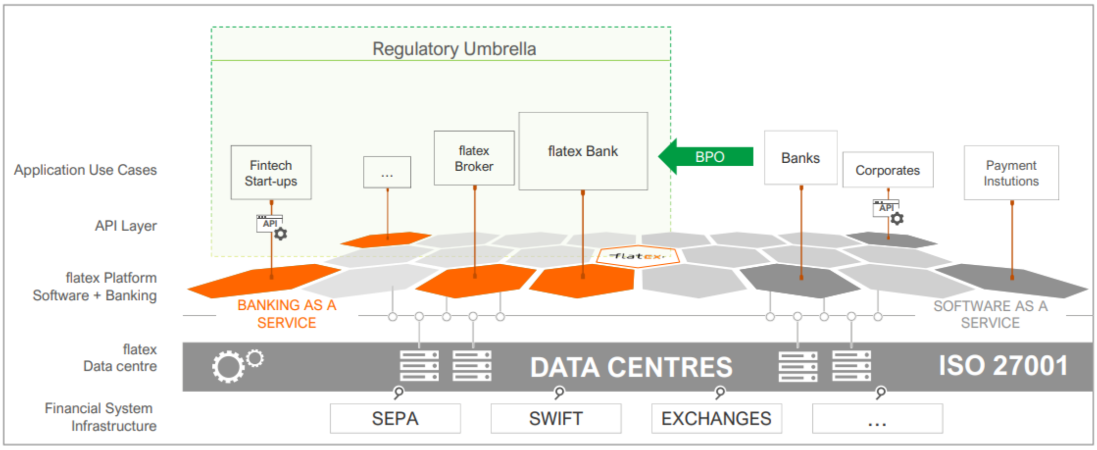
1.6 Target markets and clients

In the Financial Services segment and the B2C business division, the offer of the flatex and ViTrade brands targets traders in the German and Austrian brokerage market and, since 2019, also Dutch traders. In the B2B division, flatex Bank AG offers its clients all regulatory and other banking processes as part of integral or partial business process outsourcing (BPO). Accordingly, customers are European financial institutions as well as bank-affiliated companies.

The Technologies segment's main target market are the financial sectors in Germany, Austria and other European countries. Currently, long-time customers are mainly German and Austrian private and specialist banks in the B2B segment:

1.7 Goals and strategies

flatex AG is a full-service provider for private and specialist banks, and offers BaaS and SaaS from a single source. Sustainable, above-average growth and rapid market penetration are the focus of all activities, particularly to further increase the level of awareness of the flatex's own brand in European countries. flatex AG's organizational structure already follows a stringent top-down approach, in which the Group Managers for each specialist area also assume the operative responsibility for their respective areas.



The goals for the operating segments are derived from these overarching goals, as explained below.

1.7.1 FIN segment goals

In December of the past fiscal year, flatex AG and DeGiro B.V. announced the transaction to create a pan-European online broker with a presence in 18 European countries. flatex AG initially acquired 9.4% of the shares in DeGiro B.V. to be able to start the process of future collaboration in a timely manner. Through the acquisition of DeGiro B.V., the company has come significantly closer to its vision of being the leading broker in Europe in the future. The remaining 90.6% of the shares are expected to be acquired in the second quarter of 2020 after completion of the DNO process with the dutch banking regulator.

Together with DeGiro B.V. it is expected to have 1 million customers being served and more than 35 million transactions completed in 2020. The expansion of the product range in 2020 continues to be a primary target in the Financial Services segment. The brokerage business is expected continue to convince through product diversity and a stable price offer in the future. Over the next few years, the product range is supposed to be expanded and verticalisation will be promoted. The identified synergy potential of the transaction of flatex and DeGiro amounts to more than EUR 30 million in EBITDA.

1.7.2 TECH segment goals

The technical setup of the customers, transactions and processes of DeGiro B.V. are the primary objectives of the Group's Technologies segment. This setup will help exploit the synergy potential of the collaboration and further optimise utilisation of the FTX:CBS. In particular, the development services that were provided in previous years for various projects in the European sector will also be used at DeGiro B.V.

The provision of high-quality IT services can still be derived as an operational objective. They fulfil legal and regulatory requirements and support efficient business operations through their stability and performance. The growth potential in the B2B market lies mainly in the expansion of technical possibilities and the implementation of innovative products.

1.8 Group financial targets

The key financial goals of flatex AG include achievement of sustainable profits, maintenance of a solid return on equity and a moderate level of indebtedness. The company's financial objectives also include ensuring comfortable liquidity at all times. This should help achieve a positive development of the central control parameters.

At the core of all our financial targets is thus a profit-oriented and sustainable corporate development with positive effects on the stakeholder value of the company.

1.9 Strategies for achieving the objectives

flatex AG's management essentially subdivides its strategic focus on the expansion of business models, a contemporary personnel policy and investor relations. As part of its strategic orientation, however, flatex AG also deliberately enters into strategic partnerships and acquisitions. Corporate responsibility of the Group, such as the interests of its employees, institutional investors, customers, suppliers, and other stakeholders, are taken into account in all strategic decisions.

For years, flatex AG has been promoting the commitment, satisfaction, motivation, and loyalty of its employees through the following measures:

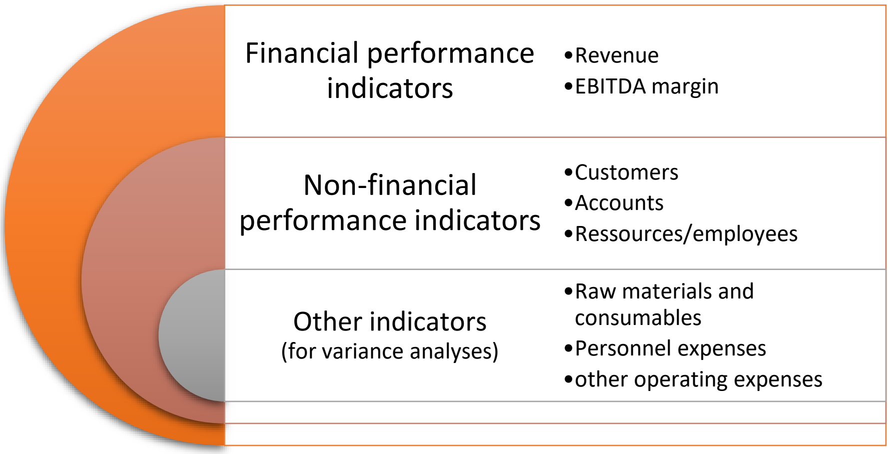
- Establishment of a 'High-Potential and Key-People Circle' for executives
- Involvement of employees in decision-making processes
- Participation in the company's success through an employee stock option programme
- Home office workstations for added flexibility
- Free physiotherapy at all locations of the Group
- Health preservation through a 'no handshake' initiative
- Offers for vaccination against influenza viruses
- Reduced prices for employees when purchasing hardware
- Support with childcare costs
- Vouchers for discounted meals as part of their activities within the Group
- Cooperation with universities in several federal states (incl. Bachelor's degree programme for the promotion of own young talent)

Continuously informing employees about the company's development takes high priority within management's internal information policy. A flat management hierarchy brings the management close to the employees as well as the operational business and thus enables the constant focus on fundamental questions.

flatex AG, in its commitment to responsible corporate management, will continue to fulfil its social obligations and incorporate these into its value management. This includes setting minimum standards for the energy efficiency of our technologies, and the reduction of environmental risks through continuous certification of business processes.

1.10 Value-based management system

By consistently focusing on value-creating measures, flatex AG achieves lasting and sustainable competitive advantages, which are at the heart of its strategies and goals. To achieve the overall corporate goals, the management has agreed on central target figures and performance indicators (KPIs = key performance indicators) that contribute to increasing the value of the company in the long term.



Revenues and the EBITDA margin have been established themselves as key performance indicators for earnings.

This means that the focus is on the operating business of the units. In addition, it ensures better comparability of economic framework data on international markets. The calculation can be found in the Notes to the consolidated financial statements. The operating interest income from our own treasury and credit activities is added.

For variance analysis purposes in the FIN segment, the number of customers and accounts and the number of transactions carried out are also analysed. Moreover, flatex AG employees are among the Group's non-financial performance indicators. Essentially, resource utilisation in man-days as well as project planning are retraced and optimal use of the available resources is checked.

The financial performance indicators are consolidated at Group level and, in addition to the financial results, incorporated into a rolling plan for future business development. Monthly reporting and further analyses are central control instruments of Group controlling. By continuously comparing planned and actual figures, changes in business development are identified at an early stage and potential countermeasures can be initiated early on. As part of monthly risk reporting and a general reporting system, flatex AG's Supervisory Board, Management Board as well as its management are continuously informed about the development of the performance indicators.

Corporate planning at the Group, subsidiariy and segments levels is ensured by analysing past performance indicators and forecasting on the basis of information obtained to date. Business planning modelling is continuously adapted to the latest accounting findings, new product developments and structural changes. Such business planning is carried out at least once a year top-down, based on the specifications of flatex AG's management, as well as bottom-up to validate the determined values and to adjust them to important operational issues affecting the KPIs. The individual business segments and specialist departments make a significant contribution to this, so that their findings can be combined at Group level and business planning can be finalized there. Newly added business areas are seamlessly integrated into the planning process.

1.11 Research and development activities

To supply innovative products and services, flatex AG needs to invest in the following fields of research and development:

> - Research in new areas of activity
> - Development of new products and services
> - Adaptations, improvements and evolution of existing products and services

The technology-driven services provided by flatex AG enable customers and partners to benefit from the performance of the FTX:CBS. The customer-oriented and innovative research and development activity as a key operational component of flatex AG guarantees its success and lays the foundation for future growth of the group.

With their contribution, the employees of the R&D departments are one of the main pillars of the commercial success of flatex AG. Personnel capacities in product and project management, system architecture, development and quality assurance amounted to 190 employees on the reporting date (previous year: 169 employees). Based on the average number of employees in 2019, this corresponds to a share of 36% (previous year: 34%).

The qualification, experience and commitment of employees are key factors in the success of R&D activities. The technological competitive advantage is ensured by an open culture with space for the development of creativity and innovation of the employees.

A deep understanding of the needs of customers as well as of the respective market environment enables flatex AG to further develop products and solutions in a demand-oriented manner and to drive the markets forward with innovations. The development activities of flatex AG take place in the various development units and are modular. The modularisation approach allows for efficient implementation and development of technology services, facilitating integration of the corresponding customer or market requirements with no or minimal adjustments to the platform approach.

Based on the modular and scalable platform approach, flatex AG offers its customers innovative and flexibly customisable solutions along the entire financial services value chain. Efficient use of resources in a highly dynamic market environment is ensured through the targeted use of the latest technologies and innovative software solutions, which are predominantly proprietary and constructively supplemented by third-party services.

In the past fiscal year, activities focused on implementing new regulatory requirements, expanding the platform to integrate the Dutch market presence and preparing additional country versions of online broker flatex.

Technological developments, regulatory adjustments and further automation of business processes for the control platform were optimised.

Research activities take place exclusively in the flatex AG. There were invested kEUR 92.8 of personnel expenses in research (previous year: kEUR 0). They are not provided by or for third parties. Likewise, there is no change in the valuation methods or the limitation of research and development services.

Driven by the regulatory requirements for advancement of the flatex platform and the European expansion, the expenses for pure development services amount to kEUR 14,785 in the past fiscal year (previous year: kEUR 12,311). The development cost ratio (in relation to total revenues) was 11% (previous year: 9.8%). Amortisation of finished intangible assets amounted to kEUR 4,172 (previous year: kEUR 3,205).

2 Economic report

2.1 Macroeconomic and sector-specific parameters

Global economy

In 2019, the development of the global economic economy was again less dynamic than in the past. The research department of KfW (German government-owned development bank) forecast growth of only 3.0% overall for 2019, which represents the lowest growth rate since the global economic crisis in 2009. The weak momentum of the industrialised countries USA, Japan and the eurozone (GDP forecast 2019: 1.7%) played a major role in this development. The developing and emerging countries will also likely follow a continued weak economic cycle for the future, despite predicted growth of 4.3%.[1]

Looking at the reasons for the continuing weakening trend in global economic performance, the main one is the ongoing trade conflict between the USA and China. The exchange of goods and the associated reduction in the production of goods between these two countries is severely restricted, which not only affects previously planned investments, but also has a direct impact on South Korea and Japan, which are considered to be the main suppliers of China's intermediate goods.[2]

Brexit remains the second main cause of the global economic downturn. While the exit process has not yet been completed, the fallout from it can already be felt. There appear to be no more obstacles to Brexit being fully realised in the near future, however there still remains the question of how exactly this will happen. In the event of a disorderly withdrawal, the consequences will have far-reaching implications due to increased protectionism, and not only for the United Kingdom.[3]

Macroeconomic environment in Germany

The economy in Germany has been positive for the past ten years without slowing down. The Federal Ministry of Finance expects the inflation-adjusted gross domestic product to grow by 1% in 2019. Private incomes increased again significantly as a result of the reduction in the unemployment rate to an expected 4.9%. Average net salaries also rose by 4.8%. The aforementioned facts and the low interest rate environment led to a continued positive order situation within the construction industry.[4]

Industry-specific conditions affecting the FIN segment

The development of the DAX in the year under review was almost exactly inversed compared to the previous year. Starting at 10,580 points, the share price rose almost steadily – with a small interruption in mid-August. With an annual performance of +25.5%, the index closed at 13,249 (+2,690) points on the last trade date of 2019. The development was similar for the other German indices. The SDAX even rose by 31.6%, while the MDAX kept pace with a gain of 31.6%. If we now look at the world's most important indices in Europe, Asia and America, we can also see consistently positive trends. The MSCI World, which measures the

[1] KFW Research (publ.): Annual outlook 2020. December 2002
[2] ifo Institute (publ.): ifo Economic Forecast Winter 2019: German economy is stabilising. 72nd vol. No. 24
[3] Council of Experts (publ.): Annual Report 2019/20. December 2019
[4] BMF (publ.): Monthly report of the BMF. December 2019

performance of more than 1,650 companies from 23 industrial nations, recorded an annual performance similar to that of the DAX of +25.6%. Despite the fact that the stock markets are not expected to grow in 2020, the forecast for the current year is rather cautious due to the ongoing global competition in trade and the new geopolitical tensions between the USA and Iran/Iraq.[5]

In contrast to the stock markets, the euro developed negatively against the US dollar. A downward trend was already evident from the second quarter of 2018 onwards. At the beginning of the year under review, the euro was still quoted at USD 1.15 and, with a brief peak at the end of July (USD 1.14), dropped to USD 1.11 at the end the year (-3.0% compared to the previous year). M.M.Warburg forecast an exchange rate of EUR 1.15/USD for the coming months due to the expansive monetary policy on the part of the USA.[6]

The oil market also experienced some turbulence. The sharp rise in oil prices in the first few months to as much as USD 75.01 for a barrel of Brent Crude Oil dropped to USD 66.93 by the end the year (+22.5% compared to the previous year). The main drivers were the continuing tensions in world trade, particularly between the USA and China, and a drone attack on Saudi Arabia’s largest crude oil refinery. In addition, OPEC decided to tighten the market at the beginning of 2019 and most recently in December 2019.

The low interest rates of European bonds continued. The ten-year German government bond yielded -0.188% at the end of the year.

In September 2019, the Governing Council of the ECB decided to continue its expansive monetary policy. Net bond purchases were raised again slightly to EUR 20 billion per month. It was also decided to lower the deposit rate for banks from -0.4% to -0.5%. At the same time, allowances for banks in the amount of their six-fold minimum reserve requirement were introduced, as the negative interest rates that have existed since 2014 have had a negative impact on banks’ interest results.[7]

Industry-specific conditions affecting the TECH segment

The forecast for the German market for information and communication technology (ICT) projects a growth of 2.0% to a total turnover of EUR 170.3 billion in 2019. With an increase of 3.2% to EUR 93.6 billion, the largest growth driver is still the IT business. Similarly, IT services are up 2.4% with a volume of EUR 40.9 billion.[8]

The number of new FinTech companies in the market continues to grow steadily. Already established providers continue to consolidate their market position through a broad product range.

Demand for technology products and services is strongly driven by the ongoing digitization of the financial industry. As part of the general trend of traditional retail banks dying out in favour of online banks, the demand for automated processes and technology services will continue to increase. Furthermore, increased regulatory requirements require greater adaptability of existing systems, which in turn have been in use for decades and offer neither flexibility nor the necessary scalability. These new requirements in the financial sector along with the increasing use of innovative technologies in retail banking and securities settlements processing are important growth drivers for flatex AG. flatex AG combines banking and technological expertise to integrate new technologies precisely into the business models of B2B customers. As a result, the Group was able to strengthen its position as a standard platform provider in 2019.

[5] M.M.Warburg & CO (publ.): Capital market prospects. January 2020.
[6] M.M.Warburg & CO (publ.): Capital market prospects. January 2020.
[7] Institut der deutschen Wirtschaft Köln e. V. (publ.): IW Trends – The economy is treading water – IW Economic Forecast and Economic Survey Winter 2019, 46th vol. No 4.
[8] Bitkom, EITO.ICT market figures. July 2019

2.2 Business performance and situation of flatex AG (Group)

The Group's business development in 2019 was marked by three milestones.

FinTech Group becomes flatex

Adding flatex as the key earnings and growth driver to the company name ensures clear positioning and focus on the Group's core business. In addition, the risk of confusion and misinterpretation of the FinTech Group name will be avoided in the future.

Market entry in the Netherlands

With the market entry of flatex in the Netherlands in June 2019, the flatex Group has laid a significant foundation stone for the intended pan-European internationalisation strategy and is now directly represented in three European countries. The implementation confirms the advantage of the fully integrated approach of FIN and TECH in FTX:CBS.

flatex takes over DeGiro B.V.

In December of the past fiscal year, flatex AG and DeGiro B.V. announced the acquisition to create a pan-European online broker with a presence in 18 European countries. To this end, flatex AG initially acquired 9.4% of the shares in DeGiro B.V. to be able to start the process of future collaboration in a timely manner. Through the acquisition of DeGiro B.V., the company has come significantly closer to its vision of being the leading broker in Europe.

2.3 Business performance in Financial Services segment

In fiscal year 2019, flatex Bank AG processed a total of 12,274,525 securities, FX and CFD transactions. The number of accounts of flatex Bank AG rose to 454,484 and the number of accounts to 347,673. As of the closing date on 31 December 2019, the bank managed assets under administration in the amount of EUR 14.6 billion (EUR 1.0 billion in cash deposits and EUR 13.6 billion in volume of assets under administration). Another 95,730 accounts are serviced under a BPO on behalf of other credit institutions.

Business-to-consumer (B2C) developments

Brokerage (flatex, ViTrade, Whitebox GmbH)

In 2019, the number of securities, forex and CFD transactions executed for the flatex and ViTrade brands as well as Whitebox GmbH amounted to 11,228,756 transactions compared with 11,377,455 transactions in the previous year, a slight downturn of approximately 1.3%. The trading volume of securities transactions declined slightly from EUR 77.0 billion to EUR 71.9 billion (approx. -6.6%). The decline was limited to the less profitable FX and CFD business, which accounted for 1,498,967 transactions in the reporting period compared to 2,226,302 transactions in the previous year (approx. -32.7%). This development is ultimately the result of regulatory requirements, with which the German Federal Financial Supervisory Authority (BaFin) and the European Financial Supervisory Authority (ESMA) have gradually restricted CFD and Forex trading since 2017.

The number of B2C brokerage clients rose by 30.2% from 244,098 in 2018 to 317,783 in 2019. The volume of assets under administration once again increased by approximately EUR 2.8 billion (or about 39.9%) to approximately EUR 9.7 billion in 2019.

As a result of the pricing model and the attractive product range, 83,900 new customers could be brought on board for flatex through the existing marketing channels (Germany: 42,511/Netherlands: 28,688/Austria: 12,701), so that at the end of the year, the total number of customers had increased by 31.9%, from 236,717 to 312,319.

As an additional service, customers can use flatex WebFiliale (online branch) in cooperation with Zinspilot to conveniently access the interest rate offers of many banks and secure themselves a permanently high interest rate. The customer's investment amount is held in trust by flatex Bank AG for the economic beneficiary at the respective investment bank. It enables flatex customers to take advantage of attractive interest rate offers from third-party banks without having to open an additional account.

Developments in the Business-to-Business (B2B) segment

General clearing member (GCM) / Business process outsourcing (BPO)

For a securities trading bank from Germany, flatex Bank AG has been handling their entire mutual funds business since December 2014, and since mid-2015 their entire securities settlements processing. In 2019, more than 1,014,230 securities trades were settled as GCM, a slight decrease of 5.4% compared to the previous year.

In the previous fiscal year, the activities from managing deposit platforms showed a slight increase in earnings contributions of 4.5% to kEUR 912 despite the continuing low interest rate policy and strong competition in the brokerage of call money and time deposits.

The further development of the core banking system FTX:CBS by flatex AG is the result of the experience and understanding customer needs of recent years in the area of business process outsourcing (BPO) and the close integration of the Group units. The continuous improvement and refinement of our banking products and processes will further increase the levels of automation and efficiency. Furthermore, increasing regulatory and technical requirements, such as MiFID II, PSD II, T2S and AnaCredit, lead to new problems for customers. However, they can be overcome with products from flatex AG and flatex Bank AG. The synergetic combination of IT and the bank facilitates flexible, innovative solutions and supports modern business models in the white-label banking sector.

Employee participation

As a result of the collaboration with Equatex AG, the bank's securities portfolios held in custody as of 31 December 2019 amount to approximately EUR 3.8 billion. As part of the early contract extension, an expansion of the existing services was agreed upon, which will generate significant additional income. In light of the new cooperation agreement and the expanded activities, the Management Board expects a significant increase in the earnings contribution in the following year.

Development of the Credit & Treasury business segment (C&T) segment

Deposits

Liabilities to customers decreased slightly from approximately EUR 955 million in the previous year to EUR 950 million as of 31 December 2019. Net inflow of total funds from customers continued to be positive year on year, due to a significant increase in the number of customers. despite the fact that flatex Bank AG charges its clients negative interest rates on their cash deposits. This again confirms that flatex Group Bank AG's clients use their deposits as the basis for their trading activities. In the Treasury area, we pursue a broader diversification of investments (among others, in overnight money/fixed-term deposits, cash loans, bank and government bonds, mortgage bonds and special funds) by significantly spreading adequate counterparty risk while leaving the holding period unchanged.

Lending business

The strengthening of equity in recent years has significantly improved the collateralized lending opportunities. Implementation of the strategy focuses on low-risk types of credit with valuable collateral that have no significant impact on the administrative capacity.

A substantial part of the lending business is used to finance investments of the bank's customers based on assets held in custody. Utilisation of the innovative flex loan, which was introduced in 2016, continued to grow steadily, so that the securities-based credit volume increased to EUR 136.8 million as of 31 December 2019.

The bank has been active in the financing of football clubs since 2017 (pre-financing of television funds, sponsor payments, transfer payments, etc.). Due to the structure of the loans, they are posted under factoring and, among other things, are secured in the form of assignments of receivables from sponsors, TV and advertising rights. In addition, collateralisation is provided by a loan contingency insurance. Furthermore, in the area of receivables-based financing, the bank has already concluded a true-sale agreement with factoring.plus.GmbH for the purchase of receivables from factoring in 2015. Servicing of the transaction is outsourced to financial.service.plus GmbH for flatex Bank AG according to § 25b KWG. As of 31 December 2019, the fully collateralised portfolio in the factoring segment amounted to EUR 188.6 million.

2.4 Business performance in TECH segments

A key component of the business development was the mandate of the Andorran Vall Banc, in which flatex AG transferred the first components to operations and announced a 'family & friends' phase.

Furthermore, the market entry of online broker flatex in the Netherlands was consistently supported with IT technology, and the complete production line for the Dutch market was expanded. Basic modules were also prepared for other European markets.

The expansion of know-how in the area of cloud ERP solutions was successfully continued. The partnership, which was concluded in 2018 with SAP Deutschland SE & Co. KG, was expanded to include a reselling component, so that the successful combination of FTX:CBS and SAP can be used for third-party mandates in the future in an uncomplicated manner and from a single source. As planned, additional customers were connected to the L.O.X. trading platform, so that it continues to be an important component of the operating business.

In addition, the existing opportunity pipeline of flatex AG through the interests of private and specialist banks in the FTX:CBS platform secures the operative business.

By upgrading interfaces as well as expanding multi-instance capable services, the scalability and possibilities for connecting third-party systems are supposed to be improved. This agile process is further supported by using highly modularised components and container technologies based on modern programming languages. A higher degree of virtualisation in the future and expansion of the banking systems to an active-active solution (simultaneous operation in two data centres) will lead to a lower recovery time, even in an emergency.

