www.comdirect.de

comdirect

Annual Report 2016

Key figures of comdirect group

Customers, assets under custody and key products		2016 31.12.	2015 31.12.	Change in %
comdirect group*				
Customers	number	3,116,797	2,989,454	4.3
Custody accounts	number	1,867,163	1,786,168	4.5
Total assets under custody	in € million	75,749	65,498	15.7
– of which: portfolio volume	in € million	57,249	49,463	15.7
– of which: deposit volume	in € million	18,500	16,035	15.4
Business-to-customer (B2C) business line				
Customers	number	2,080,949	2,001,256	4.0
Custody accounts	number	1,006,753	943,656	6.7
Current accounts	number	1,355,747	1,265,923	7.1
Total assets under custody	in € million	45,998	39,942	15.2
– of which: portfolio volume	in € million	27,777	24,143	15.1
– of which: deposit volume	in € million	18,221	15,799	15.3
Credit volume	in € million	326	300	8.7
Business-to-business (B2B) business line				
Customers	number	1,035,848	988,198	4.8
Custody accounts	number	860,410	842,512	2.1
Total assets under custody	in € million	29,751	25,556	16.4
– of which: portfolio volume	in € million	29,473	25,320	16.4
– of which: deposit volume	in € million	278	236	17.8
Orders and order volume		**2016**	**2015**	
Executed orders	number	24,782,588	23,566,088	5.2
– of which: B2C	number	14,235,875	14,489,218	–1.7
– of which: B2B	number	10,546,713	9,076,870	16.2
Average order activity per custody account (B2C)	number	14.6	15.9	–8.2
Order volume per executed order (B2C)[1]	in €	4,456	5,498	–19.0
Earnings ratios		**2016**	**2015**	
Net commission income	in € thousand	215,412	228,365	–5.7
Net interest income before provisions for possible loan losses	in € thousand	117,812	137,404	–14.3
Administrative expenses	in € thousand	260,960	279,980	–6.8
Pre-tax profit	in € thousand	120,664	90,608	33.2
Net profit	in € thousand	92,511	65,042	42.2
Earnings per share	in €	0.66	0.46	43.5
Return on equity before tax[2]	in %	21.4	16.7	–
Return on equity after tax[3]	in %	16.4	12.0	–
Cost/income ratio	in %	68.6	75.0	–
Balance sheet key figures		**31.12.**	**31.12.**	
Balance sheet total	in € million	19,273	16,769	14.9
Equity	in € million	628	624	0.6
Equity ratio[4]	in %	3.0	3.3	–
Regulatory indicators under CRR/CRD IV[4]		**31.12.**	**31.12.**	
Risk weighted assets[5]	in € million	923	951	–2.9
Eligible amount for operational risks	in € million	17	20	–15.0
Core capital	in € million	438	433	1.2
Own funds for solvency purposes	in € million	438	433	1.2
Own funds ratio[6]	in %	38.8	36.3	–
Employees' figures		**31.12.**	**31.12.**	
Employees	number	1,332	1,314	1.4
Employees full-time basis	number	1,198.1	1,173.5	2.1

*) B2C: comdirect bank AG; B2B: ebase GmbH
1) excluding CFD trades
2) Pre-tax profit/average equity (excluding revaluation reserves) in the reporting period
3) After-tax profit/average equity (excluding revaluation reserves) in the reporting period
4) Equity (excluding revaluation reserves)/balance sheet total
5) These figures are calculated on the basis of internal calculations; publication is voluntary and based on national and European implementation rules and the figures are not reported to the Supervisory Authority. The figures are based on a supervisory scope of consolidation formed exclusively for comparison purposes.
6) Risk weighted assets in accordance with Section 113 paragraph 6 CRR of the German Banking Act (KWG) (intragroup receivables are zero weighted)
7) Own funds for solvency purposes/(risk weighted assets + 12.5 x eligible amounts for operational and other risks)

comdirect – the smart financial companion

Our innovation highlights in 2016: comdirect as the top address in saving, investing and trading with securities

Wealth accumulation without securities? Impossible. Certainly not given current interest rates. This is why in 2016, comdirect also developed intelligent solutions for saving, investing and trading with securities – such as its trading app and bonus savings scheme. We are continuing along this path in 2017 with digital asset management and a new intelligent custody account overview. As before, our aspiration is to integrate financial transactions conveniently and simply into everyday life, in order to make our customers' lives easier. Our new multi-banking service and the MoBox young person's app also represent this aspiration.

Digital financial centre

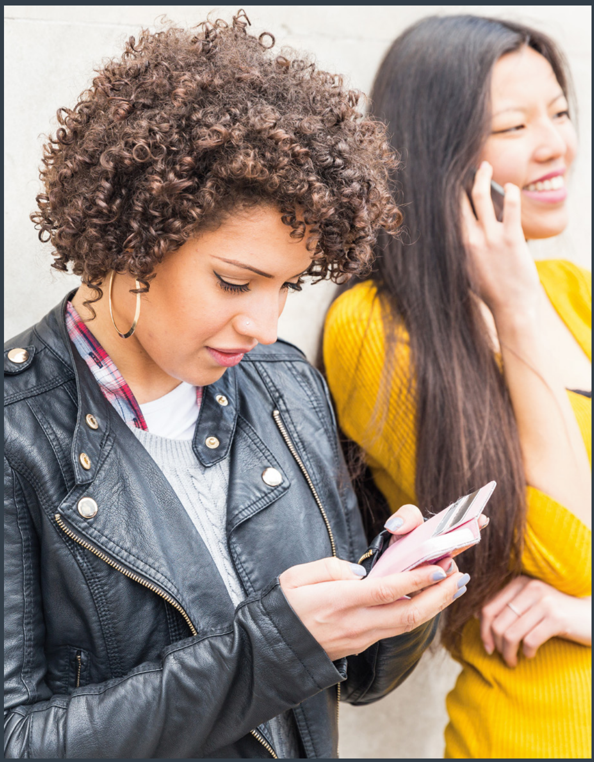
comdirect has offered a comprehensive multi-banking service for all devices since September 2016, the first German bank to do so.

A quarter of all Germans have three or more bank accounts, so keeping track of all income, outgoings and account balances can quickly become a challenge, which is where comdirect's new multi-banking service comes in. It enables customers to add accounts, credit cards and custody accounts with other banks to their Personal Area, giving them a complete overview of their finances across banks at all times. The multi-banking service has already been available for a number of years via the banking app. Its integration into the website means that it can now be used by all customers via desktop PCs and all mobile devices regardless of the operating system. This makes comdirect even more of a digital financial centre, and means that it is available to its customers around the clock as a strong financial companion.

Push for trading

comdirect's new trading app enables customers to respond to current market developments quickly and simply, wherever they are, at any time.

Being able to react quickly is important when there is turbulence on the stock market. So in 2016, comdirect developed its trading app for Android to enable its customers to respond with just a few clicks anywhere and at any time. In addition to the custody account overview and trading functions, the app offers – among other functions – real-time push quotes (automatic notifications when set price targets have been reached) and the selection of favourites for even quicker access to certain securities. Stripped to the essentials and with a simplified display, the app is ideal for rapid and simple trading. The app received the prestigious Red Dot Award in 2016 for its well-thought-out design. We have also been offering an iOS version since the beginning of 2017.



Perfect app for young people

comdirect supports its younger customers in personal financial management with the MoBox app.

A good overview of their own finances is important to young people. As comdirect's youth study, published in 2016, shows, more than half take note of their income and outgoings. MoBox was tested repeatedly by the young target group during its development phase and has been adapted especially to their needs. The result is an app that makes managing their own finances particularly easy. Users can set personal savings targets, carry out smaller transfers with just a few clicks and exchange account data in seconds using a QR code scanner.

Shopping and saving

comdirect's bonus savings scheme offers an easy introduction to securities investment, even with small amounts.

Germans love to shop online, and now it's even more worthwhile – the bonus savings scheme means that comdirect customers receive discounts of up to 20% at around 800 well-known online partner shops. As soon as the shopping discounts have accumulated €10, they are invested automatically and free of charge in a widely diversified index fund. This means that saving with securities can be tried out with small amounts. The bonus savings scheme was awarded the Customer Innovation Prize from the Deutsches Institut für Servicequalität (German Institute for Service Quality) in 2016.

Outlook for 2017: Securities investment remains a central topic

Digital asset management is comdirect's central topic for 2017. We are providing our customers with a comprehensive, innovative solution for securities investments and advice in three alternative models: from one for investors who want to make their own decisions, to a common advice solution, through to convenient delegation. The choice lies with the customer.

The new custody account overview is also smart and intelligent, offering all custody account customers even easier management of their financial investments.

Imagining tomorrow's banking today

Innovation is part of our DNA and is firmly embedded in our company strategy. Some of our inspiring ideas come from internal innovation competitions and by participating in hackathons or the innovation boot camp. Our start-up garage and Entrepreneur in Residence (EiR) programme promote selected projects and we also collaborate with various FinTechs. We report regularly on our activities in the comdirect corporate blog at www.bank-neu-denken.de.

#01 Generating ideas

Innovation boot camp: Thinking outside the box – to promote the exchange of ideas with other banks and FinTechs, a group of comdirect employees, together with colleagues from ebase, mBank, Commerzbank and Visa, took part in a three-day innovation boot camp in London. The group also included the winners of comdirect's own ideas competition. On the programme were visits to various FinTechs, innovation labs and accelerators as well as a workshop on "design thinking".

Collabothon and Financial BarCamp: Re-envisioning banking together – teams from established banks worked on new ideas for tomorrow's banking together with programmers, founders and other FinTech talent at the Collabothon, taking place for the first time in 2016. In addition to comdirect, Commerzbank and mBank were also in attendance in Berlin. comdirect again organised a Financial BarCamp as part of FinTech Week, at which around 70 industry experts and stakeholders discussed the future of banking. Topics and the order of events were specified on location by the participants.

#02 Implementing projects

Start-up garage: FinTech partners on an equal footing – comdirect's start-up garage supports founders at a very early stage. A good FinTech idea, evaluated by our experts for its impact and potential, is initially sufficient for participation. Selected start-ups then have the opportunity to develop a first prototype in our co-working space in Hamburg. We support the founders during the three-month project phase with the necessary infrastructure and initial financial assistance. Experts are also on hand to offer advice. The start-up garage was awarded the 2016 Retail Business Innovation Award as part of the 19th EURO FINANCE WEEK.

Be the next Bill, Mark or Steve: Get a taste for entrepreneurship – comdirect is the first established German bank to launch an Entrepreneur in Residence programme for entrepreneurial talent interested in setting up a company. In cooperation with comdirect and under its aegis, they can set up their own company step by step.

Good ideas, outstanding quality

comdirect offers its customers products and services that make it a leading provider in the German banking market. The numerous awards we received in 2016 for our distinct service orientation, our strength of innovation and our product ideas – as much as for our favourable terms – also demonstrate this.

Innovation leader – The smartPay app, which can be used to photograph invoices, pay them online and archive them, was awarded both the EFMA & accenture Innovation Award and the YouGov Customer Innovation prize.

Trader favourite – The votes of more than 40,000 traders put comdirect in first place for the fourth time in a row.

App designer – The trading app simplifies complex trading processes with a transparent design that is reduced to its essentials.

Performance broker – comdirect again performed impressively with its broad service spectrum and favourable terms.

Savings plan expert – comdirect received the highest points score in all four categories of investment funds, ETFs, certificates and shares.

Professional manager – The fintego Managed Depot (ebase) scored well with various investment strategies and impressive online advisory services.

Members of the Board of Managing Directors

Arno Walter
CEO
Arno Walter, born in 1967, has been the CEO of comdirect bank AG since March 2015. In addition to Corporate Strategy & Consulting and Business Development & Innovation Management, he is also responsible for the areas of Corporate Communications, Auditing as well as Treasury & Business Partners. Moreover, he is Chairman of the Supervisory Board of European Bank for Financial Services GmbH (ebase) and CEO of the Stiftung Rechnen foundation.

Dietmar von Blücher
CFO
Dietmar von Blücher, born in 1973, has been the Chief Financial Officer of comdirect bank AG since July 2016. In addition to Finance, Controlling & Investor Relations, he is also responsible for the areas of Risk Management & Compliance and Information Technology.

Martina Palte
COO
Martina Palte, born in 1968, has been a member of the Board of Managing Directors of comdirect bank AG since 2012. In addition to Customer Management and HR, she is also responsible for the areas of Legal, Data Protection & Organisation and Information Security & Outsourcing Management as well as Advisory Services. Ms Palte is also Deputy Chairwoman of the Stiftung Rechnen foundation.

Dr Sven Deglow
CMO
Sven Deglow, born in 1969, has been the Chief Marketing Officer at comdirect bank AG since September 2015. In addition to Marketing and User Interface, he is also responsible for the Banking, Investing and Trading departments.

Letter to the shareholders

Dear Shareholders,
Dear Friends of comdirect,

comdirect is, and continues to be, a growth company. As the top address in saving, investing and trading with securities in Germany, we intend to extend our strong position in the German online brokerage market.

We are growing, in part organically and in part with the acquisition of OnVista AG.

We are growing profitably: a record result of €120.7m and a pre-tax return on equity of more than 21% means that the comdirect group confidently achieved its goals in the 2016 financial year. This is, in part, the result of the exceptional effect of around €40m from the VISA transaction, but is also – and above all – thanks to the good operating result, which we achieved despite all the market resistance. We largely compensated for the expected decline in net interest income and net commission income with active cost management and targeted investments, without this adversely affecting our growth.

The acquisition of OnVista AG is an important addition to our growth strategy and is likely to be completed by mid-2017. The growth acquisition represents a gain not only of a customer base with very strong trading figures, but also of one of Germany's most visited financial portals, onvista.de. With more than 10 million visits per month, onvista.de will give an enormous boost to our coverage and allow us to embed our solutions for saving, investing and trading with securities in another attractive content environment. The interaction of strong products and content secures our market leadership in brokerage, while at the same time drawing more attention to securities.