Since the introduction of the company-wide ERP software SAP Business byDesign©, the fully integrated and IT-supported accounting process as well as adjustments in line with legislation (e.g. the GDPR) are guaranteed. The solution, which is certified according to ISO27017:2015, ISO27018:2019 and ISO27001:22013, is managed by in-house consultants who ensure data integrity and consistency at all times. In addition, systemic test stages automatically monitor compliance with the principles of proper data processing-based accounting systems.

2.5 Comparison of the forecasts reported in the previous period with actual performance

The following table compares the forecasts made by the Group Management Board for the current reporting period and the actual key figures achieved.

	Consolidated		FIN		TECH	
	PLAN	ACTUAL	PLAN	ACTUAL	PLAN	ACTUAL
Number of customers	-	-	> 320,000	368,133	-	-
Number of accounts	-	-	> 404,000	454,484	-	-
Number of transactions	-	-	> 13,744,000	12,274,525	-	-
Revenues in kEUR	> 131,480	131,952	-	-	-	-
EBITDA margin in %	> 33.9[9]	28.5	> 26.5[9]	18.8	> 35.3[9]	45.2

The Group's overall positive course of business compared to the forecast reported in the previous year is mainly due to the acquisition of new customers in the FIN segment, as well as the gratifying development of B2B business in the TECH segment with the implementation of new mandates.

The difference between the EBITDA margin of the Group and that of the Financial Services segment results from growth investments in connection with the market entry of flatex in the Netherlands, which were not included in previous year's forecast.

The expansion in the Netherlands and the strengthening of the market position as a bank-independent online broker with a simple and cost-effective price structure were key factors for the positive development of the number of customers and accounts in the Financial Services segment. The decline in the number of transactions particularly affected the low-margin FX and CFD business.

The positive trend in the Technologies segment and the noticeable improvement in the EBITDA margin resulted from the continued positive development of the B2B business. It was driven by the launch of new mandates and IT support for the expansion in the Netherlands. The focus remains on high-volume mandates and allocation of resources to large, high-margin projects while at the same time reducing lower-level customer relationships.

[9] EBITA margin (PLAN) before growth for European expansion.

2.6 Earnings position

The main revenues of the flatex Group are gross commission income, interest income and revenues from the IT services segment.

Gross commission income in 2019 amounted to kEUR 90,401 (previous year: KEUR 84,861); after deducting commission expenses, which are recognised in raw materials and consumables used, in the amount of kEUR 27,551 (previous year: kEUR 22,363), the net commission income amounted to kEUR 62,850 (previous year: KEUR 62,498) and thus increased by 0.6%. The increase came mainly from a higher number of transactions and a higher commission income per transaction, driven by an expansion of the product portfolio and several partnerships with product providers. An additional contribution came from the provision of banking and regulatory services in the B2B segment.

Interest income amounts to kEUR 15,147 (previous year: kEUR 11,733). Interest expenses in the fiscal year amounted to kEUR 450 (previous year: kEUR 721), so that net interest income rose to kEUR 14,697 (previous year: kEUR 11,012). This growth is mainly due to the expansion of the loan portfolio, which consists for the most part of secured loan products (including securities loans such as the flatex flex loan and special loans).

Revenues from the provision of IT services amount to kEUR 19,794 (previous year: kEUR 18,462). After deducting expenses of kEUR 2,820 (previous year: kEUR 4,186), which are included in raw materials and consumables used, net revenues from IT services amounts to kEUR 16,793(previous year: kEUR 14,276). The increase resulted in particular from sales with new customers. The sales revenues are mainly generated with customers from Germany. The increase in revenues compared to the same period of the previous year is due to the increase in volume of services sold while the price/volume structure remained constant.

Personnel expenses amount to kEUR 25,409 (previous year: kEUR 21,914) and thus increased by 15.9%. The increase is mainly due to the higher number of employees. It is offset by higher investments in development services for intangible assets. Other administrative expenses increased by 28.4% to kEUR 30,791 (previous year: kEUR 23,972). For a detailed presentation of other administrative expenses, please refer to: Note 24 Other administrative expenses.

All Group revenues were earned with customers from and products and services generated in Europe, mainly in Germany, and realised in euros. Inflation and the movement of foreign exchange rates have not significantly impacted earnings.

In fiscal year 2019, flatex AG achieved EBITDA in the amount of kEUR 37,580 (previous year: kEUR 42,368) and consolidated earnings of kEUR 14,908 (previous year: kEUR 17,474).

2.7 Financial position

The highest priority in the financial management of the Group is always to secure a comfortable level of liquidity and to maintain operational control of the in- and outflow of funds. Inflation and the movement of foreign exchange rates have not significantly impacted the financial position.

Capital

The equity components and their developments are shown below:

EQUITY

In kEUR	12/31/2019	12/31/2018	Change in kEUR	Change in %
Subscribed capital	19,596	18,737	859	4.6
Additional paid-in-capital	106,894	101,406	5,488	5.4
Retained earnings	41,902	26,001*	15,901	61.2
Net profit*	14,887	17,474*	-2,587	-14.8
Minority interests	512	490	22	4.4
Other earnings/losses	-1,589	-451	-1,137	252.1
Total	**182,202**	**163,656**	**18,545**	**11.3**

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

The change in the subscribed capital results exclusively from exercising stock options in the past fiscal year.

Capital structure

The capital structure of the Group looks as follows:

In %	12/31/2019	12/31/2018	Change in percentage points
Equity ratio	14.4	13.4*	1.0
Debt ratio	85.6	86.6*	-1.0

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

LIABILITIES

The vast majority of flatex AG's total liabilities in the amount of kEUR 1,084,462 as of 31 December 2019 (previous year: kEUR 1,060,513) are of a short-term nature (kEUR 1,045,051, previous year: kEUR 1,030,118) and consisted mainly of customer deposits at flatex Bank AG (kEUR 950,77, previous year: kEUR 955,489).

There were long-term (non-current) financial liabilities in the amount of kEUR 39,411 (previous year: kEUR 30,395). It included liabilities to banks in the amount of kEUR 3,727 (previous year: kEUR 9,874) as well as liabilities from leasing relationships in the amount of kEUR 10,062 (previous year: kEUR 2,143). Other non-current liabilities are mainly pension obligations in the amount of kEUR 11,012 (previous year: kEUR 6,253) and deferred tax liabilities of kEUR 10,476 (previous year: kEUR 8,316).

In addition, there were contingent liabilities from unutilised irrevocable lines of credit in the amount of kEUR 216,827 (previous year: kEUR 193,812). They stemmed largely from securities-related loan agreements with customers, whereby the loans were fully collateralised by the customers' securities deposits, consisting for example of stocks and bonds (Lombard loans). The refinancing of a potential utilisation of loan commitments is ensured at all times by the Group's liquidity level.

2.8 Investments

Investments in intangible and fixed assets

Capital expenditure is financed from current operations. As announced in the previous year, key investments include the establishment and expansion of the FTX:CBS platform for the European market, the expansion of the cloud ERP solution SAP Business byDesign© and the completion of the NextGeneration Workplace infrastructure solution. The objective is to achieve higher infrastructure performance and improve accounting risk management. Further consolidation of these investments is planned.

There are no material investment commitments as of the end of reporting period.

2.9 Liquidity

The cash flow statement of flatex AG – here in condensed form – shows the cash flows generated in the fiscal year:

CASH FLOW

In kEUR	2019	2018
Cash flow from operating activities - before banking operations*	49,427	17,536*
Cash flow from banking operating activities*	-206,673	232,535*
Cash flow from operations	-157,246	250,071
Cash flow from investments	-33,189	-27,756
Cash flow from financing activities	4,005	35,730
Cash and cash equivalents at the beginning of the period	655,046	397,002
Cash and cash equivalents at the end of the period	468,616	655,046

**Previous year's figures have been adjusted for detailed presentation, see Note 7*

In the past fiscal year, flatex AG was able to meet its financial obligations at all times. No liquidity shortages occurred in the fiscal year, nor are any liquidity shortages expected in the foreseeable future.

The main factors influencing the operating cash flows in fiscal year 2019 were the reduction in the volume of customer loans by kEUR 173,607 (previous year: kEUR 57,917) and the reduction in securities measured at fair value by kEUR 9,648 (previous year: increase of kEUR 37,550). In addition, cash inflows from the business with cash loans to municipalities decreased by kEUR 4,844 (previous year: kEUR 216,171).

The cash flow from investments mainly includes payments for investments in intangible assets amounting to kEUR 18,449 (previous year: kEUR 13,211).

The significance of the cash flow statement is limited for flatex AG, and it is therefore not being used as a financial management tool. In particular, the composition of the cash flow statement is strongly influenced by discretionary changes in customer cash deposits and ensuing investment decisions by customers.

2.10 Financial position

Following is the consolidated balance sheet in condensed form:

In kEUR	12/31/2019	12/31/2018
Assets	1,265,962	1,224,168
Non-current assets	179,700	132,493
Current assets*	1,086,261	1,091,676*
Liabilities and shareholders' equity	1,265,962	1,224,168
Equity*	182,202	163,656*
Non-current liabilities	38,709	30,395
Current liabilities	1,045,051	1,030,118

The increase in total assets by kEUR 41,794 is mainly due to the first-time application of IFRS 16 and the development of internally generated intangible assets.

The non-current assets are shown below:

NON-CURRENT ASSETS

In kEUR	12/31/2019	in %	12/31/2018	in %	Change in kEUR	Change in %
Goodwill	36,555	20.3	36,555	27.6	-	-
Internally generated intangible assets	45,730	25.4	35,128	26.5	10,603	30.2
Customer relationships	6,319	3.5	7,960	6.0	-1,641	-20.6
Other intangible assets	4,118	2.3	3,021	2.3	1,097	36.3
Property, plant and equipment	16,265	9.1	7,593	5.7	8,672	114.2
Financial assets and other assets	1,305	0.7	1,126	0.9	179	15.9
Non-current loans due to customers	69,409	38.6	41,110	31.0	28,299	68.8
Total	**179,700**	**100.0**	**132,493**	**100.0**	**47,208**	**35.6**

The item 'goodwill' consists of the purchase price allocations for XCOM AG (acquired in 2015) and factoring.plus.GmbH (acquired in 2018).

Of the internally generated intangible assets, the increase of kEUR 10,603 mainly results from capitalised development performance on the FTX:CBS minus current depreciation (kEUR 3,205) for already completed assets.

The breakdown of current assets is shown in the following tables:

CURRENT ASSETS

In kEUR	2019	Current assets in %	2018	Current assets in %	Change in kEUR	Change in %
Inventories and work in progress	99	0.0	188	0.0	-89	-47.3
Trade receivables	12,220	1.1	15,512	1.4	-3,293	-21.2
Other receivables	1,026	0.1	7,156	0.7	-6,131	-85.7
Financial assets measured at fair value through other comprehensive income (FVOCI)	61,547	5.7	57,374	5.3	4,173	7.3
Financial assets measured at fair value through profit or loss (FVPL)	214	0.0	893	0.1	-679	-76.0
Cash loans due to local authorities	14,056	1.3	18,900	1.7	-4,844	-25.6
Current loans due to customers*	362,552	33.3	213,675*	19.6	148,877	69.7
Equity instruments measured at fair value through other comprehensive income (FVOCI)	68,644	6.3	82,465	7.6	-13,821	-16.8
Equity instruments measured at fair value through profit or loss (FVPL-EK)	66,049	6.1	-	-	66,049	-
Other receivables due to banks	31,239	2.9	40,466	3.7	-9,227	-22.8
Cash reserve	45,735	4.2	16,931	1.6	28,804	170.1
Balances with central banks	356,868	32.8	550,079	50.4	-193,211	-35.1
Receivables due to banks (on demand)	66,013	6.1	88,036	8.1	-22,023	-25.0
Total	**1,086,262**	**100.0**	**1,091,676**	**100.0**	**-5,415**	**-0.5**

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

The changes in current assets mainly relate to the Financial Services segment of flatex Bank AG and result from the expansion of the lending business.

2.11 General statement on the business development and the situation of the Group

2019 was another profitable year for flatex AG. The operating business developed as expected. Group sales rose by 5.5% to EUR 132 million, while the EBITDA margin after growth investments was 29 % (previous year: 34 %). The net profit for the year amounts to kEUR 14,908 (previous year: kEUR 17,474).

In particular, the increased number of completed transactions, which also benefited from the market entry in the Netherlands, the expanded and predominantly fully-secured loan book and the expansion of premium partnerships in the B2C business again proved to be convincing growth drivers.

The projected target of acquiring 60,000 new customers was already achieved at the beginning of October 2019.

In the past fiscal year, the continuing loyalty to long-term customers and the expansion of FTX:CBS against the background of the imminent internationalisation, in particular with the acquisition of DeGiro B.V., must be viewed positively. Overall, the Executive Board of flatex AG assesses the course of business of the company as successful in achieving the main targets for the past fiscal year.

2.12 Report on events after the closing date

For events of particular importance that occurred after the end of the reporting period, please refer to our comments in Note 36.

2.13 Forecast and opportunities report

The forecast period for the business development relates to fiscal year 2020 and is 12 months. The forecast only includes continuing activities.

Despite the impending Brexit, the Management Board of flatex AG expects a stable economic environment for 2020, with slightly increasing volatility at previous year's level, particularly in light of the politically unstable conditions in Germany and further decisions regarding the adjustment of various key interest rates. The ongoing unresolved conflict in the Middle East and outstanding trade agreements between the USA, Great Britain and the European nations could have a negative impact on the sector environment.

There could be a volatile lateral movement on the stock markets in 2020. The upward momentum will be strengthened by the rise in inflation expectations and the positive effects of the US tax reform, whereas the still moderately valued DAX index might respond to, among other things, falling earnings expectations related to the strength of the euro. High volatility would favour trading activity on the stock exchanges. The Management Board expects an attractive stock market environment for the coming fiscal year. This trend supports the positive customer development of previous years for DeGiro and flatex and leads to continued increase in trading activities. The forthcoming collaboration and the expansion of the market share will lead to a risk diversification which will counteract any challenges.

In particular, the acquisition of the Dutch company DeGiro B.V. offers the flatex Group the opportunity to secure its long-term success through growth, scaling and customer orientation. The establishment and expansion of the FTX:CBS in more than 18 European countries will further increase the reach of the flatex and DeGiro brands.

With regard to business development, the Management Board expects sales of EUR 200 million for the year 2020 due to expected consolidation of DeGiro B.V. starting in the second half of 2020. After deducting personnel and administrative expenses, an EBITDA margin of more than 35% is expected. The forecast of the performance indicators is subject to uncertainties for the year with regard to the general effects of the COVID-19 pandemic. For other effects, please refer to our comments in Note 36.

FIN segment

The outlook for the development of activities for 2020 remains strained due to political developments in Europe (elections in several member states), the withdrawal of the United Kingdom from the European Union as part of Brexit and the presidential elections in the USA. flatex AG is monitoring the political and economic developments, but expects to be able to counteract any negative effects at any time. Increased volatility on the markets is to be expected and thus an increased trading volume in the B2C sector is anticipated.

The ECB's loose monetary policy is also expected to continue, making it even more difficult to achieve a positive investment margin. The treasury strategy and the investment spectrum have been adjusted in this respect and the expansion of the lending business has been successfully advanced.

The brokerage business is expected continue to convince through product diversity and a stable price offer. Together with DeGiro B.V. flatex is expected to serve 1 million customers and complete more than 35 million transactions in 2020.

TECH segment

The successful integration of DeGiro B.V. into the business processes of flatex AG is the primary strategy of the TECH segment – in addition to organic growth on both sides. To this end, the FTX:CBS will be expanded to include additional country-specific regulatory, commercial and tax requirements (national GAAP, taxation, regulatory reporting, etc.). This leads to a sustained increase in business activities with increasing utilisation of economies of scale.

In addition to the existing products, new innovative and disruptive applications are being researched and developed, which particularly target the mobile market. The IT of the banking system already complies with the requirements of the international security standard ISO 27001 and is currently certified. In addition to receiving this certification, it is supposed to be expanded to other areas. For greater transparency towards our clients and partners, the Group is aiming for ISAE 3402 Type 2 testing, which is prepared annually by an external auditor. This reduces internal and customer-side audit efforts.

The upcoming completion of Brexit in 2020 offers flatex the opportunity that financial service providers and credit institutions will relocate their business to the German-speaking region, thereby generating an increased demand for products and services of flatex AG.

Plan assumptions and forecast of key performance indicators

The expected earnings situation is based on the assumptions that the customer base will be updated as of 31 December 2019 based on experience and that the full acquisition of DeGiro B.V. will be successfully completed by 30 June 2020 at the latest. Forecast revenue calculations are based on a matrix of expected numbers of customers and transactions per customer. Specifically, the forecast is based on the assumption that numbers of transactions and customers will continue to increase while continuing the existing marketing strategy (see table below). Expected revenue is derived from the detailed planning processes of the flatex, DeGiro and ViTrade brands. The expected interest income is based on the assumption that the lending business will continue to expand despite a continued restrained interest rate structure, resulting in a positive interest effect. Revenues of the other business units are extrapolated on the basis of empirical values, taking into account all facts available at the time of budgeting.

In the TECH segment, all contractually agreed revenues as well as expected new business, as of the time of budgeting, are taken into account on the basis of empirical values and in consideration of the development of prices and economic trends. Overall, we expect the positive development of the previous fiscal year to continue. flatex AG's strategies in terms of business segmentation, clients, partners and lending business have proven to be successful, and we will thus be able to compensate cost increases resulting from the interest rate environment and from increasing regulatory requirements.

Assumptions for the forecast of the performance indicators:

	Consolidated		**FIN**		**TECH**	
	2020	2019	2020	2019	2020	2019
Number of customers	-	-	Strongly increasing	368,133	-	-
Number of accounts	-	-	Strongly increasing	454,484	-	-
Number of transactions	-	-	Strongly increasing	12,274,525	-	-
Revenues in kEUR	Strongly increasing	131,952	-	-	-	-
EBITDA margin in %	Moderately increasing	28.5	Strongly increasing	18.8	Moderately increasing	45.2

Description	**Amount of change**
Moderately	+/- 0.1 to 5.0%
Slightly	+/- 5.1 to 10.0%
Significantly	+/- 10.1 to 20.0%
Strongly	+/- 20.1%

Opportunities report

As a matter of principle, the business opportunities for the firm are analysed on a regular basis and reported to the Management Board and the Executive Committee. A significant opportunity for the flatex Group is the collaboration with DeGiro B.V., which further increases the added value of the Group and facilitates a 'perfect fit' of the two companies. The management sees medium-term synergy potentials of more than EUR 30 million through this collaboration. These synergy potentials are primarily derived from savings in marketing as well as insourcing of current services that DeGiro B.V. procures on external markets. Cross-selling potential between the flatex and DeGiro brands will make a significant contribution to revenues.

Opportunities FIN segment

The online brokerage segment traditionally depends on the volatility of the various trading venues. This dependency is to remains unchanged in 2020 just like in previous years. As a result, the bank will continue its expansion strategy and build further stable, sustainable sources of income through new products in the B2C and credit segments. Future success will be securely underpinned by new, innovative products and by solid partnerships. In addition to the newly developed credit products, the flatex brand will continue to be used to intensify strategic partnerships with the premium partners, through which certificates and warrants are already issued together on the German market. The collaboration with DeGiro B.V. will significantly accelerate the Group's internationalisation strategy.

Additionally, diversification will be driven forward by the continued expansion of the lending business. The adjustment of the financial transaction tax will create further opportunities in the Financial Services segment.

The COVID-19 pandemic has not yet had any negative impact on the economic situation of the Financial Services segment. Nevertheless, the sharp rise in volatility on the stock markets has resulted in a significant increase in transactions in the Group's brokerage business.[10] This development has not been taken into account in the forecast report of this annual report.

Opportunities of the Technologies segment

Increased transaction volumes, new regulatory requirements, internationalisation through the acquisition of DeGiro B.V. and technology innovations require a higher level of IT services as well as software support and maintenance and thus exert a direct positive impact on the Technologies segment. This creates an increased demand for software maintenance and development. With successful completion of the technical integration of DeGiro B.V., transaction figures will increase significantly and transaction costs will be significantly optimised, taking into account economies of scale.

Significant opportunities arise from the volatility of the markets as part of the Brexit settlement. Should the B2C end clients' trading activities shift towards the European mainland, the transaction figures will be significantly positive. If the European-British Customs Union is established as a temporary solution, B2B mandates will also be in favour of the European providers, since the maturity of the mandates significantly exceeds the duration of the transitional solution.

[10] onvista Media GmbH (publ.): flatex AG: Best quarter ever – volatility generates absolute record growth. April 2020

Most recently, the expanded partnership with SAP Deutschland SE & Co. KG offers the opportunity to further consolidate its image as a modern core banking system with ERP cloud connection as a pioneer in the industry.

2.14 Risk report

Risk management system

flatex AG conducts its business in German online brokerage and banking in a regulated market. Thus, in addition to dealing with the constant changes in the business environment of the Group, the adaptation to changes in the legal and regulatory frameworks is essential to the company‘s success. Current developments are constantly being monitored and carefully analysed. The Management Board incorporates the emerging opportunities and potential threats into its business and risk strategy and adjusts it accordingly as necessary. Monitoring and managing the risks of the Group is a central component of flatex AG‘s management tools.

In principle, flatex AG promotes a risk culture that ensures compliance with high ethical standards and a pronounced awareness of risks in all relevant business processes, both among management and among employees of flatex AG. Also, the limitation of risks is one of the key performance targets for all flatex AG managers within their respective areas of responsibility. Thus, each manager develops effective task-specific control processes and ensures their ongoing application.

With effect from 19 February 2018, the function of the parent institution has been transferred from flatex AG to flatex Bank AG. Since then, flatex Bank AG has been responsible for the Group-wide tasks of risk controlling in accordance with the ‘Minimum Requirements for Risk Management’ (MaRisk) AT 4.4.1. It thus contributes significantly to the cross-departmental and Group-wide tasks inherent in risk management and risk control processes, i.e. identification, assessment, management, monitoring and communication of risks.

The head of the Risk Management department is involved in all important risk policy decisions of the Management Board. In the event of a change in the leadership of the Risk Management department, the Supervisory Board of flatex AG will be informed immediately.

Risk identification and risk assessment

flatex AG takes a risk inventory on a regular basis, which may also be updated on an ad hoc basis, identifying the following key types of risks: counterparty default, market price, interest rate, liquidity, operational and other risks. At the same time, the risks are assessed, taking into account the risk-reducing measures taken and the current net equity situation. This includes, in particular, a risk shield in the form of a transfer of risks to cooperation partners and clients of flatex AG. In this process, flatex AG and the cooperation partners attach great importance to ensuring that risks are borne or partially underwritten in proportion to the related upside potentials.

In the risk inventory process of flatex AG, the risk assessments of all significant corporate divisions are carried out in a consistent manner. In doing so, assessments are made of probabilities and loss levels, which are then condensed into a risk-oriented overall assessment. The assessments especially serve to identify emerging risk concentrations early on so that appropriate countermeasures may be initiated in a timely fashion.

The management and supervisory body of flatex AG are regularly updated about the risk assessments of the risk inventory (RiskMap) as part of the ongoing risk reporting.

Control of risks

flatex AG carries out scenario-based risk-bearing capacity calculations (including stress tests) on a regular basis, taking into account possible concentration risks and potential extreme developments in the (market) environment of the Group, to ensure adequate net equity levels of the Group even under unfavourable conditions.

The findings from these risk-bearing capacity analyses are used by flatex AG to install risk-control and risk management requirements for the Group's operating businesses through an adequate risk limit system. Adjustments to the risk limit system are made in close coordination between the Group's management and the Risk Management department.

Ongoing monitoring measures and a comprehensive risk communication system ('risk reporting') ensure that the risks taken by flatex AG stay within the strategic guidelines and its risk-bearing capacity. In addition, they enable short-term reactions to emerging risk control needs. The monitoring and control instruments which are used in this process, in the form of daily and monthly risk monitoring and risk communication reports, are subsequently presented in more detail.

Risk monitoring and risk communication

Management is supplied with current figures pertaining to the risk and earnings position at flatex AG through daily reports. The reporting also specifically ensures continuous ad hoc reporting: The so-called 'cockpit' as a central (risk) management tool provides daily information on the key performance indicators, key risk figures, and limit utilisation levels, as well as on the development of relevant early warning indicators. It also contains comments on control-relevant issues and, where appropriate, recommendations for necessary adjustments. In addition, for each business area that is significant from a risk perspective, it includes monthly and annual target achievement levels as well as comparisons with the previous year's P&L.

The cockpit described above is complemented by the monthly risk report (MRR), which contains a monthly detailed presentation and commentary on the Group's risk and earnings position and supplementary analyses of the Group's opportunity and risk situation. Among other things, the monthly risk report also goes to the Supervisory Board and is discussed in detail with Management and the Supervisory Board in regular 'finalisation meetings'.

The measures taken to analyse and monitor the risk situation of flatex AG are deemed to be appropriate. The risk-bearing capacity was adequate at all times during the reporting period. No immediate risks that could jeopardize the continued existence of the company, also no possible concentration risks, were discernible at the time of preparation of this risk report.