Our organic growth is supported by innovative apps and well-thought-out online solutions to the key needs of modern bank customers, who want a convenient overview of all their bank accounts. Our answer is a multi-banking service that makes us a financial centre across banks. Customers want to shop online cheaply and conveniently, and our solution is the bonus savings scheme, which invests the shopping discounts from numerous partner shops automatically and free of charge in an ETF. Customers want to find the appropriate securities investment easily, quickly and digitally, deciding for themselves how much advice they take – our answer will be a new solution for digital asset management that will go live in the first half of 2017 along with a new custody account overview. This will be complemented by tailored solutions for special target groups, such as the MoBox app, which gives primarily young people clarity over their finances. Or the comdirect trading app for all those who want an overview and to be able to invest in securities conveniently and wherever they are using their smartphone.

The high level of customer satisfaction and the willingness to recommend the bank to others are reflected in our value drivers. We have increased the portfolio volume entrusted to us by around €6bn with the highest net fund inflows in the bank's history. Together with price effects and deposit growth, total assets under management have increased by more than €10bn. At the same time, custody account and customer numbers at comdirect and ebase have significantly increased; in the B2C business line we have exceeded the one million custody accounts mark. The strong customer trading activity is also pleasing, and is reflected in the 14.2 million total trades in the B2C business almost reaching the record figure from 2015, despite a noticeably quieter trading environment.

We get new ideas from all quarters that support, motivate and inspire our customers. We obtain them through formats such as the Collabothon, the start-up garage, innovation boot camps and the new Entrepreneur in Residence programme. Formats that make us a pioneer and an attractive partner for FinTechs. Formats that are crucial for customer satisfaction and growth, both tomorrow and beyond.

On the basis of the good 2016 results, we will propose a dividend of €0.25 per share at the annual general meeting, thereby achieving – in the current negative interest rate environment – a dividend yield of 2.6%. We believe that this dividend payment and the associated transfer to retained earnings for further growth is the ideal appropriation of profit in terms of sustainable added value for our shareholders.

Further growth is the key, and the recipe for success in 2016 also applies to 2017: implementing strong ideas for saving, investing and trading with securities. And as a digital financial centre, we intend to be the top address for even more customers. With targeted investments, we are striving for continued customer growth in both divisions as well as for persistently high net fund inflows into custody accounts.

Kind regards – and put your faith in the banking of tomorrow!

A. Walter

Arno Walter

Report of the Supervisory Board

Cooperation between the Board of Managing Directors and the Supervisory Board

The Supervisory Board again worked in close partnership with the Board of Managing Directors of comdirect bank AG in financial year 2016, providing regular and targeted advice and monitoring the management of the company. We have comprehensively performed all of the duties incumbent upon the Supervisory Board under the legal framework conditions and regulations, the bank's Articles of Association, the Rules of Procedure of the Supervisory Board and the German Corporate Governance Code (GCGC).

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

Main focus of advice and monitoring activities in 2016

The Supervisory Board met at four regularly convened meetings in the 2016 financial year; on 18 March, on 12 May before and after the annual general meeting, on 8 September and on 8 December 2016.

As in previous years, a central topic was the reporting on the status of the implementation of the current strategy programme. Here, we obtained extensive information on the further development of the range of products and services offered by comdirect bank AG. The Board of Managing Directors kept us informed with regard to the various projects carried out in 2016, such as the introduction of the consumer loan and the comdirect trading app.

The new option of integrating accounts and custody accounts of other banks in the comdirect Personal Area was also reported on. The development to the Junior current account to include the MoBox app was also presented.

Another focus was on the strategic direction of the comdirect group. The Board of Managing Directors presented this to the Supervisory Board, and following detailed discussion we confirmed the strategy and the measures derived from it.

Furthermore, the comdirect group's Board of Managing Directors kept us informed about the development of key indicators and their impact on the bank's earnings situation, financial situation and assets. We also discussed an update to the strategic development of ebase with the Board of Managing Directors.

As part of our deliberations, we obtained information on the market and competitive environment and the bank's development on the basis of the medium-term planning. In addition, we looked at the associated agenda for the year ahead in relation to the implementation of the strategy. Moreover, the Supervisory Board regularly examined the risk status of the bank. The focus was on the discussion of the overall risk strategy in line with the minimum requirements for risk management (MaRisk). Other issues dealt with by the Supervisory Board additionally included the draft agenda for the annual general meeting on 12 May 2016 and the proposals to the annual general meeting.

In its planning meeting of 8 December 2016, the Supervisory Board also approved the acquisition of OnVista AG.

Other subjects discussed by the Supervisory Board included the compensation of the Board of Managing Directors and the changes in the Board of Managing Directors. For example, the Supervisory Board approved the appointment and employment of Mr Dietmar von Blücher as a member of the Board of Managing Directors.

In addition to the ordinary meetings, the Supervisory Board adopted further resolutions based on the recommendations of the Presiding Committee using the written circulation procedure.

Among other things, these related to:

- the stipulation of the variable compensation component for the members of the Board of Managing Directors for financial year 2015,

- the stipulation of the target amount for the variable compensation component for the members of the Board of Managing Directors for financial year 2016.

The Supervisory Board also held three extraordinary teleconferences that covered the resignation of Holger Hohrein, an IT-related incident which occurred on 18 July 2016 and the acquisition of OnVista AG. In dealing with the IT-related incident, the Supervisory Board in its advisory capacity directed additional measures to be put in place and monitors them on an ongoing basis.

Based on the recommendation of the Presiding Committee, at its ordinary meeting in December the Supervisory Board specified the criteria for assessing the variable compensation component for the Board of Managing Directors for financial year 2017.

On the recommendation of the Risk and Audit Committee, the Supervisory Board resolved in its ordinary meeting in December to submit to the 2017 annual general meeting the nomination of the auditor for the 2017 annual financial statements and for the auditor's review of the half-year financial report.

Activities of the committees

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

The Risk and Audit Committee of the Supervisory Board adopted resolutions in the reporting year by means of the written circulation procedure and in four meetings during the reporting year; on 18 March, on 12 May before the annual general meeting of comdirect bank AG, on 8 September and on 8 December. Each meeting was also attended by at least one representative from the auditors commissioned for the year-end audit and review of the interim financial statements. At the meeting on 18 March 2016, the Risk and Audit Committee of the Supervisory Board dealt with the preliminary examination of the financial statements and dependency report as well as the independence of the auditors of the annual and consolidated financial statements. In addition, the report from the auditors conducting the review of the interim financial statements was discussed at the other meetings.

At all meetings, the Risk and Audit Committee of the Supervisory Board discussed in depth the status and further development of risk management and the risk status of the bank and its subsidiary. The focus was also on the investment of deposits with other companies in the Commerzbank Group and other counterparties. The underlying investment strategy and the plans regarding the continued intensive use of the Commerzbank Group for money market and capital market transactions were regularly discussed by the Risk and Audit Committee.

The Risk and Audit Committee received the annual report of the Compliance and Money Laundering Officer in March and was informed about the overall audit report from Audit for financial year 2015. The Chairman of the Risk and Audit Committee obtained comprehensive information from the Head of Audit prior to the meeting. In direct discussions with the Head of Audit and Head of Risk Management & Compliance, the Chairman of the Risk and Audit Committee verified the effectiveness of the internal control system. There were no new major findings in 2016. In the meeting of the Risk and Audit Committee on 12 May 2016, the Chairman of the Risk and Audit Committee was authorised to sign the contract commissioning the auditors, PwC, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, Hamburg branch, selected by the annual general meeting on the same date, to audit the annual and consolidated financial statements, including the management reports as of 31 December 2016. During the year, the Risk and Audit Committee obtained information at every meeting on the activities of the Audit and the Compliance function.

Under the responsibility of the Risk and Audit Committee, a tendering procedure in line with Article 16 of EU Directive 537/2014 regarding the selection of the auditor of the annual financial statements for the 2017 financial year and the auditor's review of interim reports was implemented in the 2016 financial year. The Risk and Audit Committee was supported by the company in its implementation.

As part of the tendering procedure, the Risk and Audit Committee dealt with the tender documents in detail. Once the documents were concluded, the tender for auditor rotation for the 2017 financial year was published in the Federal Gazette and on the website on 29 July 2016.

Further resolutions were made regarding the specification of the group of pre-qualified auditing companies, the approval of the evaluation matrix for the written tender and the oral presentation, among other issues. The concluding validation of the report on their findings and corresponding recommendation to the Supervisory Board of an auditor for the 2017 annual financial statements and for the auditor's review of the half-year financial report took place in the ordinary meeting in December.

The Risk and Audit Committee monitored the independence of the auditor and also dealt with the services additionally rendered by the auditor on an ongoing basis. In addition, the Risk and Audit Committee of the Supervisory Board dealt with the results of the annual custody account/German Securities Trading Act (WpHG) audit and with the main areas of the audit of the 2016 annual financial statements.

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

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

The Presiding Committee of the Supervisory Board adopted resolutions in the reporting year by means of the written circulation procedure as well as in four meetings on 18 March, before the annual general meeting on 12 May, on 8 September and on 8 December. The topics discussed included the recommendations to the Supervisory Board regarding issues relating to the compensation for the Board of Managing Directors, including:

- the stipulation of the variable compensation component for the members of the Board of Managing Directors for financial year 2015,
- the stipulation of the target amount for the variable compensation component for the members of the Board of Managing Directors for financial year 2016, and
- the stipulation of the criteria for assessing the variable compensation component for the Board of Managing Directors for financial year 2017.

Other resolutions related, among other issues, to the recommendations to the full Supervisory Board regarding the appointment and employment of Mr Dietmar von Blücher as a member of the Board of Managing Directors. Additional resolutions were passed relating to the adjustments to basic salary and variable remuneration for the members of the Board of Managing Directors and identification of individuals whose activities have a material impact on the overall risk profile of comdirect bank AG for financial year 2017 (risk takers). The Presiding Committee also approved the reallocation of loans granted to the Commerzbank Group.

The activities of the committees were reported on in detail to the full Supervisory Board. The Supervisory Board has not formed any further committees other than the Presiding Committee and the Risk and Audit Committee.

Efficiency of Supervisory Board activities

The Supervisory Board reviews the efficiency of its activities on an annual basis, most recently at its meeting on 18 March 2016. The activities of the Supervisory Board and its committees were once again unanimously judged to be efficient. No conflicts of interest were reported with regard to any member of the Supervisory Board.

Approval of the annual financial statements and dependency report

The annual financial statements of comdirect bank AG (in accordance with the German Commercial Code (HGB)), the management report of comdirect bank AG (in accordance with the German Commercial Code (HGB)) and the consolidated financial statements and group management report (in accordance with IFRS), including the underlying bookkeeping for financial year 2016, have been audited by the auditors, who issued an unqualified audit certification. The above documentation, the audit reports and the proposal of the Board of Managing Directors for the appropriation of the distributable profit were promptly made available to the members of the Supervisory Board.

The German public accountant took part in the meeting of the Risk and Audit Committee on 23 March 2017 and the subsequent meeting of the Supervisory Board dealing with the approval of the annual accounts, among others. He reported on the key findings of the audit and answered questions. The result of the audit was discussed thoroughly with the Risk and Audit Committee. The Risk and Audit Committee then proposed to the Supervisory Board that the annual financial statements be approved.

The Supervisory Board has acknowledged the results of the audit. Within the scope of the legal provisions, it has examined the annual financial statements and management report, the consolidated financial statements and group management report and the proposal of the Board of Managing Directors for the appropriation of the distributable profit and raised no objections on completion of its examination. In its meeting on 23 March 2017, the Supervisory Board approved the annual financial statements and consolidated financial statements prepared by the Board of Managing Directors. Accordingly, the annual financial statements are regarded as adopted. The Supervisory Board endorses the proposal for the appropriation of the distributable profit.

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

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

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

Changes in the Board of Managing Directors

Mr Holger Hohrein, member of the Board of Managing Directors, stood down from his position with effect of the end of 30 June 2016. The Supervisory Board approved his resignation. On the recommendation of the Presiding Committee, the Supervisory Board appointed Mr Dietmar von Blücher as a new member of the Board of Managing Directors for a period of three years with effect from 18 July 2016. In addition to extensive professional expertise, Mr von Blücher has many years of experience in the financial sector. Mr von Blücher is responsible for the areas of Finance, Controlling & Investor Relations, Information Technology and Risk Management & Compliance.

The divisions of the other members of the Board of Managing Directors are tailored as follows: Mr Walter is responsible for the areas of Business Development & Innovation Management, Corporate Strategy & Consulting, Internal Audit, Corporate Communications, Treasury & business partners and is also chairman of the supervisory board of ebase.

Dr Deglow is responsible for the areas of Banking, Investing, Marketing, Trading and User Interface.

Ms Palte is responsible for Advisory Services, Information Security & Outsourcing Management, Customer Management, Human Resources as well as the Legal and Data Protection & Organisation departments. The current responsibilities are detailed in the "Management and control" section of this annual report.

Changes in the Supervisory Board

Changes in the Board of Managing Directors of Commerzbank AG entailed corresponding changes in the internal arrangement of the Supervisory Board of comdirect bank AG and associated changes in the composition of the committees of the Supervisory Board. Mr Martin Zielke stood down from his position at the end of the annual general meeting on 12 May 2016. His successor, Mr Michael Mandel, was nominated to the Supervisory Board by the annual general meeting. He was unanimously elected chairman of the Supervisory Board in the subsequent Supervisory Board meeting on the same day. Mr Mandel is therefore both the chairman of the Presiding Committee of the Supervisory Board and a member of the Risk and Audit Committee of the Supervisory Board.

Thanks for excellent performance

We would like to thank the members of the Board of Managing Directors and all of the employees of the comdirect group for an excellent performance once again in financial year 2016. We would like to thank the staff council for their constructive cooperation at all times.

Quickborn, 23 March 2017

The Supervisory Board

Group management report /

Foundations of the comdirect group

Business model of the comdirect group

The comdirect group is one of Germany's leading direct banks with the aspiration to be the first choice for saving, investing and trading in securities. comdirect offers its around 3.1 million customers (end of 2016) innovative and intelligent products and services with which they can carry out their banking transactions, trade in securities and implement investment decisions from anywhere and at any time easily and conveniently.