Risk report, including risk reporting on financial instruments

The following section describes the key risks to which flatex AG is exposed as part of its operating activities. The categorisation of the probability of occurrence and the magnitude of a potential loss is done according to the following increments:

Probability of occurrence	Description
< 5 %	Very low
≥ 5 to 25 %	Low
> 25 to 50 %	Medium
> 50 %	High

Risk exposure	Description
Low	Limited negative impact on business activities, net assets, financial position and earnings, reputation, < EUR 0.25 million EBITDA individual risk
Medium	Negative impact on business activities, net assets, financial position and earnings, reputation, ≥ EUR 0.25 million EBITDA individual risk
High	Significant impact on business activities, net assets, financial position and earnings, reputation, ≥ EUR 1 million EBITDA individual risk
Very high	Damaging negative impact on business activities, net assets, financial position and earnings, reputation, ≥ EUR 5 million EBITDA individual risk

Managing and limiting counterparty default risks

At flatex AG, credit default risk is defined as the risk of losses or foregone profits due to unexpected default of or unforeseeable deterioration in the creditworthiness of business partners.

Counterparty default risks in flatex AG result from security-oriented selected investments (interbank investments, German federal state loans, bank bonds, mortgage bonds, cash loans) mixed with investments in special funds which supplement the sector diversification of the Group's overall portfolio through infrastructure financing and residential property investments in the Financial Services division. The investment/loan strategy and the limits derived from it ensure a wide diversification of individual positions, so that concentration risk remains limited. In addition to a risk-averse selection of business partners, risks are also limited by ongoing monitoring of credit ratings on the basis of publicly available data. Counterparty default risk monitoring, which is performed on a daily basis, is currently based on CDS prices and rating changes and is transmitted daily to the relevant decision makers. flatex AG estimates the size of the resulting risk amount as high, but the associated probability of occurrence as very low.

flatex is also exposed to counterparty default risk from its lending business, where a fully secured strategy is pursued:

a) By issuing security-backed loans (lombard & flatex flex loans) in the FIN segment, flatex is exposed to credit default risk. Through appropriate liquidity requirements for the securities accepted as collateral, conservative loan-to-value ratios, and continuous monitoring of credit lines and securities, the Group ensures that the exposure to security-backed customer loans is sufficiently covered by the deposited security even when prices are falling. The Group rates the probability of occurrence due to the residual risks as very low and the possible loss impact as low.

b) Counterparty default risks also exist in diversified true sale factoring in the Financial Services area. The factoring receivables are secured by commercial credit and insurance policies of major insurance companies; in addition, personal liabilities of the clients and security retentions are negotiated. The factoring area also includes football club financing, which is secured by the assignment of sponsorship, TV and advertising rights as well as by means of contingency insurance.

c) In addition, flatex Bank AG operates an opportunistic, comprehensively secured loan portfolio in the Financial Services division, particularly in real estate financing. The loans are secured by real assets, guarantees, assignment of other receivables and deposited securities.

The diversified collateralisation structure in the aforementioned loan portfolio proved again this year that the Bank has established an extensive liability umbrella to counteract potential defaults and reduce risks.

Following the merger of XCOM AG into flatex AG in 2017 and the integration of flatex Bank AG, flatex AG made significant efforts to uniformly record the counterparty default risks arising at its subsidiaries throughout the Group and make them accessible to a comprehensive management system. Pertinent presentations and analyses have been integrated into the MRR of flatex AG and are continuously being refined. With its comprehensive credit portfolio model, the Group can quantify its important counterparty default risks on a continuous VaR basis, and systematically and continually captures and manages potential concentration risks. The current investment strategy of the Group mandates diversification of counterparty risk-bearing positions (primarily by geographic spread, publicly available ratings, and the maturity of the investments) and thereby limits concentration risks effectively.

Managing and limiting market price risks

flatex AG understands market price risk as the risk of loss due to changes in market prices (share prices, exchange rates, precious metals/commodity prices, interest rates) and price-influencing parameters (e.g. volatilities).

For flatex Bank AG, the resulting market price risk is contained by a multi-level system of value-at-risk and stop-loss limits relative to positions with daily and annual values. The bank calculates daily VaR figures using historical simulation and also prepares a daily income statement. The calculated risk ratios and profit and loss figures are compared daily with the established limits. When limits are exceeded, immediate countermeasures are initiated.

VaR-oriented monitoring is performed for the long-term investment in special funds, initiated in 2016, which pursues a 'negative basis' strategy. According to historical simulations, the corresponding VaR figures were below kEUR 400 in 2019. The bank estimates that both the magnitude of potential losses and the probability of their occurrence are low for this business.

Further market price risks arise in the FIN segment within the scope of the designated sponsoring business, which has been outsourced to FIB Management AG (end of outsourcing at the end of 2019). The quotation of binding buy and sell prices provided the necessary liquidity for the continuous trading of certain stocks. To a limited extent, market risks may result from residual positions. These risks are fully covered by cash collateral, the size of which is monitored daily. The corresponding position of collateral is monitored daily. In addition, a daily VaR calculation based on historical simulation is used to verify a potential need for an increase of cash collateral. flatex AG rates the remaining market risks from this business as low and the probability of occurrence as very low. The daily calculated VaR figures for 2019 were slightly below kEUR 50, and thus significantly below the kEUR 300 cash collateral available to cover potential losses. Due to the termination of outsourcing from this area at the end of the year, there are no longer any risks.

In the FIN segment, flatex AG has had stable and sizeable customer deposits over the course of time (flatex Bank AG). Since these funds are not reinvested at the exact same terms that they are taken in, flatex AG incurs an additional market risk in the form of interest rate risk through the resulting yield curve gaps. The Group handles these risks with its fundamentally conservative asset-liability management. Continuous calculation of interest rate risks based on a VaR calculation ensures that negative developments in interest rate risk are identified early on and countermeasures may be taken. flatex AG rates the probability of occurrence of corresponding losses as very low, but calculates with a medium risk amount. The loss estimate based on value at risk is in the magnitude of kEUR 1,558.

The risk from movements in exchange rates (currency risk) in financial instruments at flatex AG is immaterial.

The Group ‘cockpit’ is updated with control-relevant information on flatex AG‘s market price risks on a daily basis, thereby informing the Group’s management in a timely fashion. The market price risks are also reflected in the MRR of the Group, so that detailed presentations and comments on the current risk situation are ensured and, if necessary, adjustments may be initiated.

Managing and limiting liquidity risks

flatex AG defines its liquidity risk as the risk that it cannot fully and/or timely meet its current or future payment obligations from the available financial resources. As a consequence, funding may need to be raised at higher interest rates, or existing assets may need to be sold at a discount, to provide additional (temporarily) needed financial resources. In a wider sense, flatex AG also subsumes the ongoing funding risk and market liquidity risk under the term 'liquidity risk', both of which play only a minor role in the current business model of flatex AG, and thus are assigned to the lowest risk categories used with regard to both the probability of occurrence ('very low') and the possible loss impact ('low').

To limit the remaining liquidity risk (liquidity risk in the narrow sense), flatex AG pursues a conservative investment strategy, in which client deposits with daily maturity are reinvested predominantly in short-term instruments, and where there are substantial investments in ECB-eligible securities, which may be pledged for short-term funding through the central bank when needed. In addition, a continuous duration measurement is performed on all relevant assets of flatex AG, which are inside the target term range of under 24 months. Finally, flatex AG has ongoing liquidity monitoring and adequate financial planning/liquidity planning in the group‘s financial accounting department. The measures taken, in combination with a suitable ‘business continuity plan – liquidity’, ensure a comfortable liquidity level with adequate reserves for the Group’s payment obligations, also and particularly in the case of unforeseen events such as unfavourable market developments or payment deferrals and client defaults.

In light of the comfortable liquidity level and the measures taken to limit risk, flatex AG classifies the probability of occurrence of its remaining liquidity risks (in the narrow sense) as being very low and also assesses the associated loss potential as minor.

Control and limitation of operational and other risks

flatex AG defines operational risk as the risk of loss due to human error, the inadequacy of internal processes and systems, and external events. Legal and reputational risks are also included in this category.

flatex AG uses a multi-year time series of actually incurred losses for its operational risk inventory. These losses are categorised according to the type of damage, the cause of the loss, the time of occurrence, etc. and documented in a database. The operational risks are managed by assigning each loss case to a risk mitigation strategy (avoidance, reduction, transfer, etc.) and implementing defined measures. An internal assessment method is used in addition to the so-called basic indicator approach, to determine the amount of regulatory capital utilised for operational risks. In addition to the identification of operational risks from historical data, flatex AG uses expert assessments to identify potential losses as part of risk assessments with all specialist departments of flatex AG, to map quantifiable risks where a sufficient loss data history is not available.

Dependency on software and other IT risks

For flatex AG, operational risk arises particularly from the dependency on IT infrastructure and associated services, which is typical for banking operations. This also includes the dependency on the flawlessness of services which have been outsourced to external providers. The operational risks in IT can be divided into hardware, software and process risks. Group-wide, comprehensive IT and internet-based systems are being used, which are essential for the proper conduct of business. The Group is dependent to a very high degree on the trouble-free functioning of these systems. Despite comprehensive measures for data backup and the bridging of system disruptions, malfunctions and/or complete failures of the IT and internet systems may not be precluded. Also, deficiencies in data availability, errors or functional problems of the software used and/or server failures due to hardware or software flaws, accident, sabotage, phishing or other reasons, could have a significant negative impact on the reputation or the business of the Group, or lead to possible obligations to pay damages.

The Group undertakes significant IT investments to ensure, on one hand, that the high business volume is executed adequately and, on the other hand, that sufficient collateralisation is provided against disruptions. The probability of software and other IT risks is rated to be very low and the possible impact of such a loss is rated to be low.

Personnel risks

Comprehensive restructuring of flatex AG, which was completed in 2018, resulted in changes to the organisational structure and processes as well as in changed communication processes, which may initially lead to an increased potential for error and loss. flatex AG has established monitoring and communication processes to limit these risks, which are in particular personnel-related. Nevertheless, individual mistakes or errors of employees can never be completely ruled out. We estimate the probability of occurrence of a loss event arising from personnel risks to be very low, and the possible impact from such an event to be low.

Legal risks

flatex AG acts as a regulated provider of financial services in an environment with rapidly changing (regulatory) legal framework conditions. Legal violations can result in fines or litigation risks. flatex AG contains these legal risks by permanently monitoring the legal environment, having internal legal know-how and by resorting to external legal expertise if necessary. We estimate the probability of legal risks to be very low, and the possible impact from such an event to be low.

Outsourced processes

Outsourcing within the meaning of section 25b (1) KWG and MaRisk (AT 9) occurs when a non-Group company is entrusted with such activities and processes, in connection with the provision of financial services or other institution-specific services, that would otherwise be performed by flatex AG itself.

In such cases, increased regulatory requirements apply. The Group has outsourced various activities from its operations to external companies.

flatex AG has installed outsourcing controlling, which takes stock of all relevant outsourcing contracts and manages them as needed. All outsourcing contracts are included in the Group‵s risk management effort. Non-essential outsourcing contracts are subject to a lower degree of control as essential outsourcing contracts.

As part of the concluded outsourcing contracts, service level agreements (SLAs) have been agreed for all significant outsourcing. In addition, liability rules have been agreed which allow a transfer of damages.

Reputational risk

Reputational risk for flatex AG is the risk of negative economic effects that result from the company‵s reputation being damaged.

In principle, the Group companies strive to ensure a high level of customer loyalty through a good reputation to gain a competitive advantage over their competitors. In addition to immediate financial implications, many of the risks discussed above pose a risk that the Group‵s reputation may be damaged, and that a decline in customer loyalty may result in financially adverse consequences for the Group. flatex AG puts particular emphasis on reputational risk in its strategic guidelines and continually uses its risk-controlling processes to monitor the relevant environment. Associated risk estimates are made as part of the estimates for the Group‵s operational risks.

To limit its operational risks, flatex AG promotes a fundamental risk culture which ensures compliance with high ethical standards and a pronounced awareness of risk in all relevant business processes, for both the management and the employees of the flatex AG. Also, the limitation of risks is one of the key performance targets for all flatex AG managers within their respective areas of responsibility. Each manager develops task-specific control processes and ensures their ongoing application. In addition, flatex AG regularly establishes a risk inventory - which may also be updated on an ad hoc basis - in particular to ensure an ongoing analysis and assessment of the operational risk in existing business processes.

flatex AG assigns a low probability of occurrence to the operational risks outlined above and cautiously estimates a high risk impact.

Other risks

Included in other risks at flatex AG are general business risks.

General business risk exists due to the dependence on technical developments and customer behaviour. General business risks arise out of changes in the environment. They include, for example, changing markets, changing customer preferences and technological progress.

Technological developments and changing customer behaviour can significantly influence the market conditions for financial services. They may open up opportunities for flatex AG's financial products, but they may also negatively impact demand for the Group's products and services and thus reduce its financial success.

flatex AG is paying particular attention to changes in the legal and regulatory environment, as well as to changes in customer behaviour and technological progress, and is constantly reviewing the resulting strategic implications. The Group considers the probability of occurrence of a loss event due to dependencies on technical developments and customer behaviour to be very low, and a possible loss impact to be low.

In light of current developments in connection with the coronavirus (COVID-19), the global financial markets are characterised by high volatility and market uncertainty. As a result of these developments, record numbers of new customers and completed transactions were achieved in the first two months. In addition to the positive development in the brokerage business, a risk assessment of the loan portfolio was also carried out, in which the bank acts in the area of receivables-based financing of first-class football clubs from the largest European leagues. Due to the collateralisation through loan contingency insurances, no significant effects on the existing portfolio are expected, but we anticipate a weaker growth of the portfolio. Due to the significant price declines on the securities markets, a considerable number of security-backed loans have exceeded their lending values. With very few exceptions, however, the loan balances continue to be substantially covered by securities accounts, and the loan-to-value ratios are not exceeded in a troublesome way. In consultation with the affected customers, the calculated shortfall in coverage is adjusted through additional contributions, the sale of individual items or pro rata repayment.

With regard to business operations, no restrictions have arisen due to a functioning business continuity management (BCM). Extensive measures have been taken to protect employees (home office, avoidance of business trips, use of digital infrastructure for meetings, etc.). Measures were also taken for areas of responsibility that do not permit home office activities (physical separation, shift work, avoidance of group formation and establishment of emergency workstations), with which the risk of infection was minimised as much as possible.

Management Board assessment of the overall risk situation

The Group views the assessment of the overall risk situation as a consolidated analysis of all material risk categories and individual risks. The overall risk situation in 2019 is comparable to that of the previous year. flatex AG is convinced that, at the end of reporting period and at the time of preparation of the consolidated financial statements, neither one of the above-mentioned individual risks, nor the consolidated risks, pose a threat to the Group as a going concern.

Furthermore, flatex AG is convinced that it will be able to continue to seize opportunities that arise in the future without having to expose itself to disproportionately high risks. The aim is to strike a healthy balance between risks and opportunities.

3 Collateralisation of the legal representatives (responsibility statement)

We hereby affirm that, in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the assets, financial and earnings position of the Group and that the group management report includes a fair view of the development and performance of the business and the position of the Group corresponding to the actual situation of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, 30 April 2020

flatex AG

Frank Niehage	Muhamad Said Chahrour
CEO, Chairman of the Management Board	CFO, Member of the Management Board

Consolidated Financial Statements

IFRS Consolidated Balance Sheet

as of 31 December 2019

In kEUR	Note	12/31/2019	12/31/2018
Assets		**1,265,962**	**1,224,168**
Non-current assets		**179,700**	**132,493**
Intangible assets	9	92,722	82,664
Goodwill	9	36,555	36,555
Internally generated intangible assets	9	45,730	35,128
Customer relationships	9	6,319	7,960
Other intangible assets	9	4,118	3,021
Property, plant and equipment	11	16,265	7,593
Financial assets and other assets	12	1,305	1,126
Non-current loans due to customers	12	69,409	41,110
Current assets		**1,086,262**	**1,091,676**
Inventories and work in progress		99	188
Trade receivables		12,220	15,512
Other receivables		1,026	7,156
Other current financial assets	12	604,302	413,773
Financial assets measured at fair value through other comprehensive income (FVOCI)	12	61,547	57,374
Financial assets measured at fair value through profit or loss (FVPL)	12	214	893
Cash loans due to local authorities	12	14,056	18,900
Current loans due to customers*	12	362,552	213,675*
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	12	68,644	82,465
Equity instruments measured at fair value through profit or loss (FVPL-EK)	12	66,049	-
Other receivables due to banks	12	31,239	40,466
Cash and cash equivalents	12	468,616	655,046
Bank balances	12	29,913	5,367
Cash on hand	12	15,821	11,564
Balances with central banks	12	356,868	550,079
Receivables due to banks (on demand)	12	66,013	88,036

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

In kEUR	Note	12/31/2019	12/31/2018
Liabilities and shareholders' equity		**1,265,962**	**1,224,168**
Equity		**182,202**	**163,656**
Subscribed capital	13	19,596	18,737
Additional paid-in-capital	13	106,894	101,406
Retained earnings*	13	55,200	43,023*
Shares of minority shareholders		512	490
Liabilities		**1,083,760**	**1,060,513**
Non-current liabilities		**38,710**	**30,395**
Non-current liabilities to banks	14	3,727	9,874
Non-current liabilities to non-banks	14	13,495	5,952
Pension obligations	15	11,012	6,253
Deferred tax liabilities	26	10,476	8,316
Current liabilities		**1,045,051**	**1,030,118**
Trade payables		5,581	2,780
Liabilities to customers	16	950,777	955,489
Liabilities to banks	17	71,694	57,259
Other financial liabilities	18	6,131	2,219
Tax provisions	20	1,193	5,541
Other provisions	19	9,674	6,830

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

IFRS Consolidated Statement of Income

as of 1 January to 31 December 2019

In kEUR	Note	2019	2018
Revenues	21	131,952	125,100
thereof interest income from financial instruments measured at amortised cost		14,979	10,909
Raw materials and consumables	22	38,172	36,846
thereof impairment losses	33	3,629	6,970
Personnel expenses	23	25,409	21,914
Other administrative expenses	24	30,791	23,972
Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA)		**37,580**	**42,368**
Depreciation	9 - 11	12,829	8,180
Result from the derecognition of financial assets*		-	-3,570
Consolidated earnings before interest and income tax (EBIT)		**24,751**	**30,618**
Financial result	25	-3,123	-2,179
Consolidated earnings before income tax (EBT)		**21,628**	**28,439**
Income tax expense	26	6,720	10,965
Consolidated net profit		**14,908**	**17,474**
Minority shareholders' share of income		22	-
Majority shareholders' share of income		14,886	17,474

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

IFRS Consolidated Statement of other Comprehensive Income

as of 1 January to 31 December 2019

In kEUR	Note	2019	2018
Consolidated net profit		**14,909**	**17,474***
Income and expense items recognised directly in equity			
Pensions		**-5,206**	**433**
Actuarial gains/losses	15	-5,286	399
Remeasurement of plan assets	15	44	68
Reimbursement rights	15	36	-34
Adjustment for previous year		-	-
Securities			
Change in value reported in equity		3,192	-3,605
Deferred tax	26	**877**	**910**
Pensions		1,640	-135
Securities		-763	1,045
Total other earnings/losses		**-1,137**	**-2,262**
Comprehensive income		**13,772**	**15,212**

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

IFRS Consolidated Cash Flow Statement

as of 31 December 2019

In kEUR	2019	2018
Consolidated net profit from continuing activities*	**14,908**	**17,474***
Depreciation and amortisation/appreciation on property, plant and equipment and intangible assets	12,395	7,813
Increase/decrease in trade receivables	3,293	-7,937
Increase/decrease in other receivables, deferred tax assets, coverage	5,952	-6,064
Increase/decrease in inventories	89	-75
Increase/decrease in trade payables	2,801	1,817
Increase/decrease in other financial liabilities	3,913	-5,226
Increase/decrease in provisions, changes in deferred taxes, pension obligations	7,603	-1,013
Income tax expense	6,720	10,965
Income tax payments	-8,246	-3,788
Other non-cash transactions*	-	3,570*
Cash flow from operating activities - before banking operations	**49,427**	**17,536**
Increase/decrease in receivables from customers*	-173,607	-57,917*
Increase/decrease in receivables from cash loans due to local authorities	4,844	216,171
Increase/decrease of receivables due to banks	9,227	-27,856
Increase/decrease in liabilities to customers	-4,712	70,377
Increase/decrease of liabilities to banks	14,435	-3,751
Increase/decrease in financial assets measured at FVOCI	9,648	37,550
Increase/decrease in financial assets measured at FVPL	-65,370	223
Other non-cash transactions	-1,137	-2,262
Cash flow from banking operating activities	**-206,673**	**232,535**
Cash flow from operations - continuing activities	**-157,246**	**250,071**
Cash flow from discontinued operations	-	-
Cash flow from operations	**-157,246**	**250,071**
Proceeds from the disposal of intangible assets	11	6
Disbursements for investments in intangible assets	-18,449	-13,211
Proceeds from the disposal of fixed assets	39	134
Disbursements for investments in fixed assets	-14,564	-3,082
Proceeds from disposals from the scope of consolidation	-	-
Payments for disbursements to the scope of consolidation	-	-
Non-cashchanges in fixed assets	-227	-11,604
Cash flow from investments in continuing activities	**-33,189**	**-27,756**
Cash flow from investments in discontinued operations	-	-
Net cash flow from investing activities	**-33,189**	**-27,756**
Increase/decrease in non-current liabilities to banks (loans)	-6,147	-6,166
Increase/decrease in non-current liabilities to non-banks	7,542	2,607
thereof from changes in the scope of consolidation	-	1,602
Proceeds from equity contributions by shareholders of the parent company	6,073	97
Proceeds from equity contributions by other shareholders	-	34,934
Disbursement for acquisition of treasury shares	-	-
Non-cash changes in equity*	-3,464	4,257*
Disbursements for increase of shares without change of control	-	-
Cash flow from financing activities	**4,005**	**35,730**
Change in cash and cash equivalents	**-186,430**	**258,045**
Cash and cash equivalents at the beginning of the period	655,046	397,002
Cash and cash equivalents at the end of the period	**468,616**	**655,046**

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

Additional information according to IAS 7

In kEUR	01/01/2019	Cash changes
Non-current liabilities		
Liabilities to banks	9,874	-6,147
Liabilities to non-banks	5,952	7,542
Total	**15,826**	**1,395**

				Non-cash changes	**12/31/2019**
Acquisitions	**Currency effects**	**Fair values**	**Reclassifications**	**Other**	
-	-	-	-	-	3,727
-	-	-	-	-	13,495
-	**-**	**-**	**-**	**-**	**17,221**

IFRS Consolidated Statement of Changes in Equity

as of 31 December 2019

In kEUR	Subscribed capital	Additional paid-in-capital	Retained earnings
As of 12/31/2017 01/01/2018	**17,507**	**67,540**	**25,866**
Issue of new shares	1,230	33,708	139
Contributions to / withdrawals from reserves	-	388	-7
Changes in the scope of consolidation not involving a change of control	-	-230	-
Dividend distribution	-	-	-
Other earnings/losses	-	-	-
Consolidated net profit*	-	-	17,474*
As of 12/31/2018 01/01/2019	**18,737**	**101,406**	**43,472**
Issue of new shares	859	5,488	-
Contributions to / withdrawals from reserves	-	-	-
Changes in the scope of consolidation not involving a change of control	-	-	-1,572
Dividend distribution	-	-	-
Other earnings/losses	-	-	-3,106
Consolidated net profit	-	-	14,887
As of 12/31/2019	**19,596**	**106,894**	**53,681**

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

Actuarial gains/losses	Unrealized gains/losses from financial assets, measured at fair value through other comprehensive incometrough other comprehensive income (FVOCI)	Total	Minority interests	Total equity
1,787	**24**	**112,724**	**-**	**112,724**
-	-	35,077	-	35,077
-	-	381	-	381
-	-	-230	490	260
-	-	-	-	-
298	-2,560	-2,262	-	-2,262
-	-	17,474*	-	17,474*
2,085	**-2,536**	**163,164**	**490**	**163,655**
-	-	6,347	-	6,347
-	-	-	-	-
-	-	-1,572	-	-1,572
-	-	-	-	-
-531	2,501	-1,137	-	-1,137
-	-	14,887	22	14,909
1,554	**-35**	**181,689**	**512**	**182,202**

List of abbreviations

Para.	paragraph
AG	joint stock company
AK/HK	acquisition or production costs
act.	active
API	application programming interface
BaaS	Banking as a Service
Federal Financial Supervisory Authority	German Federal Financial Supervisory Authority
BFF	Bernd Förtsch Finanz Holding GmbH
BPO	business process outsourcing
B2B	business-to-business
B2C	business-to-consumer
reg.	regarding
approx.	approximately
CAD	Canadian dollar
CDS	credit default swap
CEO	chief executive officer
CFD	contract for difference
CFO	chief financial officer
CHF	Swiss franc
CRM	customer relationship management
CTO	chief technology officer
C&T	Credit & Treasury
DACH	Germany, Austria, and Switzerland
DAX	German stock index
DCF	discounted cash-flow
DNO	declaration of no objection
GAS	German Accounting Standard
i.e.	that means, in other words
DP	data processing
EBIT	earnings before interest and taxes
EBITDA	earnings before interest, taxes, depreciation and amortisation
EBT	earnings before income taxes
ECL	expected credit Loss
IT	electronic data processing
EC	European Community
Equity	equity
ERP	enterprise resource planning
ETF	exchange traded fund
ETP	exchange traded products
etc.	et cetera
EU	European Union
ECB	European Central Bank

E-funds	electronic funds
FIN	financial services
FVOCI	financial assets measured at fair value through other comprehensive income
FVPL	financial assets measured at fair value through profit or loss
FTX	flatex AG
FTX:CBS	flatex Core Banking System
FX	foreign exchange
ATM	automated teller machine
GAAP	Generally Accepted Accounting Principles
GCM	general clearing member
vs.	compared to
GmbH/LLC	limited-liability corporation
GS	Goldman Sachs
P&L	profit and loss account
hft	financial assets measured at fair value through profit or loss
HGB [German Commercial Code]	German Commercial Code
HRB	companies registry department B
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFRS IC	IFRS Interpretations Committee
ICS	internal control system
ISIN	International Securities Identification Number
ISO	International Organisation for Standardisation
IT	information technology
ITIF	IT infrastructure
IMF	International Monetary Fund
s.s.	strictly speaking
LP	limited partnership
KPI	key performance indicator
KWG	German Banking Act
def.	Deferred
L.O.X	Limit Order System, limit monitoring system
MaRisk	Minimum Requirements for Risk Management
mEUR	millions of euros
MiFID	Markets in Financial Instruments Directive II
mbH	limited liability
MRR	monthly risk report
MS	Morgan Stanley
No	number
OCI	other comprehensive income
OTC	over-the-counter
P2P	peer-to-peer

PSD II	Payment Services Directive II
p.a.	per annum
RoU	right of use
SaaS	Software as a Service
SE	societas Europaea, public limited company
SICAV	investment company with variable capital, similar to open-ended mutual fund
SLA	service level agreement
dep.	deputy
TECH	technologies
kEUR	thousand euros
T2S	TARGET2-Securities
USA	United States of America
USD	United States dollar
VaR	value at risk
prel.	preliminary
AM	asset management
WACC	weighted average cost of capital
WKN	German securities identification number
WpHG	German Securities Trading Act
e.g.	for example
CGU	cash-generating unit

Notes to the Consolidated Financial Statement as of 31 December 2019

NOTE 1 About the Group

The consolidated financial statements presented here are those of flatex AG and its subsidiaries.

flatex AG is headquartered in Frankfurt am Main, Germany; its Frankfurt companies registry number is HRB 103516. The registered business address is Rotfeder-Ring 7, 60327 Frankfurt am Main, Germany.