The comdirect group is very well positioned in the business fields of banking, investing and trading, as well as in business with institutional partners. With around 1.9 million custody accounts, assets under management of €75.75bn and 24.8 million executed securities transactions (as of the end of 2016 in each case), it is the market leader in the online securities business in Germany.

Organisational structure, segments and locations
The group is managed on the basis of two business segments. As the parent company of the comdirect group, comdirect bank AG is directly responsible for direct business with private customers. Together with its five special funds, comdirect constitutes the business-to-customer business line (B2C). Its subsidiary European Bank for Financial Services GmbH (ebase) is in charge of business with institutional partners and their customers (B2B business line).

comdirect bank AG has its registered office in Quickborn near Hamburg, and also has an IT centre in Rostock. The registered office of ebase is in Aschheim near Munich.

Management and control
The comdirect group is managed by the Board of Managing Directors of comdirect bank AG.

The Supervisory Board of comdirect bank AG appointed Dietmar von Blücher as the new Chief Financial Officer (CFO) in July 2016. He is responsible for the areas of Finance, Controlling & Investor Relations, Risk Management & Compliance and Information Technology. Holger Hohrein resigned his mandate as of 30 June 2016. Business Development & Innovation Management is now led by CEO Arno Walter. The area responsibilities of Dr Sven Deglow and Martina Palte remain unchanged.

As of the end of 2016 the responsibilities of the members of the Board of Managing Directors are as follows:

Arno Walter CEO	Corporate Strategy & Consulting Corporate Communications Internal Audit Treasury & Business Partners ebase (Chairman of the Supervisory Board) Business Development & Innovation Management
Dietmar von Blücher	Finance, Controlling & Investor Relations Risk Management & Compliance Information Technology
Dr Sven Deglow	Banking Investing Trading Marketing User Interface
Martina Palte	Customer Management Human Resources Legal, Data Protection & Organisation Information Security & Outsourcing Management Advisory Services

The annual general meeting on 12 May 2016 elected Michael Mandel as a new member of the Supervisory Board. As a member of the Board of Managing Directors at Commerzbank AG he is responsible for the Private and Corporate Customers business segment. The Supervisory Board subsequently elected Mr Mandel as chairman. He is both the chairman of the Presiding Committee and a member of the Risk and Audit Committee of the Supervisory Board. Mr Mandel succeeds Martin Zielke, who resigned his Supervisory Board mandate at the end of the 2016 annual general meeting.

The Supervisory Board works closely with the Board of Managing Directors, monitoring and regularly advising the Board of Managing Directors in all material issues relating to the management of the company.

The main features of the compensation system of the Board of Managing Directors and the Supervisory Board as well as the breakdown by individual members are shown in the compensation report on pages 76 to 86.

Corporate Governance Statement
Management and control of the comdirect group comply with generally accepted high standards. These are summarised in the Corporate Governance Statement pursuant to Section 289a of the German Commercial Code (HGB). This statement includes, among other items, the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) as well as the Corporate Governance Report in accordance with Section 3.10 of the German Corporate Governance Code. The Corporate Governance Report also contains information on our compliance standards.

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

Inclusion in the Commerzbank Group
The comdirect bank is quoted on the Prime Standard (Regulated Market). 81.34% of the shares are held by Commerz Bankenholding Nova GmbH, a wholly-owned subsidiary of Commerzbank AG. Consequently, as of 31 December 2016 18.66% of the shares are in free float. Commerzbank AG provides services for comdirect bank, such as the processing of securities trading transactions as well as part of the payment transactions and the processes in risk management. In addition, the Treasury department of comdirect bank works closely with Commerzbank and generates interest income from money and capital market transactions with Commerzbank AG and its affiliated companies.

A detailed overview of the business relations can be found in the group notes on pages 109 to 113.

B2C business line

Products, services and business processes

In the B2C business line (comdirect bank AG), our intelligent solutions for products and services allow our customers comprehensive and complete digital management of their personal finances, including money and securities investment, payment transactions and financing. Customers can access the full product and service range wherever and whenever they like via a large number of access channels. Intuitive and simple solutions for mobile devices are playing an increasingly important role in this area. Customers can also get an overview of their finances across institutions on all their devices by using the multi-banking service introduced in the reporting year.

comdirect offers entirely digital account-opening, including account-switching and account-unblocking services round the clock. comdirect's service team has staff on hand 24 hours a day to answer customer queries by video and text chat, email, telephone, fax or letter.

The main product in banking is the free-of-charge current account, which is one of the highest quality products on the market due to the continuous addition of new intuitive functionalities. comdirect's new consumer loan on its own loan book brought it into the lending business in 2016 and the bank is also well positioned in the competitive environment in terms of its conditions, transparency and service.

comdirect generates interest income in banking by reinvesting customer deposits in the money and capital markets and from interest on consumer loans, credit lines and overdrafts. There is also commission income in conjunction with payment transaction cards issued.

In trading, comdirect facilitates speedy, secure and cost-effective stock exchange and OTC securities trading. With its real-time trading platform Pro Trader, the CFD Trader and other functions, comdirect offers the most modern trading technology in connection with highly reliable trading quality and availability, a wide service range and attractive pricing. A particular focus here is on mobile trading, which has again been made significantly simpler and more convenient by the introduction of the comdirect trading app in the reporting year.

In investing we provide a broad investment offering for both one-off investment and for continuous saving with securities. comdirect offers securities savings plans for funds and ETFs and has also offered a wide range of equities since 2016. The comdirect AnlageAssistent allows customers to simply and cost-efficiently put together a portfolio according to their own personal requirements.

In trading and investing, comdirect primarily generates commission income from securities trading and associated services as well as from front-end loads and sales follow-up commission in its funds business. In addition, there is interest income, in particular from loans against securities and deposits to settlement accounts.

With Baufinanzierung PLUS building finance advice, comdirect acts as an independent broker, generating commission income. Customers are advised by telephone, via co-browsing or by video telephony.

comdirect bank's product range

Custody Accounts & Securities	Custody account offering Trading platforms Trading services Comprehensive securities offering Securities savings plans
Account & Financial Investment	Current account & card Investment accounts AnlageAssistent Anlageberatung PLUS Money savings plan Bonus savings
Loans & Financing	Consumer loans Loans against securities Baufinanzierung PLUS

Market, competitive position and key influencing factors

In terms of the number of current accounts and the deposit volume, comdirect bank is one of Germany's leading direct banks.

We are in competition with other direct banks and online brokers as well as traditional retail banks. There are now a great deal of start-ups specialising in financial technologies (FinTechs) in the market that both compete with banks with their innovative services and also complement established providers' service range within partnerships.

The development of the money and capital market environment has a material influence on the B2C business line's performance and earnings situation. The level of commission income in trading is affected by trading activity on the securities exchanges as well as in OTC trading and CFD trading, which in turn is heavily dependent on price development and volatility levels on the stock markets. In investing, the main influencing factors are the demand amongst investors for actively managed investment funds and index funds (exchange-traded funds, or ETFs) as well as price effects. These determine fund volumes and consequently the level of sales follow-up commission.

The interest margin in the deposit and lending business is primarily affected by the movements in interest rates in the money and capital markets, spreads and ratings in the bond markets as well as the money market environment. The level of deposit volume and the demand for loans is growing with the number of customers and is also dependent upon our customers' propensity to save and consume.

In addition to costs, primarily technical aspects – such as the further development of mobile technologies and devices, broadband penetration and security across online and mobile channels – play an important role in deciding in favour of a direct bank model in Germany. At the same time, the long-term industry trends remain positive as the increased use of digital communication channels and mobile devices for banking transactions, as well as ongoing closures of bank branches nationwide, also represents continued growth potential for direct banks. Technical possibilities available today, such as video-supported customer dialogue, stimulate the development of new customer-oriented solutions. Thus, they also allow direct banks to approach customers in an ever more personal way.

B2B business line (ebase)

Products, services and business processes

ebase supports the business models of its cooperation partners as a digital financial service partner with tailored and B2B-capable products and services for asset accumulation and investment, as well as for the deposit and lending business.

Custody accounts, accounts and standardised asset management solutions are available in partner-specific configurations and, on request, as white label variants in the branding of the respective B2B partner.

ebase offers specific product solutions and supplementary services tailored to the different segments in which its B2B partners operate.

ebase's partner segments

Insurance companies and banks
Asset managers
Financial advisers and broker pools (independent financial advisers, IFA)
Investment management companies
Corporates (non-financials)
FinTechs (in the area of asset management)

Our cooperation partners can use the comprehensive service range independently via the ebase website and the online portal. This includes commission processing and professional data management, as well as support for partners in marketing, sales and reporting. An online portal with a wide range of functions relating to accounts and custody accounts is available for our cooperation partners' end customers.

The earnings model of ebase primarily centres on commission from securities business and custody account management fees, which is supplemented by other service fees and interest income.

ebase's product range

Saving & investing	Savings plan Drawdown plan Capital-building payments Standardised asset management
Custody account offering	Investment custody account (including custody account for capital-building payments) Custody account Managed Depot Custody account for company pensions (bAV) Working hours custody accounts
Account/loan	Flex account (Depot settlement account) Daily money account Fixed-term deposit accounts Overdrafts Loans against securities

Market, competitive position and key influencing factors

In B2B business, ebase is competing with funds platforms and other direct banks, who are now penetrating the German market even from abroad. In terms of custody assets placed by third parties, ebase has a leading position in Germany among B2B platforms. ebase is therefore well-positioned in the various target segments.

Banks, insurance companies, asset managers and investment management companies are focusing on the outsourcing of back-office services, digital and standardised product solutions and processes, as well as smart data evaluation. ebase has established a very good position in the independent financial advisers (IFA) customer segment with simple and liability-proof solutions for fund brokerage. All major sales organisations and broker pools are now linked to ebase. In particular its handling of data interfaces to third-party systems, online opening of custody accounts and web-based adequacy and suitability tests pursuant to the German Securities Trading Act (WpHG) for managed custody account solutions put ebase well ahead of its competition.

In its business with corporates, ebase is positioned as a specialist for company pensions and pension commitments with fund reinsurance.

In the FinTech segment ebase can also further expand its presence as a bank partner with established processes and scalable IT.

The attractive pricing model for investments in investment funds and ETF products contributes to the product's competitiveness. Over 260 cooperation partners and their intermediaries and sales organisations already use ebase as their partner for maintaining customers' accounts and custody accounts.

The changes in the individual partner segments, driven partly by regulatory developments, and the general competitive situation significantly influence the B2B business line.

Targets and strategies

The comdirect group stands for a new approach of what a bank is. As a smart financial companion, it supports its customers in comprehensively managing their finances in simple ways and across banks. At comdirect and ebase, customers will find simple solutions for saving, investing and trading in securities, be able to conveniently carry out financial transactions, finance personal goals or provide for old age – anywhere, any time, relevant to their own situation and always tailored to their personal needs.

With this positioning, the comdirect group is bringing an increasing number of customers on board – even those who have been using other banking models. Our customers' high level of satisfaction and willingness to recommend the bank to others promotes new business as much as targeted marketing. The spotlight is on the bank's comprehensive mobile service package for banking, investing and trading.

The comdirect group intends to profit fully from the positive market trend in online and mobile banking, continuously increasing the volumes it manages. The comdirect group's specific strategic levels of ambition are:

- to attract various target groups to saving, investing and trading with securities through individually tailored solutions and investment opportunities, and to attain a leading position in digital asset management,

- to introduce significantly more securities investors to trading and in doing so take the lead in the online brokerage market in Germany,

- to be the preferred financial companion for modern and independent clients and to be perceived as the innovation leader in the market with its intelligent solutions,

- to become a smart financial centre for our customers with multi-banking solutions, facilitating a convenient and transparent overview of personal finances across banks,

- to remain one of the most profitable retail banks in Germany in 2020, measured against return on equity.

comdirect and ebase are oriented to these strategic levels of amibition. As a measure, comdirect has formed focus teams in which specialists from various areas work together. These focus teams drive forward essential core initiatives relating to securities investment, the multi-banking service and other intelligent solutions for customers of comdirect. The focus teams achieve high-speed implementation by interlinking customer, market, technology and process expertise and an agile working method.

Securities investment: comdirect targets various specific customer groups with simple and tailored solutions. In doing so, comdirect orients itself to the personal wishes and needs of its customers regarding advice and delegation. We present all information relevant for decision-making transparently and comprehensibly.

Multi-banking service: In addition to a comprehensible current account product that is intuitive to use, we are also making various tools available for individual financial planning and decision-making. These include the multi-banking service introduced in September 2016, which can also be used to integrate external bank account details. This works in the same way as the smartPay app – available since January – which can be used to create a digital archive for invoices and bank transfers. This makes us a financial centre for our customers, allowing them to access a comprehensive service at any time anywhere.

Intelligent solutions: The intention is to draw customers to securities investment with attractive low threshold introductory offers. By addressing our customers in a targeted way where needed we aim to help them make better financial decisions. One example of how we are doing this is the bonus savings scheme introduced in the reporting year. Customers can use purchase discounts acquired through online shopping with partner companies to invest in an index fund automatically and free of charge. The shares savings plans with low minimum investment amounts introduced in February 2016 also contribute to attracting more customers to securities investment. We intend to attract more investment customers to mobile securities trading with the comdirect trading app launched in July. The MoBox, an app targeting young users of the JuniorGiro, rounds off the range of innovative products for various customer groups.

We are continuously developing our innovation management further. To make our customers' lives easier we consistently innovate from their perspective and use their creativity as much as that of our employees. We also rely on new stimulus from the intensive cooperation and strategic partnership with FinTechs. We are one of the first banks in Germany to support FinTechs with promising ideas via a start-up garage (www.comdirect-garage.de) both by providing infrastructure and resources and financially. Through this programme, comdirect gained a new partner for the ongoing development of banking services in 2016 with the FinTech fino.

Based on the experience gained in the start-up garage, emphasis was put on recruiting Entrepreneurs in Residence in the second half of the year. This is a programme where corporate talent interested in founding companies is given the opportunity to develop and expand ideas and bring them to market. Among other steps, contact with scientific institutions is intensified for this purpose. Founders have been able to apply with their FinTech ideas since September 2016.

We are also generating ideas by participating in and organising events such as Collabothon (www.collabothon.de), which comdirect organised for the first time in 2016 in partnership with Commerzbank and mBank. The top two ideas will be explored further. In addition, comdirect organised an innovation boot camp, in which numerous employees from the Commerzbank Group took part, along with founders and technology experts. This event will take place again in 2017, as will participation in Bankathons in Germany and abroad. General trends and developments in the industry are also the focus of our new blog www.bank-neu-denken.de. Several bloggers have been posting information on the topics of innovation and the future since 2015.

In the previous year, ebase began its strategic development towards becoming a digital financial service partner focusing on asset management. This is to be achieved in particular by further digitalisation of the service offering, the introduction of robo-advice solutions and increased collaboration with FinTechs. Among other projects, ebase set up an expanded application programming interface (API) during the reporting year. With this approach, the digital transformation of associated cooperation partners will be actively supported.

Management

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

Performance indicators
The system of performance indicators remained unchanged in the 2016 financial year.

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

Earnings control is primarily determined by the following central KPIs, which contribute to target attainment with regard to securities-related saving, investing and trading. This refers to:

- the executed orders in the B2C business line,
- the number of custody accounts in the B2C business line,
- the volume of net fund inflows into these custody accounts, and
- assets under management in the comdirect group and both business lines.

Assets under management comprise both the portfolio and deposit volume. Their development depends in part on price effects which are outside the comdirect group's control.

In addition to the financial indicators and their key influencing variables, development in the value of the company is also affected by non-financial performance indicators. They reflect comdirect's relationship with its customers and institutional partners as well as its appeal for shareholders (see Capital market relations on page 51).

The net promoter score (NPS) is the key non-financial performance indicator. It measures the willingness of customers to recommend comdirect to friends and acquaintances and is thus an important indicator of customer satisfaction and loyalty in the B2C business line. It is based on customer feedback, which is obtained at the end of customer phone calls and by email, and equates to the proportion of customers who would actively recommend comdirect bank's Customer Services (promoters), minus the "detractors" who are unlikely to make a recommendation. Possible further non-financial performance indicators, which are expedient for the management of strategic development, are defined and imposed as part of the strategy process.

KPIs

comdirect group	Return on Equity (RoE) Assets under management
B2C business line	Return on Equity (RoE) Net fund inflows to custody accounts Number of custody accounts Assets under management Number of trades Net Promoter Score (NPS)
B2B business line	Return on Equity (RoE) Assets under management

Market and economic review

Macroeconomic framework conditions

In comparison with a stock market environment of extraordinarily intense fluctuation in 2015, the equity markets in 2016 were characterised by decreasing volatility, despite short-term price reactions to Brexit and the unexpected result of the US presidential election. In an interest rate environment favourable for shares, the price development was limited by persistent geopolitical tensions, growing anxieties about the stability of the financial markets and an overall slightly weakened growth rate in the global economy. The general conditions in banking continued to be influenced by the expansive monetary policy of the European Central Bank (ECB). The increase in key lending rates carried out by the US Federal Reserve in December and the discussion about the possible discontinuation of the ECB purchase programme, however, caused a slight increase in the yield on bond markets at the end of the year. The regulatory environment remains challenging and requires cost intensive measures, which will also affect the result going forward. The long-term positive customer and industry trends that lead to stronger acceptance of direct banking models, and greater user numbers in mobile banking, also remained in force in 2016.

Economic environment
Global economic growth slowed again in 2016. Both the US and Europe showed weakening growth. The Brexit vote generated uncertainty halfway through the year, but did not negatively affect the eurozone due to the continued lack of clarity at the end of the year about how the UK will leave the EU. The inflation rate in the eurozone rose slightly in 2016, while core inflation remained at the very low level of 0.9%. The initially strong growth in Germany subsided tangibly in the second half of the year. Private and public consumption remained the most important support for the economy here.

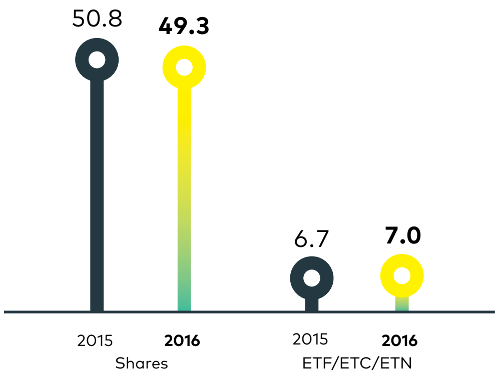
Disposable income in Germany was up by 2.8% year-on-year, while the savings ratio increased insignificantly from 9.7% to 9.8%. At the same time, demand for consumer loans increased.

Framework conditions for trading and investing
The prices on the international equity markets moved sidewards for long periods of the year. There were only short periods of strong volatility, which slowed down trading activity overall.

Following a weak start to the year, the German DAX fell to its lowest point of the year at 8,752.9 points on 11 February, before a slight recovery began in the second quarter. Halfway through the year, the Brexit vote caused only a temporary fall in price. The restrained upward trend continued in the second half of the year, supported by the easing of monetary policy in the United Kingdom and Japan. Rising raw materials prices and the expectation of an expansive fiscal policy in the US eventually led to significant share price gains at the end of the year and an annual growth in the DAX of 6.9%. The DAX reached its highest point on 30 December at 11,481.06 points. The VDAX-NEW, which expresses the expected fluctuation margin of the DAX for the next 30 days, was tangibly below the previous year's level, particularly in the second half of the year, despite a brief sharp swing caused by the Brexit vote.

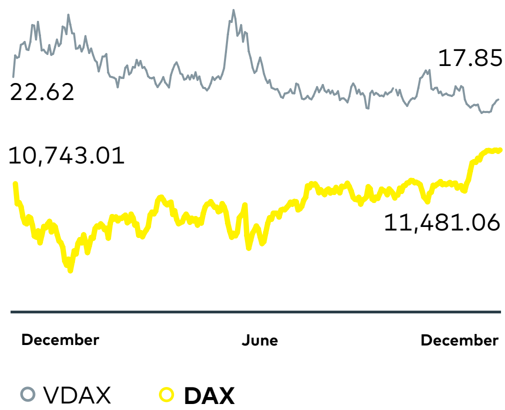
In terms of value, the volume of trading on the German spot market (XETRA, Tradegate and Frankfurt stock exchange) fell by 15.8%. Equity order volumes fell by 14.7%, while order figures decreased by 2.1%. The volume of traded index funds – ETFs as well as exchange-traded commodities (ETCs) and notes (ETNs) – fell by 12.4% in comparison with the 2015 financial year, while trades increased by 6.6%. In derivatives trading (Euwax and Frankfurt stock exchange), stock exchange turnover was a significant 20.8% below the previous year's value.

Traded units Deutsche Börse*
(in billion)



Source: Deutsche Börse AG
* XETRA, Frankfurt Stock Exchange and Tradegate

Development in the DAX and VDAX-NEW from 30.12.2015 to 30.12.2016 (in points)



Source: finanzen.net GmbH

Purchases of securities predominated among private investors in Germany in the first half of the year, but tended rather to be sold in the second half of the year, as evidenced by the comdirect Brokerage Index calculated on a monthly basis. This equally applied to shares, funds and bonds. It must however be noted that regular savings plan investments are not recorded by the index. Warrants and certificates were generally on the sell side for almost the entire year.

Over the period from January to November, retail funds recognised in the BVI investment statistics achieved a net average income of only €6.0bn compared with €67.4bn in the previous year. Property funds and mixed funds made gains, while equity funds recorded net outflows.

The ebase fund barometer, which is published quarterly, showed below-average trading activity. Starting at 92 points in January, the total index value remained significantly below 100 points over the course of the year, before rising to 117 points in December. Purchases and sales of ETFs also declined most months – they also saw significantly greater activity, however, at the end of the year.

Framework conditions for banking

The European Central Bank (ECB) maintained its expansive monetary policy. Due to the slowdown in the global economic outlook and the risk of deflation, the ECB expanded its bond purchase programme from €60bn to €80bn per month in March 2016, including corporate securities for the first time. The main refinancing rate has been at 0.00% since March 2016, and the interest rate for deposits at the ECB is at –0.40%. The US Federal Reserve increased the base rate in December to a range between 0.50% and 0.75%.

As a result of the high level of liquidity on the money markets, the EURIBOR interest rates fell again. Averaged out over the year, the three-month EURIBOR, which is the decisive rate for some of our investments, was below the previous year's figure (–0.02%) at –0.26% and was quoted at –0.32% as of year-end.

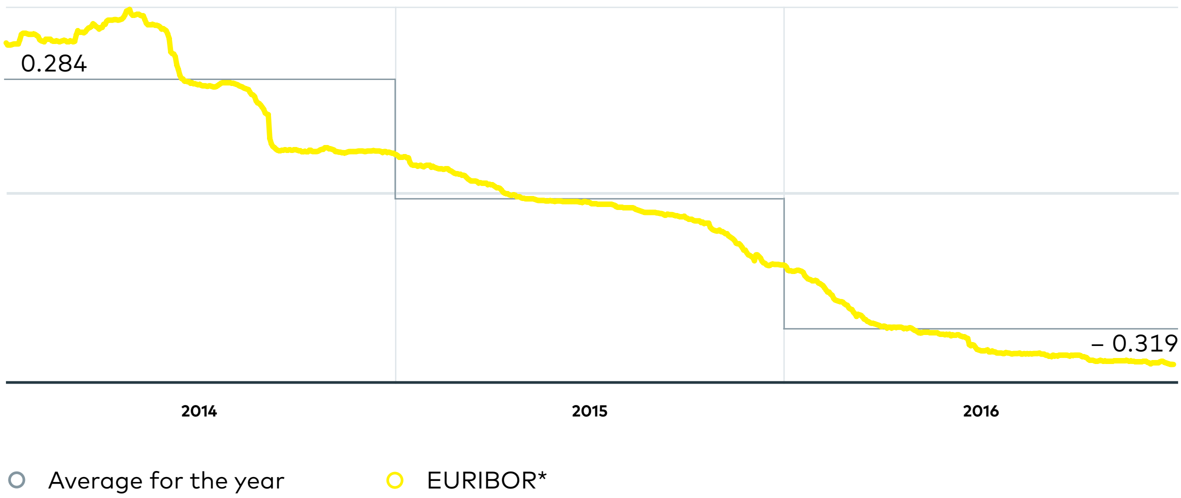
The yields on government bonds of the European core markets showed a slight increase as a consequence of the presidential election in the US and the expectation of rising interest rates. The ECB's decision in December to reduce its monthly bond purchases by €20bn to €60bn from April onwards led to another rise in yields. Most government bond yields therefore once again showed growth as of the end of the year; ten-year German government bonds bore interest of 0.21%.

For corporate bonds, the market spreads narrowed again as a consequence of the expanded bond purchases by the ECB. Investors were even prepared to accept negative yields in the case of some large companies. In the banking sector, the discussion about the MREL (minimum requirement for own funds and eligible liabilities) quotas within the context of the EU Recovery and Resolution directive led to a temporary widening of the spreads.

The Treasury portfolio, which is heavily focused on good quality bonds, was again characterised by an interest margin that was slightly declining on average over the year. The steep course of the yield curve seen again recently has however somewhat brightened prospects for the deposit business towards the end of the year.

The average interest rate level in the new business with consumer loans has also slightly fallen in comparison with the previous year. At the same time, the average new business volume of private households in Germany increased slightly in 2016 compared with the previous year.

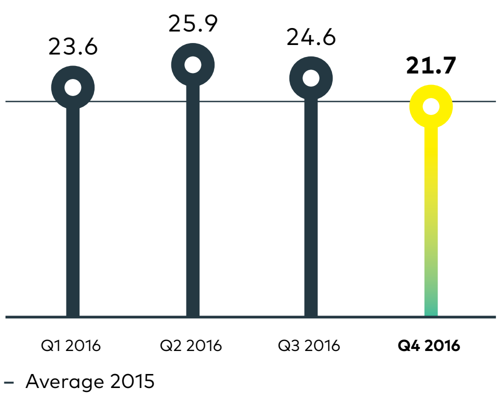
Three-month EURIBOR 2014–2016
(in %)



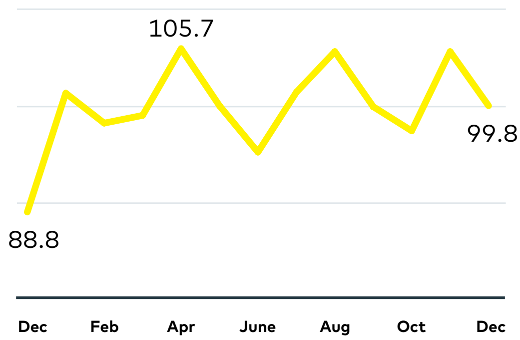
Source: EURIBOR EBF

* Three-month money

Consumer loans to private households
New business volume (in € billion)



comdirect savings and investment index (December 2015 – December 2016)
(in points)



Industry framework conditions

Online banking is a matter of course for the majority of Germans. A representative survey from digital association Bitkom showed that 70% of internet users carried out all or some of their banking transactions online in 2016 (previous year: 73%). One third of online banking users do not visit bank branches at all. The trend towards mobile banking via smartphones and tablets is continuing, and access via desktop PCs has significantly decreased.

comdirect believes that direct banks, which have an advantage over branch banks in the development of simple and tailored solutions for digital banking and brokerage based on their technologically sophisticated platforms, in particular benefit from the growing interest in mobile banking. At the same time, the expansion of the digital service by retail banks leads to greater habituation to online models and to the lowering of access barriers.

The fierce competitive environment combined with increasing regulatory costs and the persistent low interest rate environment are putting the industry increasingly under pressure. Even in 2016, there were branch closures and jobs losses across Germany. Branch banks, mainly, also raised their fees in the reporting year to partly compensate for declining net interest income, a move which supports the change in the direction of direct banks.