The registered no-par-value shares of the company are traded on the regulated open market (ISIN DE000FTG1111/German securities code FTG111).

The Group's business activities are the supply of innovative technologies for the financial sector in general and for online brokerage in particular, as well as the provision of financial services and IT services.

flatex AG's immediate parent company is GfBk Gesellschaft für Börsenkommunikation mbH, Kulmbach. The ultimate parent company of the Group is BFF Holding GmbH,

The consolidated financial statements were approved for publication by the Supervisory Board on 19 May 2020. After publication, the consolidated financial statements may not be altered.

NOTE 2 Basis of Preparation

For companies within the European Union, preparation of consolidated financial statements in accordance with IFRS is mandatory for businesses if, they are capital market oriented companies (Article 4 of Regulation [EC] No 1606/2002 of the European Parliament and of the Council of 19 July 2002). All other parent companies must prepare consolidated financial statements in accordance with their respective national laws.

The German Federal Government has implemented the EU regulation through the German Accounting Law Reform Act, which has introduced, among other things, Section § 315e of the German Commercial Code (HGB). Accordingly, a capital market oriented parent company in Germany must prepare consolidated financial statements in accordance with IFRS (HGB Section 315e (1) in conjunction with Section 290 (1)). A capital market oriented company is defined as a company whose shares are listed on an organised market (German Securities Trading Act (WpHG) Section 2 (5).

Since flatex AG is currently only traded on the open market (scale segment), it does not have to prepare IFRS-compliant consolidated financial statements.

However, in line with HGB Section 315e (3), flatex AG has opted to voluntarily prepare its consolidated financial statements in accordance with IFRS. The first consolidated financial statements according to IFRS were prepared for 31 December 2015.

The consolidated financial statements are in full compliance with IFRS as applicable within the European Union, and with the supplementary provisions of HGB Section 315e, the German Commercial Code. The consolidated financial statements of flatex AG are based on the assumption of a going concern.

The asset, financial and earnings position as well as the cash flows of the Group correspond to the actual circumstances.

The accounting and valuation methods applied in the previous year have been upheld, except for changes required by new or amended standards.

flatex AG presents information in thousands or millions of currency units. Generally, the information is expressed in millions of units. For detailed information on the income statement, information is presented in thousands of units. The presentations in thousands and millions of units are rounded. When calculating with rounded numbers, slight rounding differences may occur.

The presentation currency is the euro.

NOTE 3 Scope of consolidation

The consolidated financial statements comprise the accounts of flatex AG and the subsidiaries controlled by it.

This is the case if flatex AG has direct or indirect control over the potential subsidiary through voting rights or other rights, participates in positive or negative variable returns from the potential subsidiary and can influence such returns.

Overview of the flatex AG scope of consolidation as of 1 January 2018

> Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach (100%)
> flatex GmbH, Kulmbach (100%)
> FinTech Group Finanz GmbH, Frankfurt am Main (100%, now: flatex Finanz GmbH)
> FinTech Group Bank AG, Frankfurt am Main (100%, now: flatex Bank AG)
> Brokerport Finance GmbH, Frankfurt am Main (100%)
> Xervices GmbH, Willich (100%)

For its part, flatex Finanz GmbH directly holds 100% of the shares in flatex Bank AG, Frankfurt am Main.

Changes in scope of consolidation in 2018

Effective 12 July 2018, Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach, was sold and deconsolidated. This company was classified as a discontinued operation until its disposal. The current earnings of Die AKTIONÄRSBANK Kulmbach GmbH, of an amount of kEUR -55.4 was attributed to the Financial Services segment for materiality reasons. For further information, please refer to the 2017 Annual Report.

With effect from 30 December 2018, factoring.plus.GmbH, Leipzig, was acquired. This includes the acquisition of a 72% stake in financial.service.plus GmbH, Leipzig.

The associated company Finotek Europe GmbH, Frankfurt am Main, was sold with effect from 31 December 2018. The associated company was not included in the consolidated financial statements due to materiality.

Within the scope of consolidation, the following changes occurred in the companies that were included in the consolidated financial statements for fiscal year 2018:

flatex GmbH was merged with flatex Bank AG through a companies registry entry dated 29 March 2018 with retroactive effect from 1 January 2018.

Overview of the flatex AG scope of consolidation as of 31 December 2018 / 1 January 2019

- FinTech Group Finanz GmbH, Frankfurt am Main (100%, now: flatex Finanz GmbH)
- FinTech Group Bank AG, Frankfurt am Main (100%, now: flatex Bank AG)
- Brokerport Finance GmbH, Frankfurt am Main (100%)
- Xervices GmbH, Willich (100%)
- factoring.plus.GmbH, Leipzig (100%)
- financial.service.plus GmbH, Leipzig (72%)

There were no joint ventures or associates as at 31 December 2018.

Changes in scope of consolidation in 2019

There were no changes in the scope of consolidation in the fiscal year 2019.

Overview of the flatex AG scope of consolidation as of 31 December 2019

- flatex Finanz GmbH, Frankfurt am Main (100%)
- flatex Bank AG, Frankfurt am Main (100%)
- Brokerport Finance GmbH, Frankfurt am Main (100%)
- Xervices GmbH, Willich (100%)
- factoring.plus.GmbH, Leipzig (100%)
- financial.service.plus GmbH, Leipzig (72%)

There were no joint ventures or associates as at 31 December 2019.

Consolidated financial statements for the largest scope of companies

BFF Holding GmbH, Kulmbach, is preparing the consolidated financial statements for the largest scope of companies. flatex AG is included as a subsidiary in these consolidated financial statements. In accordance with the legal regulations, the consolidated financial statements are published in the electronic Federal Gazette.

Consolidated financial statements for the smallest scope of companies

flatex AG prepares consolidated financial statements for the smallest scope of companies. The consolidated financial statements are published in the electronic Federal Gazette as well as on the website of flatex AG.

NOTE 4 Accounting policies

Business combinations and consolidations

Business combinations are recorded in accordance with the provisions of IFRS 3.

At initial consolidation, identifiable assets and liabilities are measured at their fair value at the time of acquisition. Shares of minority shareholders are recognised in proportion to their share of the fair value of assets and liabilities. Ancillary acquisition costs and fees are directly recorded as an expense. Any remaining excess of the cost of acquisition over the value of net assets measured at fair value is capitalised as goodwill. A negative goodwill is recognised in profit or loss in the year of acquisition. The results of acquired subsidiaries are included from the date of acquisition by the Group, i.e. from the date on which the Group was able to exercise control.

Derivative goodwill

Positive goodwill arises if the purchase price of the equity participation exceeds the fair value of the identified assets less liabilities. It is subject to an annual impairment test, which checks the recoverability of goodwill. If the recoverability no longer exists, an impairment loss is recognised. Otherwise, the carrying amount of the goodwill is taken over unchanged from the previous year.

Internally-generated intangible assets

Development costs are capitalised if they can be reliably ascertained, if the product or process to which they pertain is realizable in technical and economic terms, and if the future economic benefit is probable. The initial capitalisation of these costs ws based on the assumption that such technical and economic feasibility has been established. In addition to the availability of sufficient resources, there must be an intention within the Group to complete the project and use or sell the resulting asset.

The capitalised development costs include all individual and overhead costs directly attributable to the project. Once projects are completed, development costs are depreciated over the useful life, starting at the time when financial benefits are generated. An annual impairment test is performed on internally generated intangible assets under development. Impairment triggers are tested for already completed assets. The future benefit inflow is documented through appropriate business cases. The start of a development project may be based on basic research results or on a non-exclusive customer order, whereby the respective research effort must be expensed.

Intangible assets acquired for consideration

Purchased software, licenses and industrial property rights are accounted for at their acquisition costs and depreciated on a straight-line basis over their expected useful lives as follows:

- Technology and software: The expected useful life over which these items are depreciated on a straight-line basis is eight years.
- Customer relationships: straight line depreciation over 6, 8, 16 and 20 years.
- Trademarks: straight line depreciation over ten years.

Intangible assets acquired for valuable consideration are subject to impairment testing if there is an indication that it may be impaired. There were no such indications at the end of 2019.

Property, plant and equipment

Property, plant and equipment which is subject to wear and tear and is used for more than one year is measured at amortised cost and depreciated on a straight-line basis over the expected useful life. Office buildings are depreciated over an expected useful life of 10 to 50 years. Land is not ordinarily depreciated. Other plant and equipment is depreciated over the expected useful life of the respective asset, which is between 3 and 5 years for computer hardware and generally 13 years for office furnishings. Maintenance and repair costs are recognised as expense for the period.

Where there are indications of group impairment and the recoverable amount is lower than the amortised acquisition or production cost, the asset is written down to the recoverable amount. The recoverable amount is the higher amount of the value in use and the fair value less costs to sell.

Leasing

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right of use of an asset for an agreed period of time.

IFRS 16 was published in January 2016. As a result of the standard, leases are supposed to be recognised by the lessee in the balance sheet, since the distinction between operating and finance leases is eliminated from the lessee's perspective. Under the new standard, an asset (the right of use of the leased asset) and a financial liability for rental or lease payments are recognised. The only exceptions to this are short-term and low-value leases.

The Group uses the simplified transition method and does not retroactively adjust comparative amounts for the year prior to adoption. Rights of use for real estate leases are measured at the date of transition as if the new rules had always applied. All other usufructuary rights are measured at the amount of the lease liability upon transitioning (adjusted for any prepaid or accrued lease expenses).

flatex AG companies only act as lessees in external relationships.

Impairments

The carrying amounts of property, plant and equipment and of intangible assets are examined for indications of group impairment at the end of each reporting period. If any such indication exists, the recoverable amount of the asset is calculated so that a potential impairment expense may be assessed. If the recoverable amount cannot be calculated at the level of the individual asset, it is calculated at the level of the cash-generating unit (CGU) to which the relevant asset has been classified. It is distributed on an appropriate and consistent basis to the individual CGUs or the smallest group of CGUs. In the case of an intangible asset with an indefinite useful life or an intangible asset not yet available for use, impairment testing is carried out at least annually and whenever there are indications of group impairment (triggering events).

The derivative goodwill is not subject to scheduled depreciation, but it is tested for group impairment on the basis of the recoverable amount of the CGU to which it is allocated. For this, the goodwill acquired in the course of a business combination is allocated to each individual CGU which is likely to benefit from the synergies generated by the combination. The maximum size of such a CGU will be the operational segment as in the reports to the primary decision-making body, thereby establishing a link to the internal reporting system. Impairment testing is carried out at least once a year, and additionally when there is an indication of group impairment of the CGU. In the fiscal year under review, however, there was no such indication.

In the event that the carrying amount of the CGU, to which the derivative goodwill has been allocated, exceeds the recoverable amount, the derivative goodwill must be written off in the amount of the established difference. Once an impairment loss of a derivative goodwill has been recognised, it may not be reversed. Where the difference established for the CGU exceeds the carrying amount of the derivative goodwill allocated to it, the carrying amounts of the assets allocated to the CGU are subjected to pro-rated group impairments for a total of the remaining group impairment amount.

The recoverable amount is the higher amount of the value in use and the fair value less costs to sell. Determining the value in use is based on the planning of the management for the CGU. From this planning, the cash flows for the CGU in question are derived taking into account the expected growth rates of the respective markets. They are discounted at the appropriate interest rate. The determination of the interest rate is based on the interest rate for risk-free investments, the market risk premium and the borrowed capital interest rate. As a company listed on the stock exchange, flatex AG defines the companies included in the SDAX as a so-called peer group for determining the beta factor. Should the composition of the selected index prove to no longer be representative in the future, a corresponding adjustment will be made.

Inventories and work in progress

Inventory is measured at the lower of purchase/production cost or net realizable value at the end of the reporting period. The production costs approach is based on directly attributable individual and overhead costs.

Financial instruments

Financial assets and liabilities are recognised where flatex AG has a contractual right to receive cash or other financial assets from another party or is subject to a contractual obligation to transfer a financial asset to another party. Financial assets and financial liabilities are recognised from the point in time when flatex AG becomes a contractual party to the financial instrument.

The classification of financial assets depends on the business model (held to maturity, held to maturity and selling, trading) as well as the type of cash flows associated with the financial instrument. Based on these criteria, a decision is made as to whether the financial asset is supposed to be measured at amortised cost or at fair value – either through profit or loss or through other comprehensive income. The classification and the value scale for the subsequent measurement take place upon receipt of the financial instrument.

Regular market purchases or sales of financial assets are principally recognised or derecognised on the trade date.

After being classified as 'held to maturity', 'held to maturity and selling' or 'trading' and the type of cash flows associated with the financial instrument, the financial assets of flatex AG are allocated to the following categories, which must also be considered as classes within the meaning of IFRS 9:

- Amortised cost
- Financial assets (FVOCI) measured at fair value through other comprehensive income
- Financial assets (FVPL) measured at fair value through profit or loss
- Financial equity instruments measured at fair value through other comprehensive income (FVOCI-EK)
- Financial equity instruments (FVPL-EK) measured at fair value through profit or loss

Amortised cost

The following financial instruments are assigned to the 'held to maturity' business model and measured at amortised cost by the flatex AG:

- Trade receivables
- Loans to customers (long and short term)
- Cash loans due to local authorities
- Other receivables
- Cash and cash equivalents

Financial instruments assigned to this category include only interest and principal payments on the principal amount outstanding as cash flows.

Financial assets (FVOCI) measured at fair value through other comprehensive income

The bonds assigned to the business model 'held to maturity and sell' are valued at fair value through other comprehensive income (FVOCI). At the time of purchase or acquisition, they are recognised at the amortised cost plus ancillary acquisition costs and subsequently measured at fair value. Changes in the valuation of the bond portfolio are recognised in other comprehensive income and only recognised through other comprehensive income upon sale or maturity (FVOCI with recycling). The cash flows of this category of allocated financial instruments consist exclusively of interest and principal payments.

Financial assets measured at fair value through profit or loss (FVPL)

This item includes securities held for trading. The initial valuation is carried out at amortised costs and ancillary acquisition costs are recognised in profit or loss. Subsequent measurement is at fair value, with the changes in value being recognised directly through profit or loss.

Financial equity instruments (FVPL-EK) measured at fair value through profit or loss

Equity instruments are generally measured at fair value through profit or loss, regardless of whether they are held for trading purposes. For financial instruments that are not held for trading purposes, there is an option at the time of transitioning to recognise them at fair value without affecting income. flatex AG measures shares in SICAV investment companies with variable capital at fair value through profit or loss.

Financial equity instruments measured at fair value through other comprehensive income (FVOCI-EK)

For flatex AG, fund shares are assessed as equity instruments (FVOCI-EK) measured at fair value through other comprehensive income. As part of the first-time adoption of IFRS 9, the option for fair value through profit or loss was exercised for them. Valuation changes are recognised in this category in other comprehensive income (FVOCI without recycling). In case of a later sale, the amounts recognised in other comprehensive income are reclassified to retained earnings.

Measurement of financial liabilities

Financial liabilities are measured at amortised cost or at fair value through profit or loss. During the fiscal year, the financial liabilities of flatex AG were still valued at amortised cost compared to the previous year.

Impairment

For financial instruments that are valued at amortised cost or at fair value (FVOCI with recycling) and for loan commitments, flatex AG recognises a provision for risk under the three-stage approach in accordance with IFRS 9, taking expected losses into account (expected credit loss model).

Upon addition, credit risk stage 1 is established at the level expected next year (12-month horizon) (expected credit loss model (ECL)). If the credit rating has worsened or if the credit default risk of the financial instrument has increased significantly since initial recognition, the financial instrument is reassigned to stage 2, and a loss allowance for full maturity credit losses is required (lifetime ECL). If an objective indication of an expected loss can be observed, the financial instrument moves into stage 3, and a loan loss allowance is required which is assessed on an individual basis and covers the full lifetime of the financial instrument (lifetime ECL).

For risk provisions calculations at flatex AG, financial instruments with similar credit risks are grouped together or the credit risk is assessed individually.

Hedge accounting

flatex AG continues not to make use of the option of hedge accounting during the fiscal year, unchanged since the previous year.

Measurement hierarchy levels for fair value

The following hierarchy levels apply to the fair value:

Level 1: The fair value of financial instruments traded in active markets (such as listed derivatives and equity instruments) is based on quoted market prices at the end of the reporting period. The quoted market price of the financial assets held by flatex AG corresponds to the current bid price. These instruments are classified as Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on company-specific estimates. If all significant input factors to the fair value of an instrument are observable, the instrument is classified as Level 2.

Level 3: If one or more of the significant input factors are unobservable, the instrument is classified as Level 3. This applies to unlisted equity instruments. The fair value is determined on the basis of the change in net assets between the current reporting date and the previous reporting date.

Cash and cash equivalents

The measurement of cash and cash equivalents is at nominal value.

Pension obligations

The Group assesses the claims arising from defined benefit plans by applying the projected unit credit method in accordance with the requirements of IAS 19. In determining the net present value of the future benefit entitlement for services already provided, the Group takes into account future wage and pension increases. Actuarial gains and losses are recognised directly in other comprehensive income .

Income tax

Income tax for the period comprises current tax and deferred tax. Tax is recognised as income or expense and included in the profit or loss for the period, except to the extent that the tax arises from an item which is recognised in other comprehensive income, in which case the relevant tax will be recognised in other comprehensive income as well. Current tax is calculated on the basis of profit or loss realised in the fiscal year, which has been determined according to applicable tax rules.

Deferred tax

Deferred taxes are recognised for temporary differences arising between the values of existing assets and liabilities and their tax base as used in the consolidated financial statements, as well as for tax loss carryforwards and tax credits. Deferred tax assets are recognised to the extent that it is probable that these will generate future income against which the deductible temporary differences, any unused tax losses and any unused tax credits may be offset.

The capitalisation of deferred tax relating to tax loss carryforwards is subject to a special rule. It may only be capitalised where it is highly likely that sufficient taxable profits will be available in the future to offset the losses. The valuation is generally based on future taxable income over a planning period of five years.

The calculation of deferred tax amounts is made using the tax rate to be expected at the time of realisation.

Deferred tax assets and liabilities are offset where a legally enforceable right exists to offset actual tax assets against actual tax liabilities, and where the deferred tax assets and the deferred tax liabilities relate to income tax levied by one and the same tax authority on one and the same taxpayer or on a number of taxpayers, if the balance is to be settled on a net basis.

Deferred taxes are reported in separate items on the balance sheet.

Provisions

A provision will be recognised where the Group is subject to a current de facto or legal obligation to third parties arising from a past event, the outflow of resources of financial benefit for the satisfaction of the obligation is likely, and it is possible to reliably estimate the extent of the obligation. Provisions with residual maturities of more than one year are discounted. Discounting is based on market rates. The settlement amount also includes the expected cost increases.

Contingent liabilities

If the criteria for forming a provision are not met, though the outflow of financial resources not unlikely, these obligations are reported in the notes to the consolidated financial statements. Liabilities are recognised as soon as the outflow of financial resources has become probable and the amount of the outflow of resources can be reliably estimated.

Liabilities

Current liabilities are stated at the repayment or settlement amount.

Non-current liabilities are carried at amortised cost in the balance sheet. Differences between the historical amortised costs and the repayment amount are taken into account using the effective interest method.

Liabilities from lease obligations are recognised at their present value.

Recognition of revenues

The revenues from contracts with customers are recognised when the power of disposal has been transferred or the service has been provided in accordance with the contractual agreements.

For the valuation of the customer contracts, a five-step model is applied which applies to all contracts for the delivery of goods and services, with the exception of leases, insurance contracts and financial instruments in particular; it also regulates the type, amount and timing of the collection of income. The individual steps are the following:

> 1st step: Identify the contract(s) with a customer
> 2nd step: Identify the independent performance obligations
> 3rd step: Determine the transaction price
> 4th step: Allocate the transaction price to the individual performance obligations
> 5th step: Capturing revenues when (or as) the entity satisfies a performance obligation

If a contract contains several service components, the transaction price is split between all service obligations. Generally, the transaction prices for the individual service components result from the contractual provisions. If this is not the case, the transaction price will be assigned to all performance obligations based on the relative individual selling prices. If they are not directly observable, they are estimated using the expected cost-plus-margin approach.

Revenues from longer-term contracts that are fulfilled over a certain period of time must be treated according to the input method. Thereafter, the proceeds are realised in the amount of completion level achieved. The stage of completion corresponds to the ratio of incurred costs to expected total costs. The method was selected because the realization of profits from the project phases corresponds to the actual conditions as closely as possible.

Earnings per share

The earnings per share are calculated by dividing the consolidated earnings of the Group attributable to the shareholders of the parent company by the average number of the parent company's shares issued and outstanding during the fiscal year.

NOTE 5 Changes in accounting policies: amended Standards and interpretations

Annual improvements

As part of its 'annual improvements', IASB makes small changes to existing standards. There is always a three-year review cycle. These changes are listed in tabular form together with the current status of the EU endorsement. In addition to the ongoing revision of standards and interpretations as part of the 'annual improvement' project, new pronouncements are also issued on a regular basis.

New but not yet mandatory Standards and interpretations

The following new or amended standards and interpretations have already been issued by IASB and IFRS Interpretations Committee (IC), but have not yet come into force or have not yet been transferred into European law. Significant new standards and interpretations are listed. The Group has opted against early adoption of these standards and interpretations.