At the same time niche providers (FinTechs) are coming into the market with innovative solutions that also offer traditional advisory business. As the 2016 comdirect FinTech study shows, the investment volume in the FinTech sector has increased more than tenfold in the past five years. €507m were invested in the first nine months of 2016, equivalent to a share of entire venture capital market of almost 50%. comdirect sees the creativeness of the local FinTech scene more as an opportunity than as a threat. We support selected providers and identify possible partners in a targeted way with the comdirect start-up garage and innovation competitions such as the Collabothon 2016.

The availability of high-speed internet access in Germany, a fundamental prerequisite for the expansion of online and mobile banking, has further increased. According to information from the Federal Ministry of Transport and Digital Infrastructure, the availability of high-speed connections with bandwidths upwards of 30 Mbit/s was 80.7% in mid-2016 (mid-2015: 76.7%). LTE availability stood at 96.6% (mid-2015: 94.0%), and 86.2% of households can be provided with bandwidths of 6 Mbit/s or more via LTE.

Competition in the industry environment of B2B platforms and B2B direct banks has further intensified. On the other hand, the trend towards greater cooperation and work being shared is continuing. Banks, insurance companies and financial advisers are looking for efficient digital solutions to meet increasing customer expectations of speed and user-friendliness. Due to further increases in regulatory costs and falling margins, ever more financial service providers are concentrating on customer-oriented services and outsourcing settlement processes to established and efficient bank platforms. In addition, demand for standardised product solutions is rising as a result of the growing administrative costs of investment advice.

Regulatory environment

As part of the Commerzbank Group, comdirect and ebase are also subject to ECB supervision. comdirect was also categorised for the first time as an Important Institution in the 2016 financial year pursuant to Section 17 (1) of Germany's Remuneration Regulation for Institutions (InstitutsVergV). Further details are provided in the Compensation Report.

Implementing new legal and regulatory requirements to some extent involves significant costs. This affects the comdirect group itself as well as ebase's partners.

Particularly relevant in 2016 were the preparations for the MiFID II (Markets in Financial Instruments Directive – II) and the accompanying MiFIR (Markets in Financial Instruments Regulation), which must be implemented nationally under the second Financial Market Amendment Act from 3 January 2018. Among other issues, MiFID II defines expanded regulatory requirements for investment advisory services and their cost transparency, as well as the establishment of the new target market criteria. The Directive therefore has a direct impact on the business activities of comdirect and ebase, as well as their partner segments. The PRIIP regulation regarding packaged retail and insurance-based investment products is also relevant for the comdirect group. This includes uniform standards for the format and content of key information documents for packaged investment products. This is intended to significantly improve transparency of the products and thereby the consumer's understanding. The MiFIR regulates OTC trading platforms under new pre-trade and post-trade transparency obligations and the duty to report transactions. comdirect bank and ebase launched relevant implementation projects in 2016 for MiFID II/MiFIR.

Activities preparing for the implementation of the EU General Data Protection Regulation (GDPR) , which regulates the processing of personal data by private companies and public offices, were also set in motion. The regulation will be effective from May 2018. The new requirements will be implemented at comdirect predominantly in 2017 based on a feasibility study run in the reporting year.

The revised Directive on Payment Services (PSD2), which adapts the regulations on payment transactions to innovative online and mobile payment systems, also significantly affects the comdirect group. In particular it provides for stricter security measures for electronic payment transactions and greater protection of consumer data and rights, which shall be defined by the European Banking Authority. This means that more comprehensive authentication of customers, e.g. via biometric data, is necessary. The Directive will be applicable in July 2018 at the earliest.

comdirect implemented the Payment Accounts Act, which came into force on 18 September 2016 for the implementation of the EU Payment Accounts Directive, within the time limit. It obliges banks to offer all consumers a basic account. Switching accounts has also been made easier, partly because the new bank is now able to transfer standing orders.

The European Deposit Insurance System (EDIS), for which there has been a proposal since November 2015, was not concluded in the reporting year. Its consequences are therefore not initially foreseeable. EDIS aims at gradually transitioning national deposit insurance scheme systems to a standard European deposit insurance scheme by 2024.

The equity and liquidity management of financial institutions will be significantly affected by the implementation of "Basel III" and developments to the Basel Accord ("Basel IV"). Following the start of mandatory reporting of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) liquidity indicators, discussions are now under way regarding how these key indicators shall be disclosed. The European Banking Authority (EBA) presented a first draft on the disclosure of the LCR for consultation in May 2016. A decision on the mandatory long-term liquidity indicator NSFR has not yet been made. It is, however, proposed in the consultation paper regarding the Capital Requirements

Regulation (CRR) 2. The comdirect group's business model ensures that both liquidity indicators are complied with. Moreover, a waiver exempts comdirect from reporting the LCR at individual institution level.

As of the end of the year, the international negotiations of the Basel Committee on Banking Supervision (BCBS) have not yet been concluded. It became apparent in December however that the leverage ratio, which limits the maximum possible business volume by the available core capital, would be further increased from 2020 for banks deemed to be of systemic relevance. An output floor of 75% was discussed for the equity requirements calculated using internal models, and is to be achieved gradually between 2021 and 2025.

The planned amendment to the minimum requirements for risk management (MaRisk) had no effect in 2016, but could in future entail higher costs. A draft for the revision of MaRisk published in February aims to improve the IT infrastructure and processes of the systemically relevant institutions, enabling a comprehensive, exact and prompt aggregation of risk items. This also covers outsourced activities and processes that must be monitored more closely in future. In addition, the risk culture is also to be strengthened by a mandatory code of conduct.

The implementation act relating to the EU CSR guideline obligates large capital market-oriented companies, as well as banks and insurance companies with over 500 employees, to provide information on environmental, employee and social issues, on their observance of human rights and on their efforts to combat corruption in their management reports from 2017. Listed companies must also take consideration of diversity in appointments to supervisory, management and controlling committees. The diversity policy must be presented within the reporting.

Moreover, the EU Market Abuse Regulation came into force in July, and provides new regulation on disclosure requirements in relation to inside information and trade, as well as keeping insider lists. comdirect has adapted its internal procedures in accordance with the new standards.

The Investment Taxation Reformation Act was passed at national level in July 2016. The income on investment funds will as a result be taxed fundamentally differently from 1 January 2018, namely at a flat rate at the level of the private investor. A transition period applies to property funds. New regulations to prevent dividend stripping transactions apply retrospectively from the beginning of 2016.

The Federal Financial Supervisory Authority (BaFin) announced on 8 December that it intends to limit the marketing, distribution and sale of CFDs, and that it will publish a general ruling. As a result, contracts with an obligation to put up further margin may no longer be offered to private customers. comdirect has been offering two control models since 2011: with and without obligation to put up further margin. The CFDs without obligation to put up further margin, which are already in great demand, may also be offered in future.

The fourth EU Anti-Money Laundering Directive must be implemented in Germany in 2017. There has been a draft bill since December 2016. Among other things, this provides for the set-up of a transparency register and defines new requirements relating to economic beneficiaries and politically exposed persons. An intensification of sanctions is also planned.

We also expect new and more stringent requirements regarding the VideoIdent process. The previous year's Federal Financial Supervisory Authority (BaFin) circular of April 2016 on this topic was suspended until the end of the year according to the announcement of 11 July 2016. A new BaFin circular was announced for the beginning of 2017.

Business performance and earnings situation at the comdirect group

Overall assessment of the economic situation
The comdirect group closed out the 2016 financial year with positive profit in a challenging interest rate environment. A return on equity of 21.4% and pre-tax profit of €120.7m meant that the objectives set were exceeded.

Without the non-recurring effect from the disposal of shares in VISA Europe Ltd – explained in detail in the presentation of the earnings situation – the comdirect group achieved a robust operating result. The decline in net interest income and net commission income was heavily compensated for by the active management of other administrative expenses. Despite limiting selling expenses, brand awareness maintained a high level, thanks not least to excellent results in independent performance comparisons.

The high level of confidence among savers, investors and traders in the comdirect brand is reflected in another rise in 2016 in the number of customers, further increases in net fund inflows to custody accounts and a high level of willingness to recommend the bank to others, among other factors. ebase also gained more institutional partners in its relevant target markets and drove forward digitalisation of its processes and solutions.

Oriented to the expectations of modern and independent customers, comdirect drove forward developments in the previous year towards becoming a smart financial companion. New intelligent solutions such as comdirect's trading app, multi-banking service, its improved smartPay app and MoBox gained a pleasing number of users not long after their market launch. As a strategic objective, the reorientation of the innovation process is also intended to bring innovations for modern saving, investing and trading with securities swiftly to market in future and to strengthen comdirect's positioning as a smart financial companion.

Sale of VISA Europe Ltd. to VISA Inc. USA
The result includes non-recurring income amounting to €41.1m, which comdirect bank AG received in the second quarter as one of the principal members of VISA Europe Ltd. Behind this is the sale of VISA Europe to VISA Inc. USA and its subsequent integration under company law. The purchase price payment to comdirect bank AG was made with a cash component amounting to €32.1m and preferred stocks of VISA Inc. USA with an acquisition value of €9.0m to be converted at a later time to common stocks. The non-recurring income of €41.1m was recorded in the result from financial investments. Due to the transaction, which had been anticipated in the previous year, the amount of €32.1m was accounted for in revaluation reserves and not in profit or loss as of the 2015 reporting date and was accordingly reclassified in the second quarter on fulfilment. Value changes of the preferred stocks are also recorded in other comprehensive income for the period and not in profit or loss.

Acquisition of OnVista AG from Boursorama S.A.
On 9 December, comdirect bank AG signed a contract with Boursorama S.A. for the acquisition of all holdings in OnVista AG. OnVista AG owns online broker OnVista Bank and the www.onvista.de finance portal.

With OnVista Bank, which had total assets under management of €2.5bn and 97.6 thousand trading customers as of December 2016, comdirect should further strengthen its position as the market leader for online brokerage in Germany. In combination with the existing products and services, the onvista.de portal, one of Germany's leading information offerings, should form an ideal platform for financial information, information marketing and new customer acquisition.

The acquisition is still subject to the approval of the banking supervisory and antitrust authorities, and is expected to be completed in the first half of the 2017 calendar year.

Comparison between forecast and actual performance

The comdirect group reacted to the market-induced decline in earnings in banking and brokerage last year with the flexible management of its administrative expenses. This allowed RoE and pre-tax profit – adjusted for the non-recurring income from the VISA transaction – to be maintained at a robust level. Including the VISA-induced effects, the target of a tangible increase in RoE and pre-tax profit was securely achieved. The target values set in mid-2016 for RoE of over 19% before taxes and pre-tax profit of over €110m were exceeded.

Performance indicator		Actual 2015	Outlook report 2015	Actual 2016	Change from 2015
comdirect group					
Pre-tax return on equity	in %	16.7	Significant increase	21.4	–
Pre-tax profit	in € million	90.6	Significant increase	120.7	+ 33.2%
Assets under management	in € billion	65.5	Noticeable increase	75.7	+ 15.7%
B2C business line					
Pre-tax return on equity	in %	15.0	–	20.1	–
Pre-tax profit	in € million	79.8	Significant increase	110.6	+ 38.6%
Assets under management	in € billion	39.9	Increase	46.0	+ 15.2%
Net fund inflows	in € billion	4.1	Slight decrease	5.0	+ 20.0%
Number of custody accounts	in thousand	944	Moderate increase	1,007	+ 6.7%
Number of trades	in million	14.49	Stable	14.24	– 1.7%
Net Promoter Score (NPS)		52	Stable	55	+ 3
B2B business line					
Pre-tax return on equity	in %	30.2	–	26.0	–
Pre-tax profit	in € million	10.9	Stable	10.1	– 7.3
Assets under management	in € billion	25.6	–	29.8	+ 16.4

The rise in assets under management corresponded to the demanding planning. Net fund inflows in the securities business unexpectedly exceeded those of the previous year. The increase in the deposit volume was also greater than planned, the main reason being that, in addition to further improvement in services relating to accounts and cards, the conditions in the competitive environment have worsened. The volume effect was nevertheless of no consequence and was unable to compensate for the collapse in margins in the deposit business, meaning that net interest income was tangibly below that of the previous year, as was expected.

The trading activity lagged slightly behind the extraordinarily high level of the previous year in a market environment less volatile than in the previous year. The persistent rise in index levels assumed in our basis scenario also did not occur, which is why the sales follow-up commission was below the comparative figure for 2015. Net commission income therefore declined overall.

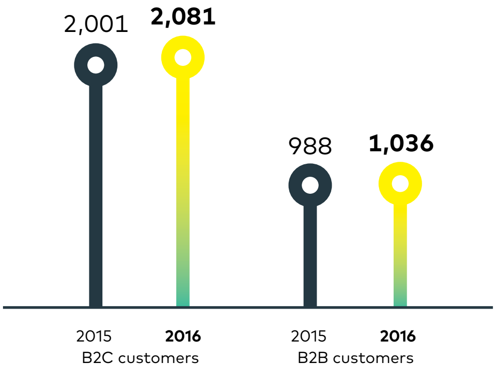
As announced in the 2015 outlook report, administrative expenses were limited due to market and earnings performance and declined in comparison with the 2015 financial year despite continued investment in the business model. As a result, losses in earnings in the interest and commission-driven business, which concerns both business lines, were largely compensated for. The regulatory costs were also lower than expected as a discount was granted on the contributions to the deposit insurance scheme.

Business performance
The comdirect group further consolidated its position as one of Germany's leading direct banks with an increase in the number of customers in both business lines and the conspicuous increase in its assets under management. The innovative solutions for saving, investing and trading with securities introduced during the reporting year contributed to this.

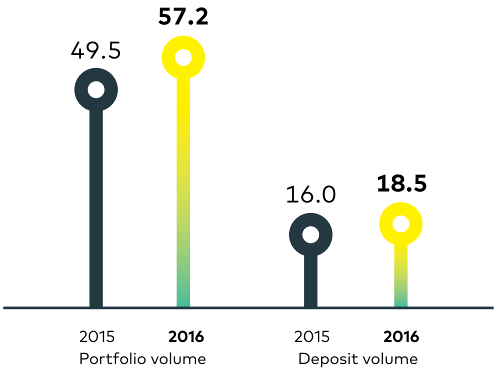
At the end of 2016, the comdirect group was a smart financial companion for a total of 3,116.8 thousand customers (end 2015: 2,989.5 thousand) with total assets under management of €75.75bn (end 2015: €65.50bn). The 15.7% rise in assets under management was due mainly to net fund inflows into custody accounts, which were again above the previous year's high value.

The B2C business line gained 79.7 thousand customers (+4.0%) – in particular during the second half of the year. Worsening conditions in the competitive environment also contributed to this. At the end of 2016, the B2C business line counted 2,080.9 thousand customers (end 2015: 2,001.3 thousand). comdirect managed a current account for 65.2% of its B2C customers and was the main bank for one in four account holders. More and more customers are using comdirect as a digital financial centre across banks with its multi-banking service.

Number of customers of comdirect group as of 31.12. (in thousand)



Total assets under management of comdirect group as of 31.12.
(in € billion)



The number of custody accounts in the B2C business line rose 6.7% to over one million for the first time, showing more rapid growth than its customer base. At the same time, the portfolio volume rose by 15.1%. By contrast, the order figures declined similarly to the general market trend.

In the B2B business line, the customer base also increased and stood at 1,035.8 thousand at the end of 2016, higher than at the end of 2015 (988.2 thousand). The moderate decline in custody accounts for capital-building payments, custody accounts without any holdings and the custody account holdings from earlier migrations was more than compensated for by new business. As a result of liquid fund inflows and migrations, total assets under management was noticeably above that of the previous year.

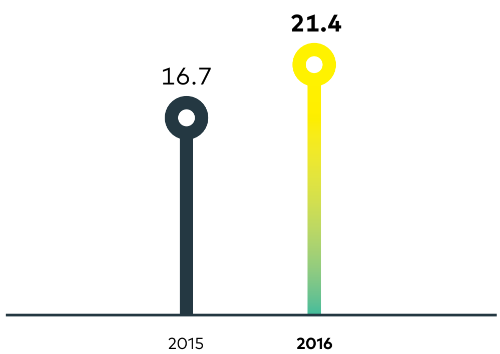
Earnings situation
The comdirect group significantly improved its RoE compared with the previous year (16.7%) and recorded strong pre-tax RoE of 21.4%. The 33.2% rise in pre-tax profit to €120.7m (previous year: €90.6m) is due to the non-recurring income of €41.1m from the VISA transaction. In the context of €79.6m pre-tax profit, pre-tax RoE reached a satisfactory 14.1% without this effect. The tangible decline in earnings in the operating business is primarily due to the expected difficult interest rate environment and declining trading activity in comparison with the previous year.

We were able to partly compensate for the 8.1% decrease in earnings to €340.6m (without the VISA non-recurring income) with active expenses management, in particular selling expenses. As a result, our administrative expenses decreased by 6.8% to €261.0m.

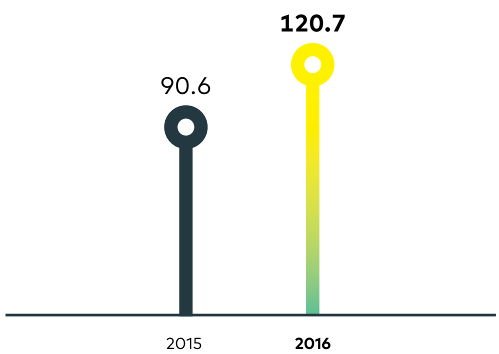
Taking into account the non-recurring income from the VISA transaction, the cost/income ratio improved from 75.0% to 68.6%. Without this non-recurring income, the cost/income ratio rose to 76.9%.

Of the total income before provisions for possible loan losses, €118.6m (previous year: €141.8m) or 34.9% (previous year: 38.0%), was attributable to the income relating to deposit business and Treasury portfolio management, i.e. net interest income, result from financial investments (without the VISA non-recurring income), trading result and result from hedge accounting. These earnings components are viewed on a holistic basis, as market interest rate developments can in some cases trigger opposing movements.

Pre-tax RoE of comdirect group
(annualised in %)

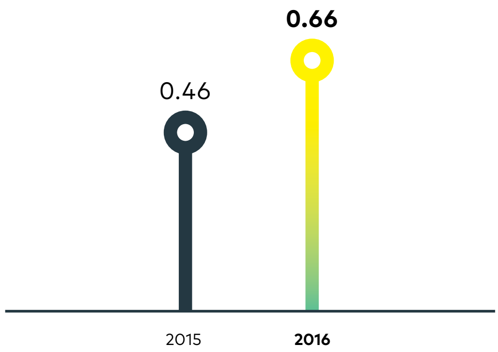


Pre-tax profit of comdirect group
(in € million)



Consolidated net profit increased to €92.5m (previous year: €65.0m). This corresponds to an after-tax RoE of 16.4% (previous year: 12.0%) and earnings per share of €0.66 (previous year: €0.46).

Earnings after tax per share
(in €)



Income taxes increased only slightly to €28.2m (previous year: €25.6m). This was equivalent to a tax rate of 23.3% (previous year 28.2%). The current assumption is that the purchase price payment from the VISA transaction will be received for the most part tax-free.

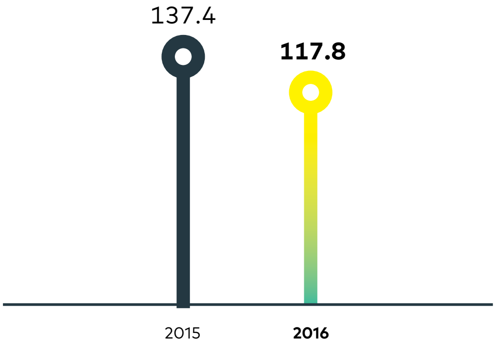
The comdirect group's total comprehensive income of €60.4m (previous year: €90.5m) includes the change in revaluation reserves amounting to €– 28.4m. The reclassification to profit or loss of the earnings from the VISA transaction not reported in profit or loss on the 2015 reporting date was offset by the positive market value changes of financial instruments in the "available for sale" category and by the positive measurement effects relating to the preferred stocks in VISA Inc. USA. Actuarial effects from pensions are also included. The pension obligations increased year-on-year due to the subdued development of long-term market interest rates, thus reducing total comprehensive income.

Proposal for appropriation of profit
The Board of Managing Directors and Supervisory Board will propose to the annual general meeting in Hamburg on 11 May 2017 that the distributable profit of comdirect bank AG of €69.9m calculated in accordance with the German Commercial Code (HGB) (previous year: €56.5m) be used for a dividend of €35.3m (€0.25 per share; previous year: €0.40) and that the remaining amount of €34.6m be transferred to retained earnings. Based on the comdirect group's consolidated net profit in accordance with IFRS, this results in a total transfer to retained earnings of €57.2m, bringing the payout ratio upon acceptance of the proposal for appropriation of profit to approximately 38%. With the partial transfer of the net income for 2016 to retained earnings we are creating suitable equity resources, while at the same time expanding our financial latitude for continued growth investment.

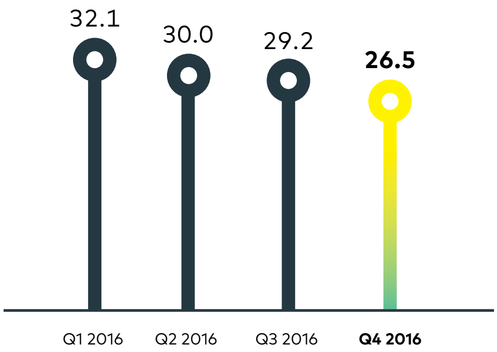
Net interest income and provisions for possible loan losses
Due to the lower bond yields and negative money market interest rates, the net interest income before provisions for possible loan losses fell by €19.6m to €117.8m (previous year: €137.4m). Treasury investments could be replaced on maturity only by those with lower yields. The further fall in the three-month EURIBOR continued to cause a declining trend in the investments with variable yield.

Interest income decreased to €135.0m (previous year: €165.3m) and 80.1% (previous year: 81.4%) was attributable to income from lending and money market transactions, with 19.0% (previous year: 18.1%) attributable to fixed-income and variable yield securities (available for sale). The negative interest rate effects were offset to only a limited degree by adjusting customer conditions. Interest expenses amounted to €17.2m (previous year: €27.9m).

Net interest income before provisions for possible loan losses (in € million)



Net interest income before provisions for possible loan losses in a quarterly comparison (in € million)



Provisions for possible loan losses show a positive balance of €1.1m. Parameter adjustments as part of the validation of risk models led to partial reversal of portfolio loan loss provisions both in the second and fourth quarters, which exceeded the appropriations over the course of the year. No significant specific loan loss provisions needed to be created. The previous year's value of €–2.9m included appropriations caused by the decision to switch VISA credit cards to monthly billing, which meant the card limits had to be adjusted.

After provisions for possible loan losses, net interest income for the comdirect group stands at €118.9m (previous year: €134.5m).

Result from financial investments

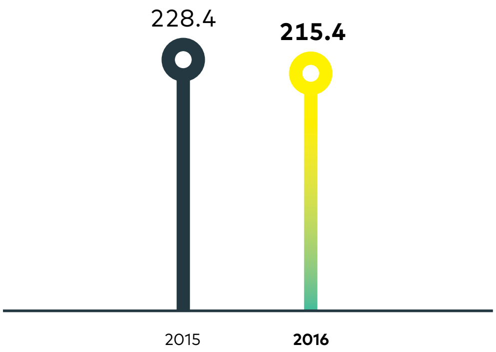
The result from financial investments amounting to €43.2m (previous year: €4.2m) includes the above-mentioned non-recurrent income from the disposal of shares in VISA Europe of €41.1m. In addition there is income from the disposal of individual securities before final maturity, with which the Treasury portfolio is regularly adjusted to the changed market conditions and managed regarding the maturity structure. As a result, share price gains in the area of special funds were realised from the reallocation of bonds and funds. By contrast, losses on disposals and measurement effects were insignificant. Impairment losses amounted to €–0.4m (previous year: €–0.6m).

Result from hedge accounting and trading result

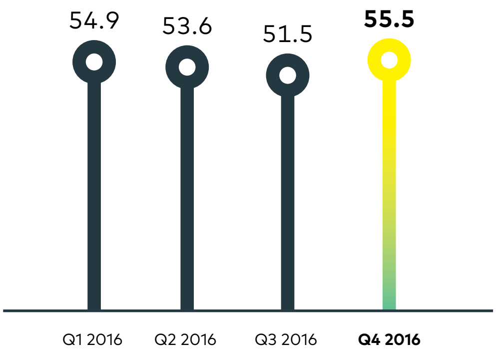
The result from hedge accounting and trading result was €–1.4m in the reporting year (previous year: €0.2m). This is essentially due to the valuation of foreign currency forwards with a nominal volume of USD 30m, which were made in order to hedge currency-related value fluctuations arising from retail funds. Corresponding currency gains are accrued in the retail funds and are reported in revaluation reserves within equity and therefore in other comprehensive income for the period. Retail funds and foreign currency forwards are now listed in hedge accounting. In the income statement, further value fluctuations thus balance themselves out to a large extent and no longer significantly affect results.

comdirect also used forward rate agreements (FRAs) in the first half-year for interest book management, but these were fully settled as of 30 June 2016.

Net commission income
(in € million)



Net commission income in a quarterly comparison (in € million)



Net commission income
At €215.4m, (previous year: €228.4m) net commission income was 5.7% below the unusually strong 2015 figure. This was mainly due to a challenging market environment with slightly declining trade figures in the B2C business line. In addition, a large proportion of the executed orders were securities savings plans with rather low volumes and order fees.

Payment transactions generated a net commission income of €13.3m (previous year: €12.4m). Generated primarily by advisory activities in the B2C business line, other net commission income contributions totalled €7.6m (previous year: €13.8m).

Other operating result
The increase in other operating result to €5.5m (previous year: €3.3m) was predominantly due to deferred rebates on provisions for payment transactions paid in the previous year. In addition, this included income from the reversal of individual provisions and non-recurrent income from the card business.

Administrative expenses
Administrative expenses were reduced by €19.0m to €261.0m (previous year: €280.0m).

The decrease in other administrative expenses from €180.3m to €159.0m was primarily caused by a significant reduction in sales activities, which partly compensated for effects resulting from the current market and earnings situation. The previous year's figure also included expenses for the launch of the "Bank. Re-envisioned." brand campaign. The expenses for IT and business activities were each down slightly as a result of active cost management. The expenses for the statutory deposit insurance scheme have increased overall in comparison with the previous year.

As a result of new appointments and salary adjustments, personnel expenses amounted to €88.1m, 5.9% higher than the previous year's value (€83.2m). The number of employees in the comdirect group increased slightly against the 2015 comparative value by 1.4%.

Depreciation and amortisation decreased to €13.9m (previous year: €16.5m). On the one hand this was due to the expiration at the end of 2015 of depreciation on acquired customer relationships. On the other, the amortisation of software components ended over the course of the year.

B2C business line

With its intelligent solutions for saving, investing and trading with securities and personal financial management across banks, comdirect has created the conditions for further growth in the B2C business line. High net fund inflows and a robust increase in the number of customers were achieved in the reporting year.

Business performance in brokerage

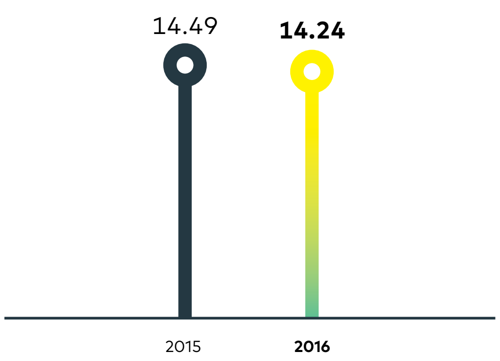
Trading
In trading, particular effort was put into making trading in securities accessible to a wider target group. Customers can use comdirect's trading app, which was launched in July 2016, to trade with securities anywhere at any time using a smartphone. Individual push notifications for set price alarms, market information in real time and quick access to favourites allow for immediate interaction with market events. Stripped to the essentials and with a simplified display, it allows orders to be executed particularly quickly and easily. The app was initially developed for the Android operating system.

comdirect maintained its strong market position in CFD trading, and with 16,614 CFD accounts and a large number of active traders remains one of Germany's largest providers. Our proven partnership with the market maker Commerzbank AG allowed us again to offer traders very reliable trading quality along with high liquidity and low spreads throughout the reporting year.