New Standards, interpretations and improvements

Standard/Interpretation	Amendment/new regulation	Date of application (EU)	EU endorsement
IFRS 9, IAS 39 and IFRS 7	Reform of the interest rate benchmark against the background of the IBOR reform	Fiscal years beginning on or after 01/01/2020	Yes
IAS 1 and IAS 8	Definition of 'material' to harmonise the definition of 'material' in the framework and in the standards	Fiscal years beginning on or after 01/01/2020	Yes
Framework changes to references to the framework in IFRS standards	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32 to update these announcements to reflect references to the framework and quotes from it	Fiscal years beginning on or after 01/01/2020	Yes
IFRS 3 Business Combinations	Clarification to determine whether a business or group of assets has been acquired	Fiscal years beginning on or after 01/01/2020	No
IFRS 17 Insurance Contracts	New accounting regulations for insurance contracts	Fiscal years beginning on or after 01/01/2021	No
IFRS 10 and IAS 28	Clarification according to which the P&L from the transfer of assets to an associate or joint venture must be recognised in full when a business is transferred as defined by IFRS 3.	n/a	No

All of the above standards, interpretations, and amendments of existing standards and interpretations, will likely be applied by flatex AG – to the extent that they are relevant – no earlier than the date when their adoption is mandatory. No material effects are currently expected from adoption.

Newly applied Standards and interpretations in the current reporting period (2019)

The following standards became mandatory during the fiscal year 2019 and were adopted by flatex AG:

IFRS 16 Leases

For adoption of IFRS 16, the Group recognises lease liabilities for leases previously classified as operating leases under IAS 17. These liabilities are measured at the net present value of the remaining lease payments, discounted by the lessee's incremental borrowing rate at 1 January 2019. If known, the lease payments are discounted using the rate on which the lease is based; otherwise, the lessee's incremental borrowing rate is used. Lease liabilities from rental lease agreements are discounted using the relevant rate of the suppliers.

The associated rights of use for property leases are retrospectively assessed as if IFRS 16 had always been applied. Other usufructuary rights (with the exception of lease-purchase usufructuary rights already recorded in previous years in accordance with IAS 17) are recognised in the amount of the associated lease liabilities, adjusted by the amount of any prepaid or deferred lease payments recognised in the balance sheet as of 31 December 2019. As of 1 January 2019, this resulted in an increase in property, plant and equipment of kEUR 9,600, with a corresponding increase in liabilities of kEUR 9,600.

Upon first-time adoption of IFRS 16, the Group applied the following practical expedients:

- the application of a discount rate with term equivalence to a portfolio of similarly structured leases (similar characteristics)
- disregard of initial direct costs in the assessment of rights of use at the time of initial application

No exception for low-value lease assets was applied. The Group does not apply IFRS 16 to agreements classified as non-leases under IAS 17 and IFRIC 4 'Determining Whether an Arrangement Contains a Lease'. The Group also waives the applicability of IFRS 16 for intragroup leases and reverts back to the adjusted management approach (allocation of head leases to Group companies).

The effect on earnings after tax due to the adoption of the new regulations is kEUR 31. EBITDA increased by a total of kEUR 4,078 due to operating lease payments (thereof kEUR 854 from leases already valued in accordance with IAS 17); however, depreciation of the values in use and interest on the lease liability are not taken into account in this ratio.

flatex AG has leased all the domestic and foreign office space it uses. These leases constitute lease agreements in accordance with IFRS 16. These lease agreements contain various extension and termination options that are customary for the locations in question and which, insofar as flatex AG considers exercising them to be probable, are taken into account when determining the lease term and thus in the valuation of the right of use and the leasing liability. The totality of the existing extension and termination options ensure that flatex AG has sufficient office capacity at all times and that no economically significant vacancy costs have to be borne in the event of closure or relocation.

NOTE 6 Estimates and assumptions

The preparation of the consolidated financial statements in compliance with IFRS implies the adoption of assumptions and the use of estimates which have an impact on the amounts and the disclosure of assets and liabilities and/or revenues and expenses. All available information has been taken into account in this regard. The assumptions and estimates relate mostly to the stipulation of useful lives in a consistent manner throughout the Group, the determination of recoverable amounts for impairment testing of individual CGUs, and the recognition and measurement of provisions. The currently tense interest rate environment in the financial markets provides a particular example for uncertainty in estimates, specifically as it relates to the valuation of reported pension provisions. As a consequence, values actually realised in the future may deviate from the estimates made now. New information is taken into account as soon as it becomes available. The assumptions and estimates are deemed not to have changed significantly between the end of reporting period and the presentation of these consolidated financial statements.

The impairment test of non-financial assets (in particular goodwill, capitalised development costs and customer relationships) is based on assumptions regarding future cash flows during the planning period and, if necessary, beyond, as well as the discount rate to be used.

The fair values of assets and liabilities assumed in the course of a business combination are determined using recognised valuation methods (e.g. license price analogy method, residual value method), provided there are no observable market values.

The estimation of useful life on which the depreciation on depreciable fixed assets is based is generally based on past experience and is reviewed regularly.

Determining the recoverability of financial assets requires estimates of the amount and probability of occurrence of future events. In this context, we refer to the comments on financial risk management under Note 33.

The accounting for and valuation of provisions requires an estimate of the amount and probability of occurrence of future events as well as estimates of the discount rate. These estimates are usually based on past experience or external expertise.

The calculation of deferred tax assets involves an estimate of future taxable income and the date of realisation.

NOTE 7 Changes in estimates and errors

An error correction was made in these consolidated financial statements in accordance with IAS 8, affecting the receivables from the factoring business reported in 2018. Due to the delayed detection of a case of fraud by the seller of the receivables, purchased receivables were reported as of 31 December 2018 even though they had expired; consequently, the 2018 consolidated financial statements include receivables that did not exist. This represents an error in accordance with IAS 8.41, which was corrected retrospectively by adjusting the comparative figures for the previous year in accordance with IAS 8.42(a). Since the error has no effect on the opening balance sheet of the previous year, a third balance sheet will not be published.

The correction of the error led to the disposal of short-term loans to customers in the amount of kEUR 3,570 at the expense of the result from the disposal of financial assets measured at amortised cost.

The following tables show the amendments to the consolidated balance sheet and consolidated statement of income as of 31 December 2018 (which corresponds to the values as of 1 January 2019):

In kEUR	Published consolidated financial statements for 12/31/2018	IAS 8	Amended consolidated financial statements for 12/31/2018
Assets			
Current loans due to customers	217,244	-3,570	213,675
Liabilities and shareholders' equity			
Retained earnings	46,592	-3,570	43,023
P&L			
Result from the derecognition of financial assets measured at amortised cost	-	-3,570	-3,570
Consolidated net profit	**21,044**	**-3,570**	**17,474**

The respective adjustments were also taken into account in the following notes:

Note 12 Financial instruments, Note 13 Equity, Note 30 Earnings per Share, Note 32 Segment reporting in accordance with IFRS 8.

NOTE 8 Group subsidiaries with minority shareholders

As of 31 December 2019, significant minority shareholders existed only at the level of flatex AG. The minority interests relates to the direct subsidiary financial.service.plus GmbH, Leipzig.

As of 31 December 2019, this share amounted to 0.3% of the equity of flatex AG. These minority interests accounted for a gain of kEUR 22 on the result of flatex AG.

The following tables show for the fiscal years 2019 and 2018 the condensed financial information on assets and liabilities, profit and loss, as well as cash flows of financial.service.plus GmbH. The information provided relates exclusively to financial.service.plus GmbH prior to any intra-group eliminations.

Balance sheet (condensed):

In kEUR	**12/31/2019**	**12/31/2018**
Current		
Assets	905	678
Liabilities	-601	-368
Net current assets	304	310
Non-current		
Assets	1,130	723
Liabilities	-389	-263
Net non-current assets	741	460

Income statement (condensed)

In kEUR	**2019**	**2018**
Revenues	1,658	1,616
Earnings before income taxes	114	66
After-tax earnings from continuing operations	77	44
Other earnings/losses	-	-
Comprehensive income	77	44
Total earnings attributable to minority shareholders	22	12
Dividends paid to minority shareholders	-	-

Combined cash flow statement

In kEUR	2019	2018
Net income from continuing activities	**77**	**44**
Depreciation and amortisation/appreciation of property, plant and equipment and intangible assets	416	193
Increase (+)/decrease (-) in the debit difference from asset allocation	-	-
Increase (+)/decrease (-) in provisions	8	-31
Other non-cash expenses (+)/income (-)	-	-
Gain (-)/loss (+) on disposal of assets	-	-
Increase (-)/decrease (+) in inventories, trade receivables and other assets	176	178
Increase (+)/decrease (-) in trade payables and other liabilities and shareholders equity	286	121
Interest expense (+)/income (-)	-	-
Income tax expense (+)/income (-)	37	-
Income tax payments (+/-)	-72	-
Cash flow from operating activities	**928**	**505**
Proceeds from the disposal of assets (+)	-	-
Disbursements for investments in assets (-)	-823	-409
Interest received (+)	-	-
Non-cashchanges in fixed assets	-	-
Net cash flow from investments	**-823**	**-409**
Issue (-)/repayment (+) of loans to related parties	-	-
Borrowing (+)/repayment (-) of loans from third parties	126	-
Interest paid (-)	-1	-
Dividend distribution	-	-
Proceeds from equity contribution by the parent company	-	-
Non-cashchanges in equity	197	-
Cash flow from financing activities	**322**	**-**
Change in cash and cash equivalents	428	96
Cash and cash equivalents at the beginning of the period	162	66
Cash and cash equivalents at the end of the period	**590**	**162**

NOTE 9 Intangible assets

Intangible assets during fiscal year 2019 are as follows:

In kEUR	Acquisition/production costs as of 01/01/2019	Additions
Goodwill	36,555	-
Completed development costs	39,362	1,123
Current development cost	4,728	13,876
Customer relationships	9,240	-
Industrial property rights and similar rights	10,185	3,179
Trademarks	700	-
Down payments	133	-
Intangible assets	**100,903**	**18,178**

Disposals	Reclassifications	Acquisition/production costs as of 12/31/2019	Accumulated depreciation as of 12/31/2019	Carrying amount as of 12/31/2019	Depreciation in fiscal year 2019
-	-	36,555	-	36,555	-
-	-5,000	35,485	13,241	22,244	4,172
11	5,000	23,593	107	23,486	-
975	-	8,265	1,946	6,319	666
472	-	-	9,142	3,750	1,621
-	-	-	333	368	70
133	-	-	-	-	-
1,591	**-**	**103,898**	**24,769**	**92,722**	**6,529**

Intangible assets during fiscal year 2018 were as follows:

In kEUR	Acquisition/production costs as of 01/01/2018	Additions
Goodwill	28,780	7,775
Completed development costs	26,479	9,942
Current development cost	5,300	2,369
Customer relationships	6,200	3,040
Industrial property rights and similar rights	9,455	724
Trademarks	700	-
Down payments	283	308
Intangible assets	**77,197**	**24,158**

Disposals	Reclassifications	Acquisition/ production costs as of 12/31/2018	Accumulated depreciation as of 12/31/2018	Carrying amount as of 12/31/2018	Depreciation in fiscal year 2018
-	-	36,555	-	36,555	-
-	2,941	39,362	9,069	30,292	3,205
-	-2,941	4,728	107	4,835	-
-	-	9,240	1,280	7,960	341
6	-	10,185	7,521	2,451	1,338
-	-	700	263	438	70
459	-	133	-	133	-
465	**-**	**100,903**	**18,240**	**82,664**	**4,955**

Goodwill and the ongoing development costs are the only intangible assets with an indefinite useful life.

Intangible assets with a definable useful life are stated at their acquisition or production cost, less accumulated depreciation and impairments. Scheduled depreciation of intangible assets is reported in the statement of profit or loss and other comprehensive income under the line item 'depreciation of assets'. Depreciation occurs on a straight-line basis.

Goodwill as well as current development costs are subject to annual impairment testing.

The recoverable amount of the asset is determined by calculating its 'value in use' on the basis of five-year cash flow forecasts and a pre-tax discount rate of 9.07% p. a. (previous year: 9.52%). Cash flows exceeding the five-year period were extrapolated by assuming a constant annual growth rate of around 1%. The assumptions in the impairment tests are based on management's previous experiences regarding the respective asset.

Management believes that no reasonably possible change in one of the assumptions used to determine the relevant 'value in use' of the tested assets could result in the carrying amount of such an asset to significantly exceed its recoverable amount.

Individual, material intangible assets

Asset	Item	Carrying amount 12/31/2019 kEUR	Carrying amount 12/31/2018 kEUR	Remaining amortisation Years
Technology and software (flatex)	Capitalised development cost	6,622	8,659	3
Customer relationships (ViTrade)	Customer relationships	2,821	3,006	15
Customer relationships (factoring.plus and financial.service.plus)	Customer relationships	1,740	3,040	4
Customer relationships (bank)	Customer relationships	1,758	1,914	11

No significant portion of personnel expenses was invested in research during the fiscal year (previous year: 0%).

NOTE 10 Impairment of derivative goodwill

Cash-generating unit

For the impairment test, the derivative goodwill acquired in the course of business combinations is allocated to the existing segments as cash-generating units (CGUs). The goodwill from the acquisition of factoring.plus.GmbH is fully allocated to the 'FIN' segment. Goodwill from the acquisition of XCOM AG totalling kEUR 28,780 (previous year: kEUR 28,780) is distributed over the segments 'TECH' (20%) and 'FIN' (80%). Goodwill was allocated to the CGU at the time of acquisition in accordance with the contribution of the CGU to the total Group revenues.

1. FIN: This CGU includes products and services in B2C online brokerages, B2B white-label banking, and electronic securities settlement and brokerage account management and other banking services.
2. TECH: This CGU includes IT services and R&D activities.

Testing of impairment of goodwill

The Group undertakes goodwill impairment tests on a regular basis at the end of each fiscal year, and also if there is an indication of an impairment.

To determine the financial value of each segment, the Group takes into account, among other things, increasing competition and strategy changes within the respective segment.

The cash flow forecasts are based on the detailed five-year budget approved by management. The discount rate used to calculate the expected pre-tax cash flow is based on the 'weighted average cost of capital' (WACC) concept. Any cash flows expected after the detailed four-year budget period are calculated by using an extrapolated perpetual growth rate (perpetuity). The growth rate used for this is the same as the long-term average growth rate predicted for the financial technology industry as a whole, which is also expected for our CGUs. Both past data and forward-looking data, i.e. expectations as to future market developments, are incorporated into the cash flow forecasts. Also, the growth of the company's business is taken into account for the forecast.

Basic assumptions for calculating the recoverable amount

In estimating the value in use of the CGU, there are uncertainties affecting the underlying assumptions, in particular with respect to:

- the discount factor (rate),
- market share attainable during the reporting period, and
- the growth rate used for extrapolating expected cash flows beyond the five-year detailed budget period.

Discount rates: the discount rate reflects current market assessments of the specific risks attributable to a CGU. The discount rate is estimated based on the industry WACC. The rate is further adjusted for expected market risks attributable to a CGU that have not already been reflected in the future cash flow estimates for that CGU.

Assumptions about the market share: assumptions about market share correspond to the estimate of the growth rate. It thus reflects management's view of how a CGU positions itself relative to other competitors during the budget period.

Estimated growth rates: growth rates are based on published industry-specific market research.

As at 31 December 2019 and 31 December 2018, no group impairment of derivative goodwill had to be recognised as a result of impairment testing.

The carrying amount of the CGU TECH as of 31 December 2019 amounts to kEUR 46,846 (previous year: kEUR 52,829). The recoverable amount of this CGU is kEUR 83,683 (previous year: kEUR 58,898). The derivative goodwill allocated to this CGU as of 31 December 2019 was kEUR 5,756 (previous year: kEUR 5,756). The pre-tax discount rate used for the cash flow forecast was 9.02% (previous year: 9.52%). The long-term growth rate is assumed to be 1.0% (previous year: 1.0%).

The carrying amount of the CGU FIN as of 31 December 2019 amounts to kEUR 70,650 (previous year: kEUR 127,401). The recoverable amount of this CGU is kEUR 221,980 (previous year: kEUR 356,364). The derivative goodwill allocated to this CGU as of 31 December 2019 was kEUR 30,631 (previous year: kEUR 30,631). The pre-tax discount rate used for the cash flow forecast was 9.02% (previous year: 9.52%). The long-term growth rate is assumed to be 1.0% (previous year: 1.0%).

Sensitivity of assumptions

Management believes that no reasonably possible change in one of the assumptions used to determine the respective 'value in use' of either the TECH-CGU or the FIN-CGU could result in the carrying amount of either CGU significantly exceeding its recoverable amount. The carrying amounts of the CGU TECH correspond to the Group units of flatex AG, financial.service.plus GmbH and Xervices GmbH, while the CGUs of the FIN are the Group units of flatex Bank AG, Brokerport Finance GmbH and factoring.plus.GmbH.

NOTE 11 Property, plant and equipment

Property, plant and equipment in 2019 fiscal year were as follows

In kEUR	Acquisition/ production costs as of 01/01/2019	Additions	Disposals	Acquisition/ production costs as of 12/31/2019	Accumulated depreciation as of 12/31/2019	Carrying amount as of 12/31/2019	Depre-ciation in fiscal year 2019
Land and buildings, including buildings on third-party land	5,101	459	-	5,560	3,439	2,121	406
Other plant, business and office equipment	16,482	14,118	40	30,560	16,417	14,143	5,460
Property, plant and equipment	**21,583**	**14,578**	**40**	**36,121**	**19,856**	**16,265**	**5,866**

Total rights of use recognised in property, plant and equipment

In kEUR	12/31/2019	12/31/2018
Rights of use for real estate	7,091	-
Rights of use for business and office equipment	2,173	2,238
Rights of use for vehicles	811	-
Total	**10,075**	**2,238**

Rights of use accruals

In kEUR	2019	2018
Accrual from first-time application of real estate	8,909	-
Accrual from first-time application of business and office equipment	137	1,442
Accrual from first-time application of vehicles	555	-
Accrual from RoU for real estate	216	-
Accrual from RoU for business and office equipment	926	-
Accrual from RoU for vehicles	1,011	-
Total	**11,754**	**1,442**

Amortisation of rights of use by asset class

In kEUR	2019	2018
Rights of Use for real estate	1,997	-
Rights of Use for business and office equipment	1,053	1,022
Rights of Use for vehicles	751	-
Total	**3,801**	**1,022**

Property, plant and equipment in 2018 fiscal year were as follows:

In kEUR	Acquisition/production costs as of 01/01/2018	Additions	Disposals	Acquisition/production costs as of 12/31/2018	Accumulated depreciation as of 12/31/2018	Carrying amount as of 12/31/2018	Depre-ciation in fiscal year 2018
Land and buildings, including buildings on third party land	4,581	523	3	5,101	3,033	2,068	310
Other plant, business and office equipment	13,687	2,926	131	16,482	10,957	5,525	2,548
Property, plant and equipment	**18,268**	**3,449**	**134**	**21,583**	**13,990**	**7,593**	**2,859**

Infiscal year 2019 – as well as 2018 – no impairment expense or appreciation in value was recorded. No property, plant and equipment has been pledged as collateral. The increase in depreciation and amortisation compared to the previous year results primarily from the first-time application of IFRS 16.

The carrying amount of property, plant and equipment essentially correspond to their fair values. Considerable discrepancies were not found.

NOTE 12 Financial instruments

The following table presents the carrying amounts and the fair values (see Note 4 'Explanations of Significant Accounting Policies') of each financial asset and liability depending on the nature of the business model and the measurement category:

In kEUR	Carrying amount 12/31/2019	Carrying amount 12/31/2018
Business Model 'hold until maturity'		
Amortised cost		
Non-current loans due to customers	69,409	41,110
Cash loans due to local authorities	14,056	18,900
Current loans due to customers*	362,552	213,675
Other receivables due to banks	31,239	40,466
Cash and cash equivalents	468,616	655,046
Business Model 'hold to collect and sell'		
Financial assets measured at fair value through other comprehensive income (FVOCI)	61,547	57,374
Business model 'hold to sell'		
Financial assets measured at fair value through profit or loss (FVPL)	214	893
Equity instruments without trading intent		
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	68,644	82,465
Equity instruments measured at fair value through profit or loss (FVPL-EK)	66,049	-
Financial liabilities		
Financial liabilities measured at amortised cost (including trade payables)	**1,051,405**	**1,016,718**

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

For the description of the business model, see Note 4 Explanations of Significant Accounting and Measurement Methods.

The majority of the receivables mature in less than one year, so there is no material difference between the carrying amount and the fair value for these receivables. The long-term loans to customers have a maximum term of up to seven years and were not issued until the second half of 2019. The carrying amount thus still represents an appropriate fair value.

The following table summarises the financial instruments measured at fair value in accordance with their measurement hierarchy levels:

In kEUR	Level 1 12/31/2019	12/31/2018
Business Model 'hold until maturity'		
Amortised cost		
Non-current loans due to customers	-	-
Cash loans due to local authorities	-	-
Current loans due to customers*	-	-
Other receivables due to banks	-	-
Cash and cash equivalents	-	-
Business Model 'hold to collect and sell'		
Financial assets measured at fair value through other comprehensive income (FVOCI)	61,547	57,374
Business model 'hold to sell'		
Financial assets measured at fair value through profit or loss (FVPL)	214	893
Equity instruments without trading intent		
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	68,644	82,465
Equity instruments measured at fair value through profit or loss (FVPL-EK)	-	-
Financial liabilities		
Financial liabilities measured at amortised cost (including trade payables)		

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

Level 2		Level 3	
12/31/2019	12/31/2018	12/31/2019	12/31/2018
-	-	69,409	41,110
-	-	14,056	18,900
-	-	362,552	213,675*
-	-	31,239	40,466
-	-	468,616	655,046
-	-	-	-
-	-	-	-
-	-	-	-
-	-	66,049	-
		1,051,405	1,016,718

Level 2 financial instruments did not exist as at the reporting date, since no investments were made either during the fiscal year or the prior.

Cash and cash equivalents

In kEUR	12/31/2019	12/31/2018
Balances with central banks	356,868	550,079
Receivables due to banks (on demand)	66,013	88,036
Bank balances	29,913	5,367
Cash on hand	15,821	11,564
Total	**468,616**	**655,046**

The cash and cash equivalents amount in the cash flow statement corresponds to the relevant amount in the balance sheet. In the fiscal year 2019, there were no material restrictions regarding cash and cash equivalents.

Loans to customers

Loans to customers mainly include security-backed loans such as Lombard loans and flatex flex loans, the acquired claims from factoring transactions, which are secured by commercial credit insurances from large insurance companies; as well as the financing of football clubs that include contingency insurance, guarantees and assignments of claims, TV and advertising rights. There is also other financing, which includes real estate and special financing.

With the further expansion of the loan book, loans to customers increased overall to kEUR 431,961 (previous year: kEUR 254,785), whereby the increase in short-term loans to customers resulted mainly from an expansion of security-backed loans and purchased receivables from the factoring business. The increase in long-term loans to customers is mainly due to the expansion of default-secured football club financing. The share of the factoring portfolio as a whole in the loan book increased by kEUR 102,610 to kEUR 188,581 (previous year: kEUR 85,971). Of that kEUR 29,914 (previous year: kEUR 23,301) is attributable to receivables from the true sale factoring with factoring.plus.GmbH and kEUR 147,673 (previous year: kEUR 62,670) to the football club financing.

Cash loans due to local authorities

Cash loans to municipalities declined by kEUR 4,844 to kEUR 14,056, as in the previous year. The reason for this was the continuing negative returns and the associated reduced investment attractiveness. The liquidity freed up was deposited as a cash reserve with the European Central Bank and was weighed against risk and return considerations.

Other receivables due to banks

Other loans and advances to banks amounting to kEUR 31,239 (previous year: kEUR 40,466) mainly include receivables for collateral provided by partner banks in the amount of kEUR 10,030 (previous year: kEUR 15,530), from cash collateral granted in the amount of kEUR 250 (previous year: kEUR 15,000), term deposits in the amount of kEUR 10,000 (previous year: kEUR 0) and other receivables in the amount of kEUR 7,279 (previous year: kEUR 4,755).

Financial assets (FVPL) and equity instruments (FVPL-EK) measured at fair value through profit or loss

Financial assets at fair value through profit or loss mainly include shares in the amount of kEUR 189 (previous year: kEUR 881) and other non-fixed-income securities from the designated sponsoring business in the amount of kEUR 0 (previous year: kEUR 12).

The equity instruments at fair value through profit or loss in the amount of kEUR 66,049 (previous year: kEUR 0) primarily relate to shares in residential investment and infrastructure funds in the corporate form of a SICAV.

Financial assets (FVOCI) and equity instruments (FVOCI-EK) measured at fair value through other comprehensive income

Financial assets and equity instruments measured at fair value through other comprehensive income include bonds from non-public issuers in the amount of kEUR 36,404 (previous year: kEUR 57,922), bonds from public issuers in the amount of kEUR 25,143 (previous year: kEUR 0), shares in other public limited companies in the amount of kEUR 24,139 (previous year: kEUR 0) and shares in funds in the amount of kEUR 44,486 (previous year: kEUR 82,344).

The financial instruments designated under this item are held with the goal of generating long-term income from the appreciation of the respective investment. They are not directly related to the Group's operating activities. Therefore, these financial instruments were measured at fair value through other comprehensive income, as the operating result should not be distorted by any fluctuations in value.