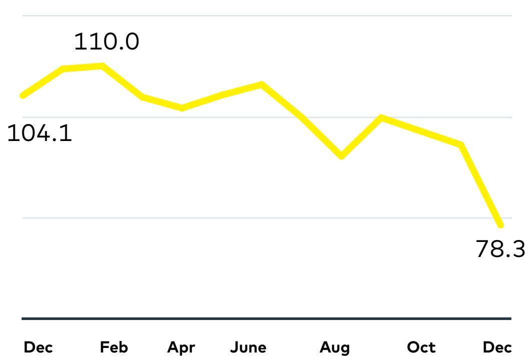
Lower-than-average volatility for the year meant that at 14.24 million, the number of executed orders overall did not reach the exceptionally high level of the previous year (14.49 million). Investors were clearly reserved, especially at the midpoint of the year.

The order activity per custody account fell from 15.9 in the same period of the previous year to 14.6. Securities turnover amounted to €48.1bn, corresponding to a 16.6% decline compared with the previous year (€57.75bn).

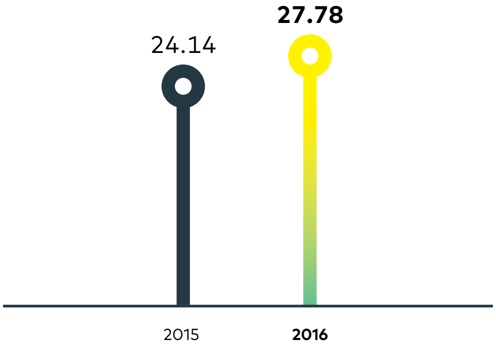
Executed orders B2C
(in million)



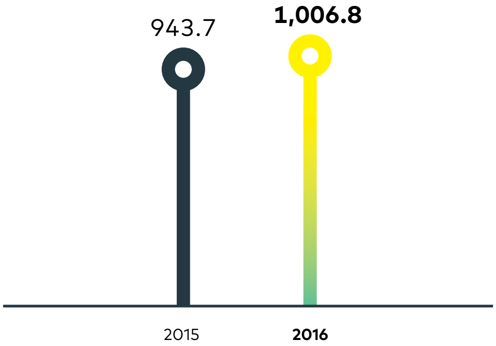
comdirect Brokerage Index (December 2015 – December 2016) (in points)



Portfolio volume B2C as of 31.12.
(in € billion)



Custody accounts B2C as of 31.12.
(in thousand)



Of these trades, 44% (previous year: 46%) were carried out via our OTC trading platform (LiveTrading). CFD trading accounted for approximately 24.1% of all trades (previous year: 27.5%). Of the orders, 29.3% (previous year: 23.3%) were attributable to savings plans.

Investing
In order to offer a larger number of customers a particularly easy introduction to securities investment, comdirect introduced its bonus savings plan at the end of June 2016. By the end of 2016, several thousand registered customers had already secured attractive bonuses, which are brought together as credit balances and automatically invested in a widely diversified index fund without order fees, at numerous partner shops and tour operators. The service was awarded the 2016 Customer Innovation Prize.

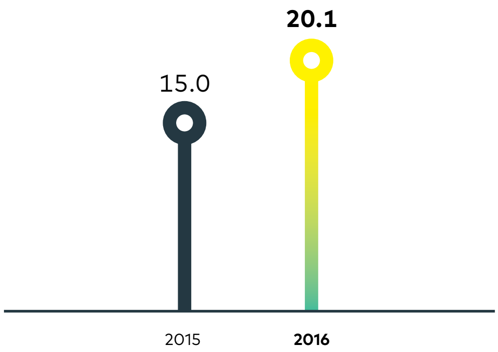
Shares savings plans were added to the range of savings schemes at the start of the year. Customers can now select from a portfolio of over 100 equities from the DAX, MDax and TecDax, German registered shares and 25 US securities. The barriers to entry have consciously been reduced with a minimum savings rate of €25. This has already resulted in a significant increase in savings plan-related order figures over the course of the year. In particular, AnlageAssistent was used to put together savings plan portfolios. Our top price ETFs enjoyed continued strong demand.

The portfolio volume in the B2C business line climbed €3.63bn to €27.78bn in 2016. The figure at the end of 2015 (€24.14bn) was exceeded by 15.1%. Net fund inflows of €2.5bn (2015: €2.6bn) had a material effect due to the growing number of custody accounts and a successful custody account transfer campaign. The number of custody accounts rose by 6.7% to 1,006.8 thousand (end 2015: 943.7 thousand), with which comdirect was able to build on the strong growth of the previous year. At the end of 2016 comdirect managed a custody account for 48% of its banking customers (previous year: 47%).

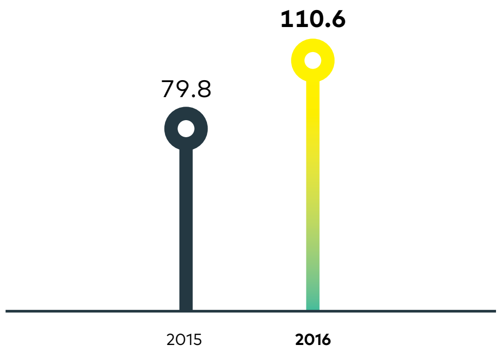
Business performance in banking
The new mobile applications, multi-banking service and lending products on our own loan book have made our 2016 banking range even more comprehensive, convenient and intuitive.

As the first German bank, comdirect has offered a comprehensive multi-banking service for desktop PCs and mobile devices since September 2016. Customers can add their accounts, credit cards and custody accounts with external financial institutions to their Personal Area on the comdirect website, giving them a complete overview of their finances at all times and across all banks. This makes comdirect a digital financial centre for all customers with more than one bank account.

Pre-tax RoE B2C
(annualised in %)



Pre-tax profit B2C
(in € million)



To make banking even simpler and more intuitive we have also added an archiving function to the smartPay app introduced in the previous year, which customers can use securely and easily to digitally save invoices and transfers immediately after payment. The very popular JuniorGiro from comdirect now also has its own app, MoBox, which helps to place young users' finances more firmly in their daily lives. They can conveniently check their account balance, work towards individual savings targets, easily carry out small transfers and quickly exchange account data using the QR code scanner. The launch of the app for young people was accompanied by the comdirect youth study, which met with broad media resonance.

comdirect expanded its financing product range with its own consumer loan. Loans of up to €50,000 are offered with a maximum term of 120 months and a fixed interest rate. Customers can go through the calculations for their financing projects using our loan calculator and make their loan application entirely online at any time of day. Changes to the loan plan or free unscheduled repayments are possible at any time.

Deposit business
Compared with the end of 2015 (€15.80bn), the volume of deposits increased by 15.3%, to €18.22bn. The volume of current accounts grew 35.9%, while the number of accounts increased 7.1% to 1,355.7 thousand (previous year: 1,265.9 thousand). The volume of fixed-term deposits changed only negligibly, while the number of Tagesgeld PLUS ("daily money PLUS") accounts increased by 3.7% despite the low interest rate.

As of 31 December 2016, 97.0% (end 2015: 95.3%) of liabilities to customers in the B2C business line were attributable to deposits due on demand. The reinvestment of customer funds is adjusted in line with the economic holding period of the deposits (see page 47).

Lending business
As of the reporting date, the volume of utilisation of loans by private customers amounted to €326m, thus up 8.7% on year-end 2015 (€300m).

In particular, credit volume taken out using Visa cards increased and the new consumer loan product was also well received. The volume of overdrafts was slightly above the level seen at year-end 2015.

In building finance advice, comdirect acts as an intermediary, working with more than 250 financing partners. The offering therefore had no impact on the bank's reported credit volume. The volume of building finance placed fell in comparison with the previous year (€673m) to €536m. This was partly the result of market development and partly of our focus on digital advisory services, which also meant the discontinuation of office-based building finance advice in 2015.

Earnings situation in the B2C business line
In 2016 the B2C business line generated pre-tax return on equity of 20.1% and pre-tax profit of €110.6m (previous year: 15.0% or €79.8m). This includes the non-recurrent income from the VISA transaction explained in detail at group level. The cost/income ratio improved to 66.5% (previous year: 74.1%). Without the VISA effect, the cost/income ratio increased to 76.1%.

The earnings components related to the comdirect group's deposit business – net interest income, the trading result, the result from financial investments and the result from hedge accounting – stem mainly from the B2C business line and are thus explained at group level (see pages 35 to 36).

Due to declining trades, at €163.2m net commission income was 6.6% below the exceptionally high previous year's value of €174.6m. As a result of the low share price level on average for the year, sales follow-up commission in the funds business also did not quite reach the 2015 comparative value.

Administrative expenses fell to €217.2m primarily because of the active management of sales activities and were therefore below the previous year's high level (€236.6m) which was influenced by the "Bank. Re-envisioned." campaign.

The other operating result of €3.4m (previous year: €2.5m) includes income from the reversal of provisions and non-recurrent income from the card business.

B2B business line

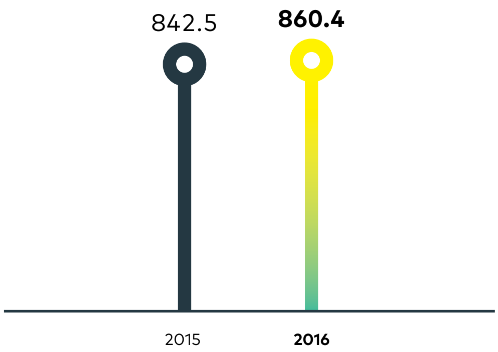
ebase consolidated its partnership with independent financial advisers, insurance companies, banks, asset managers and other institutional actors by continuing to develop asset management solutions. At the same time, the digitisation of communication and business processes in accordance with partner-specific requirements, the expansion of its own "robo-advisor" fintego and its collaboration with FinTechs position ebase ever more strongly as a digital financial service partner. The customer base and portfolio volume registered tangible growth.

Business performance

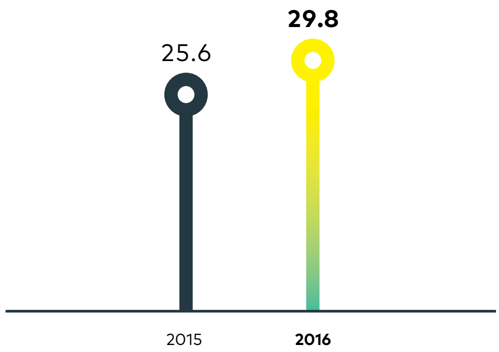
Product development and sales
Its target positioning as a digital financial service partner is bolstered by, among other things, its new and entirely digital custody account and account opening options, as well as the video legitimation feature and chat function for the fintego Managed Depot. Partner-specific Managed Depots are also embedded in the "robo-advice" approach. In the Banking Check Award 2016 presented by the online portal BankingCheck.de fintego won second place in the "Robo-advisor" category and received an evaluation of "very good" in the "FinTech start-up" category. At this year's ETP Awards at the Stuttgart stock exchange, fintego was also awarded the prize of best online asset manager.

Novel digital insurance solutions and flexible solutions relating to pensions will be developed as alternatives to traditional life assurance with the strategic partner Fincite, gained in the reporting year.

B2B custody accounts as of 31.12.
(in thousand)



Total assets under custody B2B as of 31.12. (in € billion)



An important foundation for the further collaboration with FinTechs, both for ebase and also for the institutional partners, is the expanded application programming interface (API) set up at the beginning of the year. In addition to custody account orders and transactions, bank transfers and direct debits can now be automated using the interface.

The ebase 4kids custody account, which enables asset accumulation for children and young people under 18 without custody account fees and foreign currency accounts for institutional customers, are new additions to the product portfolio.

The service for personal provisioning has been offered since September 2016 under the finvesto (previously cominvest) brand.

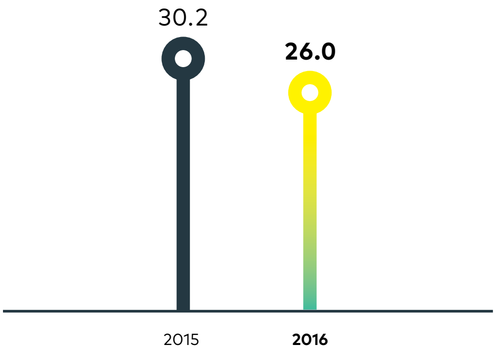
Customers, custody accounts and portfolio volume
The number of ebase customers increased to 1,035.8 thousand in 2016 (previous year: 988.2 thousand). The growth is partly due to the acquisition of legal investment and custody account management from Wüstenrot Bank AG Pfandbriefbank. The portfolios were migrated on 31 October 2016. Moreover, ebase successfully implemented several partner-specific Managed Depots. At the end of the year, around 90% of the custody accounts and account products were offered in a partner-specific configuration.

As was the case in earlier years, there were initially account closures in the first quarter concerning custody accounts for capital-building payments following the expiry of corresponding capital-building payments contracts and custody accounts without any holdings. Portfolio holdings that had been taken over via migration are also subject to a natural downturn. However, these effects were significantly compensated for in 2016 by new business.

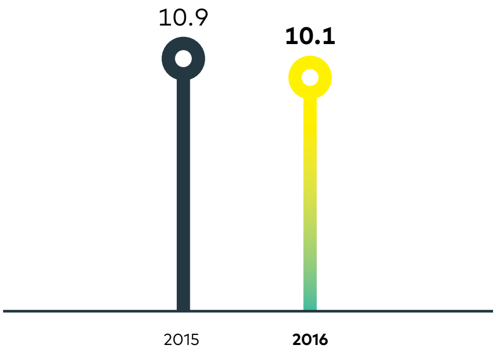
At the end of 2016, ebase maintained 860.4 thousand custody accounts (previous year: 842.5 thousand). The portfolio volume increased to €29.47bn due to net fund inflows and migrations (end 2015: €25.32bn).