Amounts recognised in OCI

For the financial assets and equity instruments measured at fair value through other comprehensive income, the following amounts were recognised in other comprehensive income (OCI):

In kEUR	12/31/2019	12/31/2018
Financial assets and equity instruments measured at fair value through other comprehensive income (FVOCI with recycling)	-269	1,204
Equity instruments measured at fair value through other comprehensive income (FVOCI without recycling)	305	1,332

It is possible to designate the equity instruments held for trading that are not intended for trading as 'at fair value through other comprehensive income (OCI)'. As the shares and the fund units held are strategic investments, there is no intention to trade and the FVOCI option for equity instruments has been exercised.

The debt instruments held (bonds) are classified at fair value with changes in value in other comprehensive income (FVOCI-FK) because the financial assets are assigned to a portfolio held in the 'held to collect and sell' business model and whose contractual cash flows meet the SPPI criterion.

Financial instruments that are recognised at fair value

flatex AG carries out fair value measurements of selected financial instruments on a regular/recurrent basis.

Fair values for the instruments in these three categories are based on quoted prices in active markets that the entity can access on the measurement date (level 1 of the valuation techniques for the fair value hierarchy according to IFRS 13). This includes fixed income securities, mutual funds, and equities.

The fair value of financial instruments listed in active markets accessible to the Group is determined on the basis of observable market price quotations, insofar as these represent prices used in regular and current transactions, and is primarily to be recognised as a fair value on the valuation date (market to market).

The fair value disclosed for these instruments is to be categorised as level 3 input in the fair value hierarchy. The inputs for the fair-value measurement of loans and receivables as well as financial liabilities are the prices that were agreed between flatex AG and its contract partners for individual transactions. This relates to receivables from long-term loans in the area of special financing and long-term loan liabilities (see also Note 14 Non-current liabilities to banks and non-banks).

The shares of the SICAV companies measured at fair value through profit or loss are not traded in an active market. There are also no input factors that can be derived from market parameters and are relevant for valuation. Measurement was based on level 3 input factors within the meaning of IFRS 13. The shares in the SICAVs were not acquired until the second half of 2019, which means that the acquisition costs still represent an appropriate fair value.

Fair value of financial instruments that are not recognised at fair value

The disclosure of fair values is only required for financial instruments that are not already accounted for at fair value. A fair value that deviates from the carrying amount can occur, above all, with fixed-rate financial instruments in the event of a significant change in interest rates. The effect of a change in the market interest rate, increases with the duration of the residual maturities of the business.

The carrying amount represents a reasonable approximation of the fair value of the following financial instruments, which are predominantly short-term. There is no material difference between the carrying amount and fair value. This includes the following financial institutions:

In kEUR	**Carrying amount 12/31/2019**	**Carrying amount 12/31/2018**
Assets		
Cash on hand and bank balances and balances with central banks	402,603	567,010
Current loans due to customers*	362,552	213,675*
Receivables due to banks	31,239	40,466
Cash loans due to local authorities	14,056	18,900
Receivables due to banks (on demand)	66,013	88,036
Liabilities and shareholders' equity		
Trade payables	5,581	2,780
Liabilities to customers	950,777	955,489
Liabilities to banks	71,694	57,259
Other financial liabilities	6,132	2,219

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

For financial instruments that cannot to be recognised in the balance sheet at fair value, fair values must also be disclosed in accordance with IFRS 7, the valuation method of which is presented below.

Financial instruments that are not measured at fair value are not managed on the basis of their fair value. This applies, for example, to receivables from the field of football financing, credit facilities issued to corporate customers and individual receivables purchased as part of true-sale factoring. For such instruments, the fair value is calculated only for the purposes of the notes and has no effect on the consolidated statement of financial position or on the consolidated statement of comprehensive income.

For longer-term financial instruments in these categories, the fair value is calculated by discounting the contractual cash flows using discount rates that could have been obtained for assets with similar residual maturities and credit default risks. For liabilities, discount rates are used that corresponding liabilities with similar residual maturities would have been able to be recognised with at the end of the reporting period.

Fair value is determined using DCF techniques that take into account credit risk, interest rate risk, currency risk, estimated default loss and the amounts claimed in the event of default. The parameters of credit risk, credit default risk and claim at the time of default are determined based on available information, where available and appropriate, and are continuously updated.

Held collateral

flatex AG does not hold any financial or non-financial collateral according to IFRS 7.15.

Provided collateral

The Group has provided collateral with the clearing and depositary agents of flatex Bank AG for the processing of the bank's financial comission business. The collateral is largely provided in the form of deposited securities. As of 31 December 2019, the carrying amount of provided collateral amounts to kEUR 50,675 (31 December 2018: kEUR 45,201).

The material transactions and their underlying contractual terms are the following:

- A substantial portion of the total amount of collateral is attributable to the securities traded on the Eurex stock exchange. Two types of collateral, the 'clearing fund' and the 'margin', must be deposited for this purpose. The clearing fund, amounting to kEUR 5,244 as of 31 December 2019 (31 December 2018: kEUR 5,000), represents the minimum level of collateral to which Eurex would have access in the event of default of a clearing member. The margin amount (31 December 2019: kEUR 12,154; 31 December 2018: kEUR 15,000) depends in particular on the risk content of the transactions. The margin is supposed to cover the risk of pending transactions at Eurex. This is supposed to secure potential market price fluctuations. The required 'margin' amount is determined by Eurex on a daily basis.
- flatex Bank AG carries out foreign-exchange transactions with two business partners. For the credit default risk inherent in these transactions, it has to provide collateral in contractually fixed amounts. As of 31 December 2019, the total amount thus provided is kEUR 10,030 (31 December 2018: kEUR 10,030).
- Its business partners have granted flatex Bank AG credit lines for the settlement of securities transactions in foreign currency, for a total of kEUR 8,918 (31 December 2018: kEUR 8,721). Collateral is provided in the form of deposited securities in the amount of kEUR 9,567 (31 December 2018: kEUR 9,491). flatex Bank AG can dispose of the deposited securities at any time with a concomitant reduction of the respective credit line.
- The collateral can be delivered in the form of pre-defined securities with a fixed maturity and short- and long-term maturities as well as short-term available cash. An exchange within the permissible collateral is possible at any time as long as the collateral requirement is met.

In addition, the Group has provided collateral for the financing of an owner-occupied business property in the state of North Rhine-Westphalia. Collateral is provided in the form of a registered mortgage in the amount of kEUR 1,500 against the owner-occupied business property, in favour of the lender of the instalment loan. The loan amount as of 31 December 2019 is kEUR 708 (previous year: kEUR 875).

Net gains/losses from financial instruments

The net gains/losses from financial instruments are as follows:

In kEUR	Net gains 2019	Net losses 2019
Financial assets measured at fair value through profit or loss	-	-
Financial assets measured at amortised cost	148	761
Equity instruments whose changes in fair value upon exercise of the fair value OCI option (FVOCI-EK) for equity instruments are to be recognised in OCI, i.e. in equity	-	-
Financial assets measured at fair value through other comprehensive income (fair value through OCI for debt instruments)	145	160
Interest income and interest expense of financial assets measured at amortised cost	15,108	1,730
Fees recognised as income or expense	-	-

In kEUR	Net gains 2018	Net losses 2018
Financial assets measured at fair value through profit or loss	-	135
Financial assets measured at amortised cost	13	6,028
Equity instruments whose changes in fair value upon exercise of the fair value OCI option (FVOCI-EK) for equity instruments are to be recognised in OCI, i.e. in equity	247	62
Financial assets measured at fair value through profit or loss (fair value through OCI for debt instruments)	574	169
Interest income and interest expense on financial assets measured at amortised cost	10,912	739
Fees recognised as income or expense	-	-

The net gains and losses from loans and receivables stem mostly from adjustments to bad loan charges as well as from the recovery of previously written-off principal and interest. The net gains and losses from financial assets available for sale, as well as from financial assets or liabilities measured at fair value through profit or loss, mostly come from changes in market value, and from dividends and interest received.

NOTE 13 Equity

Subscribed capital

At the end of the fiscal year, the subscribed capital was divided into 19.596 million (previous year: 18.737 million) no-par-value registered shares with a proportionate, notional par value of EUR 1.00 each. As of the end of reporting period, the subscribed capital of flatex AG amounts to kEUR 19,596(previous year:kEUR 18,737).

The change in the subscribed capital results from exercising options within the framework of the employee stock option plan. For further details, please refer to Note 31.

Number of shares issued and outstanding as of 12/31/2017	17,506,426
Number of new shares issued in 2018	1,225,761
Issued treasury stock in 2018	4,450
Number of shares issued and outstanding as of 12/31/2018	18,736,637
Number of new shares issued in 2019	859,000
Number of shares issued and outstanding as of 12/31/2019	19,595,637

Authorised capital

At the beginning of fiscal year 2019, flatex AG had authorised capital of kEUR 7,530.

Regarding the issuance of new shares, the following resolutions were passed in 2018:

1. By resolution of the general meeting on 7 August 2018, the Management Board was authorised to increase the subscribed capital, with the consent of the Supervisory Board, by a total of up to kEUR 3,857 by issuing new, no-par-value registered shares against contributions in cash and/or in kind, in one or more instalments, until 6 August 2023 (authorised capital 2018/I). Principally, the existing shareholders must be granted pre-emptive rights. The Management Board, however, with the consent of the Supervisory Board, is authorised to exclude such pre-emptive rights of the shareholders in specific instances. On 10 September 2018, the Management Board, with the consent of the Supervisory Board, and on the basis of the authorisation granted on 7 August 2018, resolved to increase the subscribed capital by kEUR 1.226 to a new total of kEUR 18,737 by issuing 1,225,761 new no-par-value registered shares. The capital increase was transacted against contribution in cash. The authorised capital was partly utilised in this; after registration of the capital increase, the remaining authorised capital at the end of reporting period was kEUR 2,632.

Regarding the issuance of new shares, no resolutions were passed in 2019.

On 31 December 2019, the company had authorised capital of kEUR 7,530 (authorised capital 2017: kEUR 4,898; authorised capital 2018: kEUR 2,632).

	12/31/2019	12/31/2018
Number of authorised shares	7,529,677	7,529,677

Conditional capital

1) Conditional capital 2014

By resolution passed at the extraordinary general meeting on 30 October 2014, the Management Board was authorised to conditionally increase the subscribed capital by a total of up to kEUR 1,390 with the consent of the Supervisory Board by issuing up to 1,390,000 new, no-par-value bearer shares, with profit participation from the beginning from the fiscal year of their issuance (conditional capital 2014). According to the resolution of 30 October 2014, the exclusive purpose of conditional capital 2014 is to secure pre-emptive rights, which are issued on the basis of the general meeting's authorisation of 30 October 2014, as part of the 2014 stock option plan, to the members of the Management Board and to employees of flatex AG, as well as to members of the management boards and to employees of companies affiliated with flatex AG, in the period up to and including 30 September 2019.

At the general meeting on 27 July 2016 it was resolved to convert the bearer shares of the company into registered shares. Accordingly, the conditional capital 2014 was modified for the issuance of registered shares.

By resolution passed at the extraordinary general meeting on 4 December 2017, the general meeting's authorisation of 30 October 2014, with modifications at the general meeting on 27 July 2016, to issue subscription rights as part of the 2014 stock options plan, was modified and specified. At the same time, conditional capital 2014 was modified in so far as it may now also service pre-emptive rights which have been issued on the basis of the general meeting's authorisation of 30 October 2014, also with modifications by the general meeting of 27 July 2016 and also as amended by the resolution at the extraordinary general meeting on 4 December 2017, and also to the extent that the conditions underlying the respective subscription rights have been revised after their issuance in accordance with the respective resolution of the general meeting of 4 December 2017.

As a result of exercising stock options from the 2014 stock option programme, a total of 859,000 new registered shares with a pro rata amount of the subscribed capital of EUR 1.00 per share were issued from the 2014 conditional capital in the reporting year. As a result, the 2014 conditional capital was reduced by kEUR 859 to kEUR 531 as of 31 December 2019, and the subscribed capital increased to kEUR 19,596 as at the end of reporting period.

2) Conditional capital 2015

By resolution passed at the general meeting on 28 August 2015, the Management Board was authorised to conditionally increase the subscribed capital by a total of up to kEUR 230 with the consent of the Supervisory Board by issuing up to 230,000 new, no-par-value bearer shares, with profit participation from the beginning of the fiscal year of their issuance (conditional capital 2015).

According to the resolution of 28 August 2015, the exclusive purpose of conditional capital 2015 is to secure pre-emptive rights, which are issued on the basis of the general meeting's authorisation of 28 August 2015, as part of the 2015 stock option plan, to the members of the Management Board and to employees of the company, as well as to members of the management boards and to employees of affiliated companies, in the period up to and including 27 August 2020.

At the general meeting on 27 July 2016 it was resolved to convert the bearer shares of the company into registered shares. Accordingly, conditional capital 2015 was modified for the issuance of registered shares.

By resolution at the extraordinary general meeting on 4 December 2017, the general meeting's authorisation of 28 August 2015, with modifications by the general meeting on 27 July 2016, to issue subscription rights as part of the 2015 stock options plan, was modified and specified. At the same time, conditional capital 2015 was modified in so far as it may now exclusively service only pre-emptive rights which have been or will be issued on the basis of the general meeting's authorisation of 28 August 2015, also with modifications by the general meeting of 27 July 2016, and also as amended by the resolution of the extraordinary general meeting on 4 December 2017, and also to the extent that the conditions underlying the respective subscription rights have been or will be revised after their issuance in accordance with the respective resolution at the general meeting of 4 December 2017.

3) Conditional capital 2018

By resolution passed at the extraordinary general meeting of 4 December 2017, with addendum from 7 August 2018, the Management Board was authorised to conditionally increase the subscribed capital until 3 December 2022 by a total of up to kEUR 3,500 with the consent of the Supervisory Board by issuing up to 3,500,000 new no-par-value registered shares, with profit participation from the beginning of the fiscal year of their issuance (conditional capital 2018/I). The conditional capital increase is used to service bonds that are issued until 3 December 2022 based on the corresponding authorisation resolution at the annual general meeting on 4 December 2017 in the amended version dated 7 August 2018.

By resolution at the ordinary general meeting of 7 August 2018, the Management Board was authorised to conditionally increase the subscribed capital until 6 August 2023 by a total of up to kEUR 3,600 with the consent of the Supervisory Board by issuing up to 3,600,000 new no-par-value registered shares, with profit participation from the beginning of the fiscal year of their issuance (conditional capital 2018/II). The conditional capital increase is used to service bonds and/or profit participation rights that are issued by 6 August 2023 based on the corresponding authorisation resolution at the annual general meeting on 7 August 2018.

Additional paid-in-capital

The additional paid-in-capital as of 31 December 2019 amounts to kEUR 106,894 (previous year: kEUR 101,406) and consists of the following components:

- Amounts exceeding the notional par value from payments for the issuance of new shares
- Direct payments by shareholders into the equity account
- Payments by shareholders for the granting of precedence for their shares

As result of the conditional capital increase of kEUR 1,390 in the reporting period through exercised stock options, based on the 2014 conditional capital passed by resolution at the general shareholders' meeting, the subscribed capital increased by kEUR 859. The capital reserve was increased by the premium of the issued shares by kEUR 5,412.

Retained earnings

The following table shows the changes in retained earnings during the relevant periods:

In kEUR	Change
As of 01/01/2018	**27,678**
Additions to retained earnings	17,606
of which: allocation from net profit*	17,474*
of which: dividend distribution	-
of which: changes in the scope of consolidation not involving a change of control	132
Other earnings/losses	-2,262
As of 12/31/2018	**43,023**
Additions to retained earnings	13,315
of which: allocation from net profit	14,908
of which: dividend distribution	-
of which: changes in the scope of consolidation not involving a change of control	-1,593
Other earnings/losses	-1,137
As of 12/31/2019	**55,200**

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

NOTE 14 Non-current liabilities to banks and non-banks

Non-current financial liabilities comprise the following:

In kEUR	12/31/2019	12/31/2018
Non-current liabilities to banks		
Loans with original terms > 1 year	3,018	8,999
Loans with original terms > 5 years	708	875
Total	**3,727**	**9,874**
Non-current liabilities to non-banks		
Liabilities from leases	10,062	2,143
Liabilities from hire purchasing	3,433	2,207
Other liabilities	-	1,602
Total	13,495	5,952

The non-current liabilities to banks amount to kEUR 3,727(previous yearkEUR 9,874). The decrease resulted from scheduled repayments amounting to kEUR 6,167 (previous year: kEUR 6,166) p.a. for two existing loans.

The loan with a maturity of more than one year concerns the financing of the purchase of the XCOM shares and the squeeze-out in 2017 in the amount of EUR 18.0 million with a repayment of EUR 6.0 million p.a. The term of the loan ends on 30 June 2020, such that there are no other operating loan liabilities.

The liability with a maturity of more than five years relates to a secured mortgage loan for an office building used by the Group in the state of North Rhine-Westphalia. The maturity ends with scheduled repayments amounting to kEUR 166 p.a. in the year 2024.

The non-current liabilities to non-banks include leasing liabilities in accordance with IFRS 16:

In kEUR	12/31/2019	12/31/2018
Leasing liabilities	10,062	2,143
Total	**10,062**	**2,143**

NOTE 15 Pensions and similar obligations

flatex AG has defined-benefit pension plans on the basis of individual fixed-sum commitments. Most pension plans provide life-long benefit payments, including retirement, disability and widows/widowers pension. To finance the pension commitments, re-insurance policies were bought for the employees of flatex AG from Swiss pension provider Swiss Life AG and German insurer MV Versicherungsgruppe. Some of the re-insurance contracts are pledged to the beneficiaries and qualify as plan assets. Other re-insurance contracts qualify as reimbursements rights.

The amount of the total obligation is calculated annually by independent actuaries using the ‘projected unit credit method’ prescribed by IAS 19. The calculation includes the pensions and acquired entitlements as per the reporting date as well as the expected increases of entitlements and pensions. Some commitments entail entitlement dynamics which are guided by inflation or by firmly agreed adjustment rates. Future pension adjustments depend on statutory provisions; partly they include additional minimum adjustment guarantees. The actuarial discount rate used to discount the benefit obligations as at end of reporting period is based on the yield of high-quality corporate bonds.

Income from plan assets and expenses from the compounding of obligations are recognised in the financial result. Past service costs are classified as operating expenses. Gains and losses from adjustments and changes in actuarial assumptions are recognised immediately in equity, without going through profit or loss, in the period in which they arise.

The principal actuarial assumptions used are the following:

In kEUR	12/31/2019	12/31/2018
Actuarial discount rate	1.00%	1.90%
Inflation rate	1.00%	1.00%
Mortality	Heubeck Tables 2018G	Heubeck Tables 2018G

The net liability for defined-benefit pension obligations is calculated as follows:

In kEUR	12/31/2019	12/31/2018
Present value of defined-benefit obligations	30,393	24,791
Fair value of plan assets	-19,381	-18,538
Net liability for pension obligations	**11,012**	**6,253**

The change in the net liability for pension obligations was as follows:

In kEUR	2019	2018
As per balance sheet at beginning of the fiscal year	**6,253**	**7,203**
Current service expense	17	78
Past service expense	-	-935
Net interest expense	113	99
Actuarial gains / losses	5,242	-467
due to changes in demographic assumptions	-	424
due to changes in financial assumptions	5,142	-1,060
due to adjustments in experience	144	237
income from plan assets other than amounts recognised in the income statement	-44	-68
Employer’s contributions to plan assets	-613	-678
Pension benefits paid	-	-
Transfers and company transactions	-	-
As per balance sheet at end of the fiscal year	**11,012**	**6,253**

The development of the present values of defined benefit obligations, and the fair values of plan assets and reimbursement rights, is shown in the following tables.

Defined benefit obligations

In kEUR	2019	2018
Present value of defined benefit obligations at beginning of the fiscal year	**24,791**	**24,857**
Amounts recognised in the income statement	**486**	**499**
Current service expense	17	76
Accrued interest expense	469	423
Past service costs and gains/losses from plan settlements	-	-
Amounts recognised in OCI	**5,286**	**-399**
Actuarial gains/losses	5,286	-399
due to changes in demographic assumptions	-	424
due to changes in financial assumptions	5,142	-1,060
due to adjustments in experience	144	237
Payments and other adjustments	**-170**	**-166**
Employee contributions	-	-
Pension benefits paid	-170	-166
Payments for plan settlements	-	-
Transfers and company transactions	-	-
Present value of defined benefit obligations at end of the fiscal year	**30,393**	**24,791**

Plan assets

In kEUR	2019	2018
Fair value of plan assets at beginning of the fiscal year	**-18,537**	**-17,654**
Amounts recognised in the income statement	**-356**	**-304**
Accrued interest income	-356	-304
Amounts recognised in OCI	**-44**	**-68**
Income from plan assets other than amounts recognised in income statement	-44	-68
Payments and other adjustments	**-444**	**-511**
Employee contributions	-	-
Employer contributions	170	-677
Payments for plan settlements	-	-
Pension benefits paid	-613	166
Transfers and company transactions	-	-
Fair value of plan assets at end of the fiscal year	**-19,381**	**-18,537**

Reimbursement rights

In kEUR	2019	2018
Fair value of reimbursement rights at beginning of the fiscal year	**-1,126**	**-951**
Amounts recognised in the income statement	**-23**	**-18**
Accrued interest income	-23	-18
Amounts recognised in OCI	**36**	**34**
Revenues from reimbursement rights other than amounts recognised in the income statement	36	34
Payments and other adjustments	**-191**	**-191**
Employee contributions	-	-
Employer contributions	-191	-191
Fair value of reimbursement rights at end of the fiscal year	**-1,305**	**-1,126**

On the balance sheet, reimbursement rights are included in 'financial assets and other assets'.

The allocation of the defined-enefit obligations to the different groups of entitled plan participants, and their weighted average duration, are shown in the following table:

In kEUR	12/31/2019	12/31/2018
Active employees	647	484
Former, vested employees	25,208	20,266
Retirees	4,538	4,041
Present value of defined-benefit obligations	**30,393**	**24,791**
Weighted average duration of obligations in years	21	22

The plan assets consist of re-insurance policies for which there is no active secondary market.

The pension commitments are subject to the regulations of the German Company Pensions Act ('Betriebsrentengesetz'). Since the commitments provide life-long pension benefits, there is a biometric risk in the event of increasing life expectancies. Insofar as the entitlements and pension benefits are pegged to inflation, there is an inflation risk. To the extent that the actuarial discount rate, as well as the actual return on plan assets and reimbursement rights, depend on future market developments, there are respective financial risks.

The sensitivities to changes in the capital markets and to significant assumptions are shown in the table below. The sensitivities were determined on the basis of the same stock and the same valuation method as the valuation of the pension obligations as at the end of the reporting period. When calculating the sensitivities, each assumption was changed in isolation; any correlations between the individual parameters are being ignored for this purpose.

In kEUR	12/31/2019	12/31/2018
Total obligation when the actuarial discount rate is increased by 0.25% p.a.	28,836	23,545
Total obligation when the actuarial discount rate is decreased by 0.25% p.a.	32,062	26,124
Total obligation when inflation rate increases by 0.25% p.a.	30,786	25,148
Total obligation when inflation rate decreases by 0.25% p.a.	30,007	24,440
Total obligation when life expectancy of a 65-year-old increases by 1 year	31,207	25,368

For the upcoming year, pension payments of kEUR 173 are expected (previous year: kEUR 170). Payment contributions to plan assets are expected in the amount of kEUR 613 (previous year: kEUR 618) and to reimbursement rights in the amount of kEUR 191 (previous year: kEUR 191).

NOTE 16 Liabilities to customers

As of 31 December 2019, liabilities to customers are kEUR 950,77(previous year:kEUR 955,489). The liabilities to customers primarily consist of customer deposits at flatex Bank AG, mainly balances from cash accounts of customers of the ViTrade and flatex brands. As of 31 December 2019, customers' foreign currency balances increased by kEUR 2,240 to kEUR 3,885 (previous year: kEUR 1,645). As at the end of reporting period, the security deposits dropped by kEUR 1,500 to kEUR 1,500 (previous year: kEUR 3,000).

In addition, there are contingent liabilities from unutilised portions of irrevocable lines of credit in the amount of kEUR 216,827 (previous year: kEUR 193,812). They stem largely from securities-related loan agreements with customers, whereby the loans are fully collateralised by the customers' securities deposits, consisting for example of stocks and bonds (Lombard loans).

NOTE 17 Current liabilities to banks

Current liabilities to banks comprise the following:

In kEUR	12/31/2019	12/31/2018
Liabilities to banks	66,202	47,245
Foreig-currency balance	5,492	10,014
Total	**71,694**	**57,259**

Short-term financial liabilities to banks in the fiscal year amount to kEUR 71,694 (previous year: kEUR 57,259) and at kEUR 66,202 (previous year: kEUR 47,245) include settlement liabilities from settlements processing on behalf of customers as well as foreign currency balances from transactions on behalf of customers in the amount of kEUR 5,492(previous year: kEUR 10,014).

Foreign currency balances consist mainly of liabilities to foreign banks for the settlement of securities transactions, undertaken in the name of our customers. The currencies in question are for the most part USD, CHF and CAD.

NOTE 18 Other financial liabilities

Other financial liabilities comprise the following:

In kEUR	12/31/2019	12/31/2018
Tax liabilities	5,572	1,409
Accruals and deferrals	559	657
Other financial liabilities	-	153
Total	**6,132**	**2,219**

The tax liabilities, which increased by kEUR 4,163, primarily include liabilities to the tax office from transaction taxes on customer transactions amounting to kEUR 3,139 (previous year: kEUR -4,657), wage tax (kEUR 720, previous year: kEUR 503) and value added tax (kEUR 160, previous year: kEUR 786).

NOTE 19 Other provisions

The changes in provisions during the fiscal year was as follows:

In kEUR	01/01/2019	Utilisation	Reversals	Additions	12/31/2019
Other provisions	6,830	3,953	119	6,916	9,674
Total	**6,830**	**3,953**	**119**	**6,916**	**9,674**

In kEUR	01/01/2018	Utilisation	Reversals	Additions	12/31/2018
For warranty claims	55	-	55	-	-
Other provisions	7,499	6,001	436	5,768	6,830
Total	**7,554**	**6,001**	**491**	**5,768**	**6,830**

Other provisions include the measurable risk exposures to third parties. These provisions are valued at full cost and amount to kEUR 9,674 at year-end (previous year: kEUR 6,830). They mainly include Group provisions for performance-based, variable compensation of kEUR 2,397 (previous year: kEUR 1,615) and other personnel costs including leave provisions of kEUR 255 (previous year: kEUR 226). Provisions for audit and other professional fees amount to kEUR 1,766 (previous year: kEUR 1,169) and for pending invoices to kEUR 4,936 (previous year: kEUR 3,395).

flatex AG is in a labour dispute with a former employee, which could result in a financial risk. flatex AG has refrained from setting up a provision for it.

NOTE 20 Tax provisions

Provisions for taxes are composed as follows as at the end of reporting period:

In kEUR	01/01/2019	Utilisation	Reversals	Additions	12/31/2019
Corporation tax	3,191	-3,679	-	1,681	1,193
Trade tax	2,350	-3,702	-	1,352	-
Miscellaneous	-	-	-	-	-
Total	**5,541**	**-7,381**	**-**	**3,033**	**1,193**

In kEUR	01/01/2018	Utilisation	Reversals	Additions	12/31/2018
Corporation tax	1,088	-919	-	2,883	3,052
Trade tax	2,127	-2,266	-	2,628	2,489
Miscellaneous	-	-	-	-	-
Total	**3,215**	**-3,185**	**-**	**5,511**	**5,541**

NOTE 21 Revenues

Revenues for the2019 and 2018 fiscal years were composed as follows:

In kEUR	2019	2018
Commission income	90,401	84,861
Provision of IT services	19,794	18,462
Interest income	15,147	11,733
Other operating income	6,610	10,044
Total	**131,952**	**125,100**
Timeline of revenues recognition		
at a certain time	131,952	125,100
over a period of time	-	-

During the fiscal year, commission income of kEUR 90,401 (previous year: kEUR 84,861) was mainly generated from the flatex and ViTrade securities business and from flatex Bank AGs B2B services. The increase is mainly due to organic growth and the expansion of B2B business.

The Group reported revenues of kEUR 19,794 for the provision of IT services (previous year: kEUR 18,462). Significant contributors were the OTC trading systems L.O.X. and the system Tristan, flanked by further development services for customers from the Technologies segment. The increase results in particular from the advanced onboarding of the client Vall Banc to FTX:CBS. The Group fulfils its service obligations by executing an order or providing the IT service.

The item 'Provision of IT services' also includes the sale of goods.

Interest income in the amount of kEUR 15,147 (previous year: kEUR 11,733) increased in comparison to the same period of the previous year, primarily due to the growing, predominantly secured loan book.

Revenues for the provision of IT services relate exclusively to the Technologies segment. Proceeds from commission and interest income are allocable to the Financial Services segment.

In kEUR	**12/31/2019**	**01/01/2019**
Short-term contractual assets from IT contracts	-	-
Short-term contractual assets from banking transactions	-	-
Total contractual assets	**-**	**-**
Trade receivables (IT contracts)	3,518	7,967
Trade receivables (banking transactions)	4,308	4,095
Total receivables	**7,826**	**12,062**
Contract liabilities from IT contracts	772	116
Contract liabilities from banking transactions	872	536
Total current contract liabilities	**1,644**	**652**

No revenue was recognised in the reporting period that was included in the total contract liabilities at the beginning of the period. Likewise, there was no recognition of proceeds from performance obligations that were (partially) fulfilled in previous periods. All services included in the IT contracts are invoiced after one year at the latest. A corresponding periodisation is carried out during the year. As permitted by IFRS 15, the transaction price attributed to these unfulfilled performance obligations is not disclosed.

The decrease in trade receivables from IT contracts by kEUR 4.449 results from the early settlement of customer contracts at the turn of the fiscal year.

In addition to the contract totals shown above, the Group has recognised an asset in connection with the costs for the fulfilment of a long-term IT contract. This is shown in the balance sheet under other assets:

In kEUR	**12/31/2019**	**12/31/2018**
Costs capitalised at the time of execution of a contract with a customer on 31 December	98	187
Amortisation amounts and impairments	-	-
Total	**98**	**187**

NOTE 22 Raw materials and consumables

Raw materials and consumables for fiscal year 2019 and 2018 were composed as follows:

In kEUR	2019	2018
Commission expense	27,551	22,363
Other operating expenses	7,351	9,577
IT business expenses	2,820	4,186
Interest expense	450	721
Total	**38,172**	**36,846**

During the fiscal year, commission expenses of kEUR 27,551 (previous year: kEUR 22,363) were recognised. They essentially include expenses incurred in connection with the settlement of securities transactions with counterparties. The increase is mainly due to the expansion of the B2B business and is proportional to the corresponding gross commission income.

For the provision of IT services, the Group incurred expenses of kEUR 2,820 (previous year: kEUR 4,186). The decline in expenses is the result of a focus on high-margin customer projects in the area of IT services. Also included here is the cost of selling goods in the end-customer business.

During the fiscal year under review, the other operating expenses of kEUR 7,351 (previous year: kEUR 9,577) particularly include allocations to risk provisions in accordance with IFRS 9 (Levels 1 - 3) in the amount of kEUR 4,876 (previous year: kEUR 6,970) and IT expenses in the amount of kEUR 1,553 (previous year: kEUR 1,224).

NOTE 23 Personnel expenses

The average number of employees during the 2019 fiscal year was 527 (previous year: 497). At of the end of reporting period, 229 employees work in the FIN segment and 303 employees in the TECH segment. Personnel expenses break down as follows:

In kEUR	2019	2018
Wages and salaries	21,076	18,512
Social-security contributions and discretionary benefits	5,067	4,177
Income/expenses for pension obligations and employee benefits	-735	-775
Total	**25,409**	**21,914**

Wages and salaries during the 2019 fiscal year amount to kEUR 21,076 (previous year: kEUR 18,512). The increase compared to the previous year results from the higher number of employees and a slight increase in gross personnel costs per capita. It is offset by higher capitalised development costs of kEUR 14,785 (previous year: Keur 12,311) for intangible assets in accordance with IAS 38.

NOTE 24 Other administrative expenses

Other administrative expenses for the 2019 and 2018 fiscal years are as follows:

In kEUR	2019	2018
Marketing and advertising	12,527	3,842
Legal and professional services	4,656	4,024
IT	2,563	2,362
Other expenses	1,842	3,468
Bank-specific contributions	2,364	2,115
Premises	2,361	3,765
Insurance, contributions, official fees	1,790	1,309
Travel	868	881
Postage and office supplies	804	762
Vehicle expenses	752	1,236
Entertainment	262	208
Total	**30,791**	**23,972**

The incease in marketing and advertising expenses of kEUR 8,686 is mainly due to the market entry of flatex in the Netherlands and new customer campaigns for flatex Germany. The increase in legal and consulting costs by kEUR 632 results from corporate-strategy issues and has a one-off character. The increase of kEUR 482 in expenses for insurances, contributions and charges are due to the expansion of the loan book and the factoring business. They are offset by reduced expenses in the area of investor relations.

The lease expenses and the vehicle fleet include components that are subject to different disclosure due to the IFRS 16 accounting standard applied since 2019.

Other expenses include training costs of kEUR 492 (previous year: kEUR 551), compensation to the Supervisory Board of kEUR 511 (previous year: kEUR 513) and other operating taxes of EUR k467 (previous year: kEUR 4). The decline of kEUR 1,626 is mainly due to fees for arbitrage trading, which was discontinued in December 2018.

NOTE 25 Financial result

The financial result for the 2019 and 2018 fiscal years is composed as follows:

In kEUR	**2019**	**2018**
Interest income on pensions	356	304
Other interest income	23	20
Total other financial income	**380**	**324**
Interest expense for deposit facility	1,941	1,736
Interest expense on pensions	469	423
Interest expense for non-current liabilities	275	344
Other interest expense	817	-
Total other financial expenses	**3,503**	**2,503**
Financial result	**-3,123**	**-2,179**

The increase in interest expenses for deposit facilities by kEUR 206 results from increased deposits with the ECB and the reduction of the corresponding negative deposit rate. The interest expense for pensions, which increased by kEUR 47, resulted from the adjustment of interest rates at the expense of the lender.

Interest expense for non-current liabilities consists of interest on the loan to finance the purchase of the shares of XCOM AG as well as the interest expense for leasing liabilities.

NOTE 26 Income tax expense

Income tax expense for the fiscal years ending on 31 December 2019 and 31 December 2018 consists of the following components:

In kEUR	2019	2018
Current income tax		
Current income tax expense	-2,876	-5,025
Tax income/expense for previous years	-157	-139
Deferred tax		
Deferred taxes on temporary differences	-3,687	-3,157
Deferred taxes on losses carried forward	-	-2,644
Income tax as per income statement	**-6,720**	**-10,965**
Other earnings/losses		
Changes in deferred taxes recognised in other comprehensive income	877	910
thereof actuarial gains/losses from defined-benefit pension provisions	1,640	-135
thereof gains/losses on changes in the value of available-for-sale assets	-763	1,045
thereof recycling of deferred taxes	-	-
Income tax in comprehensive income	**-5,843**	**-10,055**

Other comprehensive income for 2019 includes deferred tax income on actuarial losses from defined-benefit pension provisions of kEUR 1,640 (previous year: kEUR -135) and deferred tax expense on changes in the value of financial assets that are available for sale in the amount of kEUR -763 (previous year: kEUR 1,045).

German business income tax is based on a corporation tax at a rate of 15%, with an added 'solidarity surcharge' on 5.5% of the corporation tax amount. Including the additional trade tax, which is levied at a local level, the combined income tax rate for flatex AG as a fiscal whole was 31.08% (previous year: 31.07%). The variance is due to a change in the weighted average trade tax multiplier.

The following table reconciles the expected interest expense – as a product of earnings before income taxes and the applicable tax rate for flatex AG – and the tax expense reported in the income statement:

Tax reconciliation

		2019	2018
Earnings before tax	kEUR	21,628	32,010
Applicable tax rate	%	31.08	31.07
Expected tax expense	kEUR	-6,722	-9,945
Effect from non-deductible expenses	kEUR	-315	-603
Effect from non-taxable income	kEUR	811	42
Effect from non-deductible expenses from stock option plans	kEUR	-24	-121
Effect from current income taxes on previous years income	kEUR	-157	-139
Effect from deferred taxes for previous years	kEUR	-	-178
Effect from changes in tax rates of deferred taxes	kEUR	-1	6
Effect from deviating tax rates	kEUR	100	75
Effect from tax losses without recognition of deferred taxes	kEUR	-793	-
Effect from tax losses without recognition of deferred taxes in previous year	kEUR	-	11
Other tax effects	kEUR	381	-113
Reported tax expense	kEUR	-6,720	-10,965
Group tax rate	%	31.07	34.25

As at the end of reporting period, there are taxable temporary differences in connection with subsidiaries (so-called ‘outside basis differences’ according to IAS 12.39) in the amount of kEUR 952 (previous year: kEUR 806) on which no deferred tax liabilities were recognised.

No deferred taxes were formed on losses carried forward amounting to kEUR 2,482.

The composition of deferred tax assets and liabilities is shown in the following overview:

In kEUR	2019	2018
Deferred tax assets		
Loss carryforwards	-	-
Financial instruments	-54	905
Pension liabilities	5,839	4,281
Other financial obligations	3,030	703
Other temporary differences	-	-
Offset in accordance with IAS 12.74	-8,923	-5,889
Total	**-**	**-**
Deferred tax liabilities		
Intangible assets	-16,307	-13,397
Property, plant and equipment	-3,053	-695
Financial instruments	-	-
Other financial obligations	-39	113
Other temporary differences	-	-
Offset in accordance with IAS 12.74	8,923	5,889
Total	**-10,476**	**-8,316**

NOTE 27 Payments from leases in accordance with IFRS 16

Principal payments

In kEUR	2019	2018
Principal payments	3,868	508
Total	**3,868**	**508**

During the fiscal year, redemption payments on liabilities from leases were made in accordance with IFRS 16 in the amount of kEUR 3,868 (previous year: kEUR 508). The increase results from the first-time adoption of IFRS 16.

Interest payments

In kEUR	2019	2018
Interest payments	173	38
Total	**173**	**38**

Interest payments of kEUR 173 (previous year: kEUR 38) were made under leases in accordance with IFRS 16.

The interest and principal payments thus resulted in a total cash outflow of kEUR 4,041 (previous year: kEUR 546).

NOTE 28 Related party relationships and transactions

In accordance with IAS 24, the members of the governing boards of the parent company and their families, as well as members of the management/Management Boards and Supervisory Boards of other essential subsidiaries, are considered to be related parties. Also, Mr Bernd Förtsch, his close family members, and the companies controlled by them are considered to be related parties of flatex AG, since Mr Förtsch exerts a controlling influence over flatex AG.

Legal transactions and other transactions with related parties

During the 2019 fiscal year, flatex AG Group companies have had the following legal transactions with related parties, whereby all transactions were completed under standard market conditions (all at arm's length):

- With a company controlled by Supervisory Board member Martin Korbmacher, flatex AG generated revenues of kEUR 3 (previous year: kEUR 0), which involved the reimbursement of expenses.
- With companies controlled by Mr Bernd Förtsch, Group companies had transactions totalling kEUR 1,241 in the fiscal year (parent company kEUR 28, subsidiaries kEUR 1,213; in previous year: total kEUR 1,600). These were mostly related to advertising and PR activities and the lease of commercial space.

At year-end 2019, the Group had receivables against related parties in the amount of kEUR 2 (previous year: kEUR 28); liabilities to related parties amounted to kEUR 0 (previous year: kEUR 45).

In addition, a number of related parties maintain cash and/or securities custody accounts with flatex Bank AG. All transactions (securities transactions and loan/deposit business) are carried out on end-customer terms or on the employee terms applicable throughout the Group.

NOTE 29 Management Board compensation of flatex AG

The members of the Management Board of flatex AG continued to be Frank Niehage and Muhamad Said Chahrour.

Management board members received fixed and variable compensation as follows:

		2019	2018
Fixed compensation	EUR	700,000.00	700,000.00
Variable compensation			
- short term award	EUR	1,200,000.00	1,150,000.00
2014 options model	number	-	35,000
2015 options model	number	15,000	-
Value at time of award	EUR	62,550.00	178,500.00
Total compensations	**EUR**	**1,962,550.00**	**2,028,500.00**
Fixed compensation for Supervisory-Board memberships in Group companies	**EUR**	**-**	**8,998.36**

In addition, they received certain fringe benefits, mainly company cars and insurance coverage. There are no compensation commitments to members of the Management Board for the time after the end of their respective terms of employment with the company. The total amount of fringe benefits granted in the year under review is kEUR 53.

Supervisory Board compensation of flatex AG

The members of the Supervisory Board of flatex AG were:

2019

Martin Korbmacher, Chairman of the Supervisory Board
Actual occupation:
Managing Director of Event Horizon Capital & Advisory GmbH
Managing Director of arsago ACM GmbH

Stefan Müller
Actual occupation:
Head of Finance of Börsenmedien AG

Herbert Seuling
Actual occupation:
Managing Director of M & S Monitoring GmbH, Kulmbach

2018

Martin Korbmacher, Chairman of the Supervisory Board

Stefan Müller

Herbert Seuling

Members of flatex AG's Supervisory Board receive solely fixed compensation. Their detailed compensation is as follows, divided into compensation for their membership in the Supervisory Board of the parent company flatex AG, and for their memberships in the Supervisory Boards of other Group companies (subsidiaries), inclusive of 19% VAT respectively:

In EUR	2019 total	2018 total
flatex AG	285,600.00	285,600.00
Subsidiaries	249,900.00	178,500.00

During the fiscal year, the Supervisory Board received compensation for travel expenses in the context of its Supervisory Board activities in the amount of kEUR 14(previous year:kEUR 3).

NOTE 30 Earnings per share

Earnings per share (undiluted)

The undiluted earnings per share are calculated by dividing the consolidated earnings of the Group attributable to the shareholders by the average number of the parent company's shares issued and outstanding during the fiscal year.

Issued shares	2019	2018
Number of issued shares as of 1 January (all outstanding)	18,736,637	17,506,426
Time-weighted allocation of newly issued treasury stock in the fiscal year	-	3,673
Number of new shares issued during fiscal year	859,000	1,225,761
Time-weighted allocated of newly issued shares for yearly average	674,359	372,766
Average, time-weighted number of issued shares outstanding during fiscal year (undiluted)	**19,410,996**	**17,882,865**

Earnings in kEUR	2019	2018
From continuing activities*	14,908	17,474*
From discontinued operations	-	-
Total	**14,908**	**17,474***
Undiluted earnings per share in EUR		
From continuing activities	0.77	0.98*
From discontinued operations	-	-
Total	**0.77**	**0.98***

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

Earnings per share (diluted)

Diluted earnings per share in 2019 amounted to EUR 0.77. The diluted average number of shares outstanding in the reporting period was 19,464,918.

NOTE 31 Stock option plan

Description of stock option plans

flatex AG has set up stock option plans to ensure that the total remuneration paid to its managers is competitive. The first stock option plan was launched in 2014. Pre-emptive rights from this programme were first issued in 2015. Each pre-emptive right issued pursuant to the stock option plan gives the holder the right to acquire one bearer share of flatex AG against payment of the stipulated strike price. The strike price is determined on the basis of the average closing price of the share over a fixed period of time preceding the adoption of the relevant resolution at the annual general meeting, minus a discount.

The maturity of these pre-emptive rights is six years from the date of issuance; they may only be exercised upon the expiration of a waiting period (vesting period) of four years. The right to exercise is conditional upon the share price having risen by at least 100%, on any stock exchange trading day, during a period of two years from the date of issuance of such pre-emptive rights (trigger - 2014 stock option plan). Only in the event of a change of control as defined in the authorisation and, if applicable, in subsequent amendments to the option terms, or in the event of a delisting, may flatex AG pay, or may the holders of pre-emptive rights demand, a cash settlement in lieu of shares (in some cases also before the end of the vesting period).

A second stock option plan was launched in 2015 by another resolution of the annual general meeting (2015 stock option plan). In light of the development of the stock price, the terms of this second plan were modified with regard to the condition for exercise, in that the stock price must now have risen by at least 50%, on any stock exchange trading day, during a period of two years from the date of issuance of such pre-emptive rights (trigger – 2015 stock option plan). The other terms remain the same as those applicable to the first program.

Changes in the stock option plans

The following table shows the changes in issued and outstanding pre-emptive rights/options:

Program / year of issuance	Date of issuance	Number issued	Exercise price in EUR	Price at date of issuance in EUR	Price per option in EUR	Total option value in kEUR
2015 stock option plan	03/08/2019	87,000	12.79	20.82	4.17	363
Number of options issued in 2019		**87,000**				**363**
2014 stock option plan	03/02/2018	35,000	7.30	28.85	5.10	179
Number of options issued in 2018		**35,000**				**179**
2014 stock option plan	04/01/2017	73,000	7.30	14.78	1.66	121
2015 stock option plan	04/01/2017	45,000	12.79	14.78	3.14	141
2014 stock option plan	07/03/2017	10,000	7.30	17.98	1.66	17
2015 stock option plan	07/03/2017	10,000	12.79	17.98	3.14	31
Number of options issued in 2017		**138,000**				**310**
2015 stock option plan	04/07/2016	44,500	12.79	15.45	3.71	165
2015 stock option plan	07/01/2016	10,000	12.79	13.00	2.55	26
2014 stock option plan	07/01/2016	60,000	7.30	13.00	1.96	118
Number of options issued in 2016		**114,500**				**308**
2014 stock option plan	01/26/2015	924,000	7.30	8.60	1.11	1,026
2014 stock option plan	07/08/2015	84,000	7.30	14.81	2.40	202
2014 stock option plan	08/24/2015	55,000	7.30	11.40	1.77	97
2015 stock option plan	09/28/2015	20,000	12.79	12.44	2.60	52
2015 stock option plan	10/01/2015	5,000	12.79	12.37	2.55	13
Number of options issued in 2015		**1,088,000**				**1,389**
Total number of options issued		**1,462,500**				**2,550**
2014 stock option plan	07/08/2015	84,000	-	-	-	-
2014 stock option plan	08/24/2015	75,000	-	-	-	-
2014 stock option plan	07/03/2017	10,000	-	-	-	-
Lapsed, forfeited or expired options		**169,000**				
Outstanding options		**1,293,500**				
thereof already exercised options		859,000				

Valuation model

For each issuance date, a separate options valuation was simulated, on the basis of a Monte Carlo model. The model is based on the work of Kevin D. Brewer, which is acknowledged to be significant for the modelling of option valuations: 'Geometric Brownian Motion, Option Pricing, and Simulation: Some Spreadsheet-Based Exercises in Financial Modelling'.

The share price performance over six years is simulated 100,000 times using a Monte Carlo simulation method for each issuance date. Each price is checked to see if it cleared the hurdle (condition 1) and is higher than the strike price on the predefined exercise dates (condition 2). If this is not the case, a zero value is assigned for each exercise date and also to the present value on the issuance date. If the value of the stock is above the strike price on one of the pre-defined exercise dates, then the option has an intrinsic value, which is discounted for the issuance date using a five-year risk-free rate (source: Bundesbank). It is assumed that the option is exercised on the first date possible, and that the average time from the date of issuance to the date of exercise is five years.

Pricing factors

The first factor that goes into the model is the price of the stock at issuance date (Xetra closing price). The options strike price is EUR 7.30 for the 2014 stock option plan and EUR 12.79 for the 2015 option plan. The volatility could not be derived from an implied volatility due to non-existent derivatives on the shares of flatex AG. Volatility was thus derived from the historic volatility of the share price (source: Bloomberg).

The risk-free rate for the modelling of the six-year binomial expansion is based on the six-year rates valid for the respective months of issuance, based on the yield curve of listed German government bonds (source: Bundesbank). The number of annual trading days is assumed to be 250.

The hurdles are stipulated in the respective program plan: in the 2014 options plan, it is 2 times the issuance price, in the 2015 option plan, it is 1.5 times the issuance price. Based on experience from the operating business, transaction cost for options is only a few percentage points of the option value and is therefore being ignored for the purposes of this calculation.

Option values

The pre-emptive rights granted from the 2015 stock option plan 2015 in the 2019 calendar year (87,000 units) had an average market value of EUR 362,790 (EUR 4.17 per option).

Stock option plan expenses

In relation to the stock option plans, kEUR 251 was recognised as an expense in the income statement and transferred to additional paid-in-capital in 2019 (previous year: kEUR 382). The underlying assumption was that 82% of issued options will in fact be exercised by the entitled employees.

The expense was divided pro rata temporis over the time from the date of issuance of the option to the first day the option was exercisable (end of vesting period). The resulting amounts are shown in the following table:

Program/year of issuance	Total value of options/ total expenditure in kEUR	Number of days	Expected allocation	2019 expenses to be captured/ capital reserve in kEUR
2015	**656**	**365**	**82%**	**147**
2014	**1,352**	**365**	**82%**	**103**
Total				**251**

NOTE 32 Segment reporting in accordance with IFRS 8

flatex AG is required by IFRS 8 to report on its operating segments. The manner of segmentation is based on the so-called management approach. Segments are subdivisions of the business for which separate financial information is available that is regularly evaluated by the Management Board and other managers as they allocate resources and evaluate performance.

The Financial Services (FIN) segment includes the products in B2C online brokerage, B2B white-label banking and electronic securities settlement and brokerage account management and other banking services. The segment is derived from flatex Bank AG, factoring.plus.GmbH and Brokerport Finance GmbH.

The Technologies (TECH) segment includes all IT-services; among other things it develops and operates the Group's FTX core banking system (FTX:CBS). In addition, this segment includes activities in research and development. The segment consists of the Group companies of flatex AG, financial.service.plus GmbH and Xervices GmbH.

Services provided between the segments are undertaken at arm's length based on existing contracts. Expenses for the holding structure are allocated to both segments using the apportionment procedure. For all transactions between the reporting segments, the basis of recognition is in compliance with IFRS provisions. There is a corresponding segment reporting to the Management Board of flatex AG.

The Group generates income from the transfer of goods and services on a time-related basis exclusively from the Group companies based in Germany. During the 2019 fiscal year, flatex AG did not realise any material revenues (> 10%) with just one customer.

Segment reporting for continuing activities in 2019

In kEUR	FIN	TECH	Consolidation	Total
Revenues	112,767	36,230	-17,045	131,952
Raw materials and consumables	45,465	5,608	-12,901	38,172
Personnel expenses	21,294	8,018	-3,904	25,409
Other administrative expenses	24,798	6,234	-241	30,791
EBITDA	**21,209**	**16,370**	**-**	**37,580**
Depreciation				12,829
Consolidated earnings before interest and income tax (EBIT)				**24,751**
Financial result				-3,123
Consolidated earnings before income tax (EBT)				**21,628**
Income tax expense				6,720
Consolidated net profit from continuing activities				**14,908**

Segment reporting for continuing activities in 2018

In kEUR	FIN	TECH	Consolidation	Total
Revenues	107,140	39,730	-21,770	125,100
Raw materials and consumables	44,517	5,462	-13,132	36,847
Personnel expenses	17,274	9,470	-4,830	21,914
Other administrative expenses	17,001	10,779	-3,808	23,972
EBITDA	**28,349**	**14,019**	**-**	**42,368**
Depreciation				8,180
Result from the derecognition of financial assets*				-3,570*
Consolidated earnings before interest and income tax (EBIT)				**30,618**
Financial result				-2,179
Consolidated earnings before income tax (EBT)				**28,440**
Income tax expense				10,965
Consolidated net profit from continuing activities				**17,475**

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

NOTE 33 Financial risk management

The Management Board incorporates potential opportunities and threats into its business and risk strategy and adjusts it accordingly as necessary. Monitoring and managing risks is a central component of flatex AG's management tools.

flatex AG takes a risk inventory on a regular basis - which may also be updated on an ad hoc basis – to counter any risks to which it is exposed through its business activities. With regards to financial instruments, these risks comprise the following categories:

- Credit default risk (also referred to as: default risk or credit risk): the risk of losses or forgone profits due to unexpected default by or unforeseeable deterioration in the creditworthiness of counterparties, in particular in the case of customers of flatex AG, and of bond issuers.
- Market price risk: the risk of losses due to changes in market prices, in particular as a result of changes in interest rates.
- Liquidity risk: the risk of losses resulting from liquidity shortfalls.

flatex AG has set up a separate Risk Management department for the overall and comprehensive assessment, limitation and management of risks. It contributes significantly to the Group-wide tasks of

- Risk identification
- Rsk assessment
- Risk management and
- Risk monitoring and risk communication.

flatex AG thereby supplements the extensive structural and procedural measures implemented to ensure that, in different parts of the Group, all relevant banking activities include material risk management and control processes.

The measures undertaken to standardise and produce a Group-wide, consistent risk management function have been completed.

Credit default risk

Counterparty default risk arises, in general, in every transaction that flatex AG undertakes with a business partner, in particular in loans to customers, trade receivables and, also in bonds in which the Group has invested. The maximum credit default risk essentially corresponds to the carrying amount of the financial assets. Collateral received as collateral or other credit enhancements are not available; we refer to the explanations below for further collateral received in connection with the granting of loans.

The Group undertakes individual impairment tests on an ad hoc basis (if there is an impairment trigger) and for the end of each reporting period. Impairment is recognised, for instance, when a business partner is in unexpected economic difficulty.

In addition, a number of receivables are bundled into homogeneous clusters and subjected to impairment tests.

Cash loans due to local authorities and other receivables are subject to their business-specific credit default risk, which is looked at and analysed on a daily basis.

Expected credit losses at the individual transaction and portfolio level

Impairment losses must already be taken into account at the time of initial recognition of the financial asset. The risk provision allocated to level 1 can be formed both at the level of individual transactions and at the portfolio level.

With regard to the credit strategy and the structure of the credit portfolios, please refer to the section entitled ‘Management and Limitation of Counterparty Default Risks’ in the risk report of the Group management report.

For larger credit exposures, including those arising from the surety holdbacks, the Group reviews periodically and on an ad hoc basis whether the credit default risk at the individual transaction level has significantly increased.

For credit exposures whose default or credit exposures are monitored and controlled in homogeneous portfolios by the bank’s credit risk management, it is necessary to assess the default risk at the portfolio level, since the assessment at the level of the individual financial instrument would result in a change in the credit default risk being recognised too late.

Risk provisions at portfolio level are calculated at least quarterly.

For the calculation of the expected credit loss, parameters are used which are available to fulfil the supervisory requirements of the CRR. In order to determine the expected lot (EL) according to CRR, a multiplicative link between the probability of default (PD), the loss given default (LGD) and the exposure amount in the exposure at default (EaD) is carried out using the following formula:

$$\text{Impairments or risk provisions (EL)} = PD \times LGD \times EaD$$

At the Group level, an allowance is recognised in the amount of the expected credit losses that occur within the next twelve months.

Risk provisions for Level 1 financial instruments must therefore be recognised in the amount of the 12-month ECL. The 12-month ECL corresponds to the expected loss over the residual maturities resulting from a loss that is possible within the next twelve months. This requires the weighting of the ECL with the likelihood of a default of the financial instrument within the next twelve months following the valuation day (hereinafter 12-month PD; PD_t^{12M}). Using the CRR calculation formula described above, the 12-month ECL is as follows:

$$ECL_t^{12M} = PD_t^{12M} \times LGD_t \times EAD_t$$

This corresponds to the portion of expected credit losses from default events expected within twelve months of the end of the reporting period. If the credit risk has not increased significantly since the initial recognition, the financial instrument remains at level 1.

For an assessment at the loan portfolio level, a grouping of individual transactions takes place on the basis of credit default risk characteristics of similar financial product groups.

The Financial Services security-backed loans (Lombard & flatex flex loans) are loans secured by diversified deposited security collateral in the custody accounts. The mortgage lending value is set very conservatively with high discounts. Lombard and flatex flex customers are immediately warned in a three-stage dunning process for payment if the mortgage lending limits are not met.

The loans allocated to the diversified factoring portfolio in the Financial Services division are collateralised by deposited security collateral, contingency insurance, guarantees, assignments of claims, in particular sponsorship, TV and advertising rights. The LGD is derived from the one-year historic recovery rate by rating from the recent study by Moody's (Annual Default Study: Corporate default and recovery rates, 1920-2017, from 15 February 2018). As an EaD, the factoring receivables are calculated based on utilisation less trade credit insurance and security deposits.

Determination of the significant increase in credit risk

To assess a significant increase in the risk of default, the credit default risk at the time of acquisition is compared with the default risk at the end of the reporting period.

An allowance is recognised in the amount of the lifetime expected credit loss (LTECL) for those financial assets that have assumed a significant increase in credit risk since their initial recognition. This requires the calculation of the ECL based on the lifetime probability of default (LTPD), which represents the probability of default over the residual maturities of the financial assets. Credit risk provisioning is higher at this stage as credit risk increases and the impact of a longer time horizon compared to twelve months in level 1 is taken into account.

The Group considers comprehensible information that is relevant and available without undue burden when determining whether the credit risk (i.e. the credit default risk) of a financial asset has increased significantly since the initial recognition. This includes quantitative and qualitative information that is based on previous experience of the Group, analyses and assessments of credit default risk, among others

> the considered financial instrument,
> the debtor and
> the geographical region of the debtor and
> forward-looking information (including macroeconomic factors).

Procedure for the early detection of increased default or credit risks

The procedure for the early detection of increased default or credit risks is used to identify borrowers whose commitments are beginning to show latent or increased risks. It is designed to enable the Group to identify credit default risk exposures at an early stage so that appropriate risk mitigation measures can be taken if necessary.

The monitoring of early warning signals in lending businesses is organised at various levels:

> annual monitoring
> systematic, event-oriented monitoring in the context of electronic dunning
> systematic, event-oriented monitoring by credit agencies (SCHUFA and Creditreform)
> event-oriented monitoring on the basis of other information (e.g. press reports)

The following are early warning signals in the lending business, which make it easier to identify a possible increased risk. If factors for the determination of an increased credit default risk cannot be identified at individual loan level, an investigation is carried out at a higher aggregated level (e.g. sub-portfolio).

Significant changes in the external market indicators of credit default risk for a particular financial instrument, such as borrower default credit default swap rates, and internal credit ratings are used as early warning indicators.

The assessment of credit default risk at the debtor level may lead to divergent results than an individual transaction-level assessment. Therefore, other financial instruments of the same borrower are also checked to see whether the credit default risk has increased significantly.

Accountability, contractual compliance and behaviour of the borrower (among other things overdue), including in the form of overdrafts of credit lines, non-compliance with agreements, conditions and covenants as well as non-payment of interest and principal of more than 30 days, are early warning signals for an increased credit risk in the Group. When these early warning signs occur, a test is carried out to determine whether an increase in risk provisioning and possibly also a different allocation to levels is necessary due to a change in the external rating.

Any actual or anticipated significant adverse changes in the borrower’s regulatory, economic or technological environment that results in a significant change in the borrower's ability to meet its debt obligations (such as a decline in demand for the borrower’s products due to a technology shift) will serve as further indicators of increased credit default risk.

Furthermore, significant changes in the value of the collateral for the obligation or the quality of the guarantees or collateral security of third parties are recorded that is likely to reduce the economic incentive of the borrower to make planned contractual payments or that is likely to affect the likelihood of a default occurring.

If the debtor is likely to indicate breaches of contract that may lead to waivers or supplements, interest payment pauses, increases in interest rates, additional collateral or guarantees required or changes in the contractual framework of the instrument, it is examined whether any potential increased default risks can be identified.

Framework for identification of financial assets at risk of default

Under IFRS 9, the Group follows the definition of loans classified as defaults in accordance with the Capital Requirements Regulation (CRR) pursuant to Art. 178 with its definition of impaired loans.

The assessment of whether a financial asset is at risk of default concentrates exclusively on credit default risk without taking into account the effects of credit risk mitigants such as collateral or guarantees. Specifically, a financial instrument is at risk of default and assigned to level 3 if the Group assumes that the borrower (debtor) will not meet its loan obligations to the Group company. This definition includes measures where the borrower has been granted, for economic or legal reasons, a concession that is a qualitative indicator of a credit reduction or contractual payments of principal or interest by the debtor are more than 90 days past due.

As part of the allocation to levels, financial instruments with an external investment grade rating are allocated to level 1 in the case of irrevocable addition as well as in the case of subsequent measurement, since a lower default risk is expected in those cases. For financial instruments with an investment grade rating, it is thus not necessary to examine a significant increase in the default and to perform ongoing risk assessment.

Financial instruments with an external non-investment grade rating are also allocated to level 1 upon acquisition. If the above-mentioned early warning signs occur in the course of subsequent measurement, a test is performed to determine whether there is a significant increase in the default risk, whether an increase in risk provisions is necessary and whether the financial instrument needs to be transferred out of level 1. The assessment is based on the development of the external rating, among other things.

The default risk in level 1 essentially corresponds to an analogous investment grade rating, in level 2 to that below an investment grade rating and in level 3 no full repayment is expected. Level 3 financial instruments are considered individually with regard to the determination of an impairment.

The changes in the risk provisions in 2019 was as follows:

In kEUR	12-month ECL	Total ECL maturity – unimpaired financial instruments	Total ECL maturity – depreciated financial instruments	Total
Risk provision at the beginning of the year	942	28	6,889	7,859
Changes in the provision for losses of financial assets including newly issued or acquired financial assets	-76	637	3,366	3,927
Changes in impairment for irrevocable loan commitments	-15	-	-	-15
Risk provision at the end of the reporting period	**851**	**665**	**10,256**	**11,771**

The changes in the risk provisions in 2018 was as follows:

In kEUR	12-month ECL	Total ECL maturity – unimpaired financial instruments	Total ECL maturity – depreciated financial instruments	Total
Risk provision at the beginning of the year	560	-	-	560
Changes in the provision for losses of financial assets including newly issued or acquired financial assets	345	28	6,889	7,262
Of which: additions to risk provisions through acquired financial assets in the context of the acquisition of factoring.plus.GmbH	-	-	889	889
Changes due to disposals of financial instruments (including repayments, disposals)	-	-	-13	-13
Changes in impairment for irrevocable loan commitments	37	-	-	37
Risk provision at the end of the reporting period	**942**	**28**	**6,876**	**7,846**

The increase in risk provisions in the amount of kEUR 3,366 (previous year: kEUR 6,015) results in particular from specific provision for losses on receivables from the factoring business of factoring.plus.GmbH from companies in Germany.

The first level (12-month ECL) particularly includes the security-backed loans (Lombard and flatex flex loans) with a gross carrying amount of kEUR 134,781 (previous year: kEUR 108,109). Due to the very conservative lending system and the low historical defaults, they are treated as financial instruments with an external investment grade rating for which a lower default risk is expected. Furthermore, level 1 includes receivables from borrowers with an external investment grade rating from the factoring portfolio with a gross carrying amount of kEUR 190,325 (previous year: kEUR 77,320) from the portfolio of other financing in the amount of kEUR 84,325 (previous year: kEUR 35,187), receivables from banks from the treasury portfolio in the amount of kEUR 124,973 (previous year: kEUR 150,772) and shares in infrastructure and residential property funds in the amount of kEUR 65,746 (previous year: kEUR 0). In addition, irrevocable loan commitments with a gross carrying amount of kEUR 216,827 (previous year: kEUR 193,812) are allocated to this level 1. For further information on the irrevocable loan commitments, see Note 16 Liabilities to customers.

Level 2 (full term ECL of non-impaired financial instruments) includes security-backed loans and loans from credit platforms secured by securities with a significantly increased credit default risk with a gross carrying amount of kEUR 1,998 (previous year: kEUR 33), purchased receivables from true sale factoring with a gross carrying amount of kEUR 8,472 (previous year: kEUR 0) and purchased receivables from platforms with a gross carrying amount of kEUR 611 (kEUR 1,546).

Level 3 (full term ECL of impaired financial instruments) comprises receivables from the factoring business from retail companies in Germany with a gross carrying amount of kEUR 15,371 (previous year: kEUR 12,496) and security-backed loans with a gross carrying amount of kEUR 380 (previous year: kEUR 0)

Market price risk

flatex Bank AG has extensive cash deposits. Since these funds are not reinvested at times congruent to when they are taken in, flatex Bank AG incurs an additional market risk in the form of interest rate risk through the resulting yield curve gaps. Market interest rates have a significant impact on the prices and valuations of the financial instruments of flatex Bank AG and may therefore have a positive or negative impact on the profitability of the Group.

flatex AG mitigates these interest rate risks by reinvesting its customers' cash deposits with a small time gap (conservative asset liability management), so there is currently no need for hedging transactions. However, the management of flatex AG reserves the right to take action if interest rates change unfavourably or if the overall risk situation should require it.

The following table shows the sensitivity of the Group's profit before tax and the Group's equity to possible changes in market interest rates of 0.5 percentage points up or down, all other variables remaining equal:

In kEUR	Change in market interest rate in percentage points	Pre-tax Earnings (new) in kEUR	Equity (new) in kEUR
2019	+0.5 percentage points	19,312	186,606
2019	-0.5 percentage points	10,504	177,798
2018	+0.5 percentage points	25,448	171,629
2018	-0.5 percentage points	16,640	162,821

The risk from movements in exchange rates (currency risk) in financial instruments at flatex AG is immaterial.

Liquidity risk

flatex AG monitors its liquidity regularly and ensures its continuous funding through the use of debt financing and operating leases. flatex AG has taken appropriate measures to secure financing of the ongoing expansion and introduced so-called liquidity coverage ratios in its internal reporting structure, so that the risks of insufficient financial resources are regularly monitored.

Risk concentration

Risk concentration is of particular importance for flatex AG, especially with regard to potential cumulative counterparty default risks among bond issuers or partners in the Group's lending business ('cluster risk'). flatex AG has investment guidelines, and a limit system derived from it, which generally prevents risk concentrations. In addition, the new loan portfolio model introduced in 2016 and the Group's ongoing risk reporting facilitate initiation of countermeasures at an early stage, as soon as potential risk concentrations appear. The monitoring is thereby carried out with regard to possible concentration trends in maturity terms, in the geographic spread of counterparties, and in asset classes, but in particular with regard to possible concentration risks in individual counterparties (outside the central banking sector). As at the end of reporting period on 31 December 2019, the nominal value of the highest claim to a single counterparty was EUR 19.6 million (previous year: EUR 26.9 million).

Capital management

The Group's objectives with regard to capital management are to ensure the continuation of the business, in order to meet the requirements of the shareholders and other stakeholders regarding its expected performance. To date, flatex AG has relied on traditional equity financing (e.g. issuance of new shares) and debt financing. The sum of the equity and debt capital is managed as capital. The key control parameter for the strategic capital structure is the equity ratio derived from the consolidated statement of balance sheet. It is the stated goal of our long-term capital management to further strengthen the equity ratio over the coming years. Compared to the previous year, there have been no material changes in terms of capital management.

Individual group companies have been subject to regulatory minimum capital requirements during the reporting period. Such requirements are included in the capital management planning at Group level. All existing minimum capital requirements have been consistently met.

NOTE 34 Dividends

No dividends were distributed by flatex AG during the reporting period.

NOTE 35 Auditors' fees

The fees for the auditors recognised as expenses in the fiscal year are as follows:

In kEUR	2019	2018
Audit of the financial statements	996	1,388
of which: BDO AG	570	711
of which: Baker Tilly GmbH & Co. KG	354	-
of which: TREUWERK AUDIT GmbH	72	657
of which: for previous year	262	360
Other assurance services	-	-
Tax advisory services	-	34
Other	-	14
Total	**996**	**1,436**

The decrease in expenses for audits of the financial statements by kEUR 392 is due to the absence of special accounting and regulatory effects in the previous year.

NOTE 36 Events after the reporting period

Coronavirus pandemic in Europe

With the outbreak of the respiratory disease COVID-19 and the resulting Europe-wide pandemic, the World Health Organization (WHO) declared an international health emergency on 30 January 2020. Since then, flatex AG has regularly followed the current recommendations of the Robert Koch Institute and the orders of state and federal government of the Federal Republic of Germany to contain the pandemic. Wherever possible, the employees are working from home.

The COVID-19 pandemic has not yet had any negative effects on the economic situation of flatex AG. Nevertheless, the sharp rise in volatility on the stock markets has resulted in a significant increase in transactions in the Group's brokerage business.[11]

[11] onvista Media GmbH (publ.): flatex AG: Best quarter ever – volatility generates absolute record growth. April 2020.

Independent auditor’s report

To flatex AG, Frankfurt am Main

AUDIT OPINIONS

We have audited the consolidated financial statements of flatex AG, Frankfurt am Main, and its subsidiaries (the Group). Our audit included the consolidated balance sheetas of 31 December 2019, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated cash flow statement, and the consolidated statement of changes in equity for the fiscal year from 1 January 2019 to 31 December 2019, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. We also audited the group management report of flatex AG for the fiscal year from 1 January 2019 to 31 December 2019. We have not examined the components of the Group’s annual report included under ‘OTHER INFORMATION’.

In our opinion, based of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply in all material respects with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to HGB-Section 315e(1) and give a true and fair view of the net assets and financial position of the Group as of 31 December 2019 as well as its earnings for the fiscal year from 1 January 2019 to 31 December 2019, and
- the accompanying Group management report gives a true and fair view of the Group's position. The Group management report is consistent with the consolidated financial statements in all material respects, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development.

Pursuant to HGB Section 322(3)(1), we declare that our audit has not led to any objections regarding the compliance of the consolidated financial statements and the Group management report.

BASIS FOR THE AUDIT CONCLUSIONS

We conducted our audit of the consolidated financial statements and the Group management report in accordance with HGB Section 317 and Germany’s generally accepted standards for the audit of financial statements as promulgated by the Institute of Public Auditors in Germany (IDW).

Our responsibilities under these rules and regulations are further described in the section of our auditor’s opinion entitled ‘AUDITORS’ RESPONSIBILITY FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT’. We are independent of the Group companies in accordance with German commercial law and the professional code of conduct and have fulfilled our other professional obligations under German law in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit conclusions on the consolidated financial statements and the Group management report.

OTHER INFORMATION

Management is responsible for the other information. Other information includes:

- the parts of the Group's Annual Report entitled 'Highlights', 'Key Figures of the Company', 'Letter from the Management Board' and 'Report of the Supervisory Board' provided as a draft by the date of the auditor's opinion.

Our audit opinions on the consolidated financial statements and the Group management report do not involve the other information and accordingly we are not issuing any audit conclusion or other form of audit findings for them.

In connection with our audit of the consolidated financial statements, we have a responsibility to read the other information and to assess whether the other information

- reveals material inconsistencies with the consolidated financial statements, the Group management report or our knowledge acquired during the audit, or
- otherwise appears materially misrepresented.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVE AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Management is responsible for the preparation of the consolidated financial statements, that complies in all material respects with the IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to HGB Section 315e(1). They must also ensure that the consolidated financial statements provide a true and fair view of the net assets, finances and earnings of the Group. Furthermore, the legal representatives are responsible for the internal control features that they have determined to be necessary to facilitate the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparating the consolidated financial statements, management is responsible for assessing the Group's to continue as a going concern. They are also responsible for disclosing, as applocable, matters related to going concern. Furthermore, they are responsible forfinancial 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.

In addition, management is responsible for the preparation of the Group management report, thath, as a whole, provides a true and fair view of the Group's position, and is in all material respects, consistent with the consolidated financial statements, complies with legal requirements under German law, and appropriately presents the opportunities and risks of future development. Furthermore, management is responsible for such arrangements and measures (systems) that they considered necessary to enable the preparation of a Group management report 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 accounting process for preparing the consolidated financial statements and the Group management report.RESPONSIBILITY OF THE AUDITOR FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements,whether due to fraud or error,and whether the Group management report as a whole provides an appropriately view of the situation of the Group as a whole; and is consistent in all material respects with the consolidated financial statements, as well as with the obtained insights from the audit; if it complies with the German statutory regulations and represents the chances and risks of the future development correctly, as well as to issue an auditor´s report that includes our opinions on the consolidated financial statements and the Group management report.

Reasonable assurance is a high degree of certainty, but no guarantee that an audit conducted in accordance with HGB Section 317 and in compliance with the German Generally Accepted Standards for the Audit of Financial Statements as promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) will always reveal a material misstatement. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economicdecisions of addressees made on the basis of these consolidated financial statements and the Group management report.

During the audit, we exercise professional judgment and maintain professional scepticism throughout the audit. Furthermore,

- we identify and assess the risks of material misstatement, whether due to fraud or error, in the consolidated financial statements and the group management report. We also plan and perform audit procedures in response to such risks and obtain audit evidence that is sufficient and suitable to form the basis of our audit opinions. The risk of not detecting material misstatements from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- we obtain an understanding of the internal control system relevant for 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.
- we evaluate the appropriateness of accounting policies used by Management and the reasonableness of the estimates and related disclosures made by the Management.
- we conclude on the appropriateness of management´s use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may give rise to significant doubts as to the Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in the auditor's report to the relevant disclosures in the consolidated financial statements and the Group management report or, if these disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances cause the Group to cease be able to continue as a going concern.
- we 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 to ensure that the consolidated financial statements comply in all material respects with the IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to HGB Section 315e(1). They must also ensure that the consolidated financial statements provide a true and fair view of the net assets, financial and earnings position of the Group.
- we obtain sufficient, appropriate audit evidence for the financial information of the entities or business activities within the Group to provide audit opinions on the consolidated financial statements and the Group management report. We are responsible for the guidance, supervision and execution of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- we evaluate the consistency of the Group management report with the consolidated financial statements, its compliance with the German law, and the fair view of the Group's position that it provides.

- we perfom audit procedures on prospective information presented by management in the Group management report. Based on sufficient, appropriate audit evidence, we evaluate, in particularly, the significant assumptions used by management as a basis for the prospective information from these assumptions. We do not provide an independent opinion on the prospective information and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the prospective information.

Among other things, we discuss the planned scope and timing of the audit with the people in charge of monitoring, as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

Frankfurt am Main, 19 May 2020

BDO AG

Wirtschaftsprüfungsgesellschaft

signed Otte

Wirtschaftsprüfer (German Public Auditor)

signed Hebel

Wirtschaftsprüfer (German Public Auditor)