Over the course of the year, the funds volume attributable to custody accounts for company pensions (bAV) climbed by 5.11% to €1.85bn (end 2015: €1.76bn).

Pre-tax RoE B2B
(annualised in %)



Pre-tax profit B2B
(in € million)



Accounts and deposit volume
At €278m, the deposit volume significantly exceeded the volume at the end of 2015 (€236m). Most of the deposit volume was still attributable to the settlement accounts linked with the custody account (Flex account). These accounts are available for buying and selling transactions in funds business, to accept inflows from expiring insurance policies and as fully-fledged, online-type accounts for payment transactions.

Earnings situation in the B2B business line
The B2B business line generated pre-tax return on equity of 26.0% (previous year: 30.2%) and pre-tax profit of €10.1m (previous year: €10.9m).

At €54.1m, earnings were slightly below the previous year's value (€54.5m). The cost/income ratio came to 81.2% (previous year: 80.0%).

Due to the price-related fall in funds volume and correspondingly lower ongoing sales commission, net commission income decreased to €52.4m (previous year: €53.9m).

Due to interest expenses arising from provisions for pensions net interest income before provisions for possible loan losses amounted to €–351 thousand (previous year: €–286 thousand). Original net interest income from investments decreased to €52 thousand (previous year: €362 thousand). Administrative expenses increased to €44.0m (previous year: €43.6m), to which maintenance and development costs resulting from the expansion of the business model contributed, among other costs. Regulatory expenses were also greater than the corresponding figure for the previous year. Higher depreciation on investments made in new products in previous years also had an impact. The 2015 comparative figure includes a non-recurring effect of €1.1m from a reorganisation in Customer Services.

The other operating result of €2.2m (previous year: €0.9m) was essentially characterised by the reversal of unutilised provisions and accruals as well as extraordinary income from services for linked partners.

Financial situation and assets of the comdirect group

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

During the reporting period, the overwhelming majority of investments were again made with Commerzbank AG and selected other companies of the Commerzbank Group. The Treasury investments of these companies are comprehensively collateralised via a general assignment agreement and a pledged securities account (see Note (49) on page 133).

Where required, derivative financial instruments are used to hedge interest rate risks from bonds, manage the interest book in the Treasury portfolio and for currency hedging. As of 31 December 2016, the nominal volume of these derivatives amounted to USD 30m.

Investments
Most of comdirect's growth initiatives are recognised in income immediately. In light of this, the bank's balance sheet investment and depreciation volume is small for its size. The balance sheet additions amounted to €15.8m (previous year: €15.6m) and were primarily characterised by IT investments.

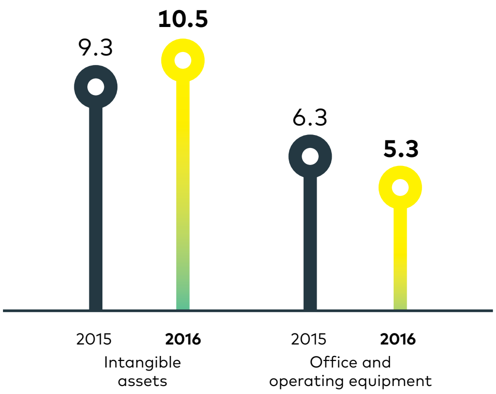
Intangible assets accounted for €10.5m of the investment volume (previous year: €9.3m). Taking account of the amortisation of intangible assets, a net investment volume of €1.2m arises (previous year: €–1.7m).

Fixed asset investments amounted to €5.3m (previous year: €6.3m). Net investments in property, plant and equipment amounted to €0.6m.

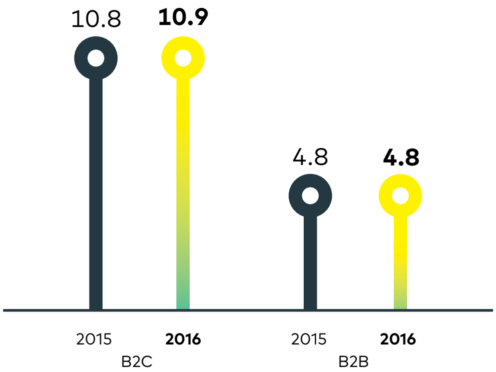
In the B2C business line, investments in the amount of €10.9m (previous year: €10.8m) predominantly related to purchases of hardware and software (€8.0m) as well as to internally generated software (€2.3m). As in the previous year, the B2B business line made investments of €4.8m, and in this case the majority was again attributable to internally generated software.

As of the 2016 balance sheet date, there are no material subsequent financial obligations under current investment projects for future financial years.

Investments
(in € million)

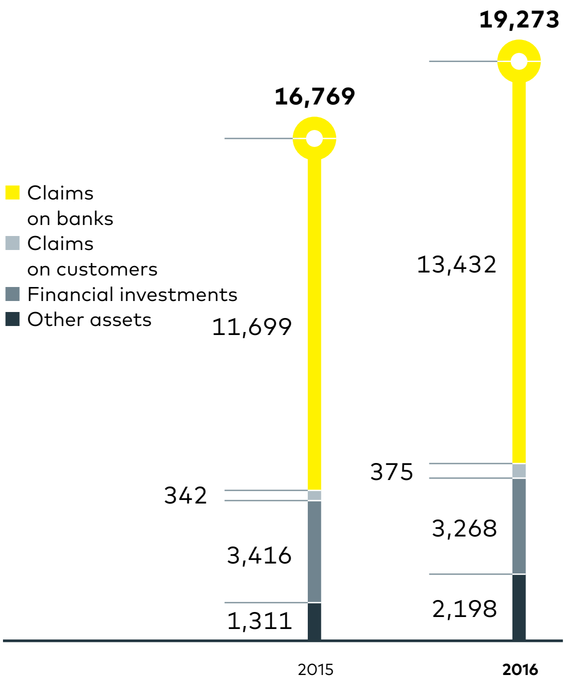


Investments by business line
(in € million)

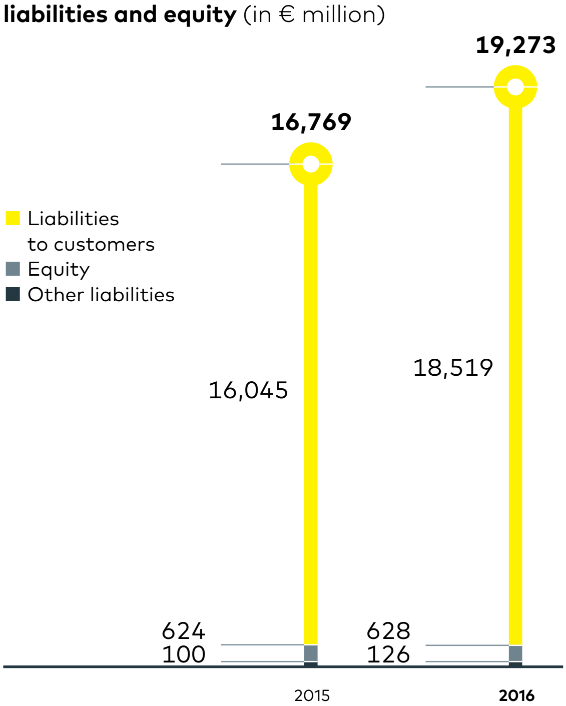


Balance sheet structure of the comdirect group
The comdirect group's balance sheet total as of 31 December 2016 rose to €19.27bn compared with the 2015 reporting date (€16.77bn) as a result of the further increase in deposit volume.

Structure of consolidated balance sheet, assets (in € million)



Structure of consolidated balance sheet, liabilities and equity (in € million)



Assets
At €13.43bn, claims on banks, which essentially relate to promissory notes and fixed-term deposits, were up by 14.8% on the end of 2015 (€11.70bn).

At €3.27bn, the volume of financial investments was below the level at the end of 2015 (€3.42bn). This balance sheet item mainly comprises bonds and Pfandbriefe as well as the preferred stocks now held in VISA Inc. USA. The "non-current assets held for sale" item, which was reported separately, has been omitted as a result of the sale of the shares in VISA Europe.

Claims on customers rose to €375.1m (end 2015: €341.8m). The main reason was the rise in the credit volume taken out using Visa cards in the B2C business line. At €2,138m the cash reserve was significantly above the level of the previous year's reporting date (€1,228m). It almost entirely comprises credit balances at the Deutsche Bundesbank. The average minimum reserve requirement of the comdirect group stood at €170.7m as of the 2016 reporting date (end 2015: €153.7m).

The current income tax assets amounted to €0.2m (previous year: €1.3m). Deferred taxes resulted in a claim of €3.6m (previous year: claim of €1.8m).

Financing
Around 96% of the financing side of the balance sheet comprises the deposits of private customers. Due to the growth in deposits, liabilities to customers increased to €18.52bn (end 2015: €16.04bn).

The share of deposits due on demand and unlimited in time amounted to 97.0%. Fixed-term deposits, particularly with residual maturities of over five years, declined significantly (see Note (48) on page 132).

Liabilities to banks, which reflect the balances of the current settlement accounts at Commerzbank, amounted to €15.6m (end 2015: €6.4m).

The negative fair values from derivative hedging instruments of €1.4m (previous year: €0m) are the result of foreign currency forwards for hedging fluctuations in value arising from currency risks.

Provisions stood at €39.6m and therefore were below the comparative figure at the end of 2015 (€46.3m). Among other factors, the outsourcing of financial resources for existing pension obligations affected the B2B business line. Overall, provisions for pensions totalled €18.8m (end 2015: €24.8m). Pension obligations with a net present value of €41.2m (previous year: €33.7m) were countered by plan assets, up on the previous year with a market value of €22.5m (previous year: €8.9m), administered by Commerzbank Pension Trust e.V. (see Note (43) starting on page 125).

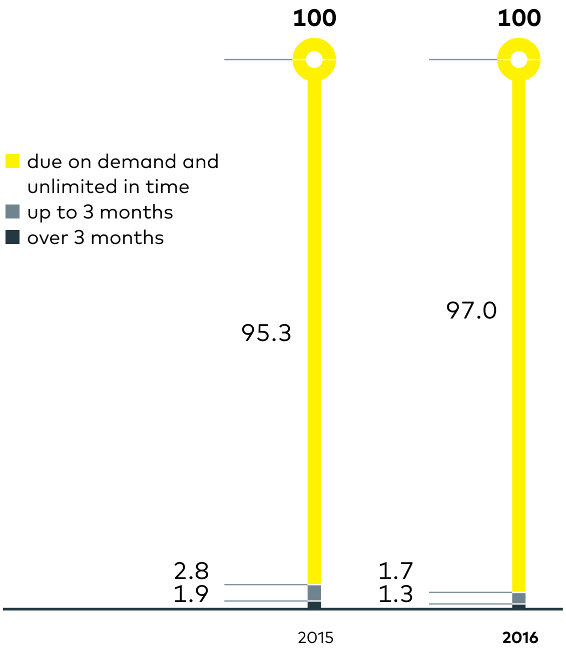
The rise in pension obligations is primarily due to changes in market interest rates.

Other liabilities amounting to €67.3m (end 2015: €43.9m) primarily comprise trade liabilities and our customers' final withholding tax to be paid.

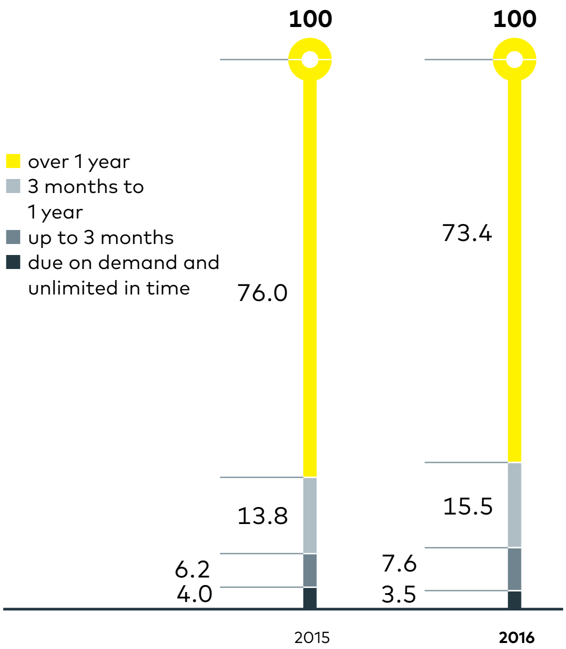
Equity amounted to €628.2m (end 2015: €624.2m). The marked decline of the revaluation reserves to €47.4m that this includes (previous year: €75.8m) is the result of the VISA transaction now shown in the income statement and the reclassification of €32.1m to the result from financial investments. By contrast, the development of market interest rates and spreads led to a moderate rise in revaluation reserves. A similarly positive effect resulted from the fair value valuation of the preferred stocks in VISA Inc. USA which, due to the development of the common stocks and exchange rate effects, contributed €0.8m to other comprehensive income for the period.

When investing customer deposits through the Treasury, comdirect is orienting itself towards the economic holding period of the deposits.

Structure of customer deposits
(by residual maturities in %)



Structure of claims and financial investments
(by residual maturities in %)



Cash flow statement of the comdirect group
The business model of the comdirect group means that the cash flow from operating activities is primarily influenced by trends in customer deposits and their reinvestment. In light of this, the cash flow statement has only limited informative value for the comdirect group. It cannot substitute liquidity and financial planning and is not used as a performance indicator. It does not give any indication of the actual liquidity position. This is essentially dependent on operating activities and not on cash on hand and balances held with central banks.

During the reporting period, cash flow from operating activities amounted to €982.2m (previous year: €1,294.3m). In the previous year, an increase in the cash reserve as part of operational liquidity management led to greater inflows. Cash flow from investment activities of €–15.8m (previous year: €–15.6m) is explained in detail in the Investments section. The dividend distribution in the second quarter led to cash flow from financing activities of €–56.5m (previous year: €–56.5m).

Deposit protection
Within the scope of the German banks' compensation fund (EdB), the legal deposit insurance scheme covers customer deposits of up to an amount of €100 thousand per person. comdirect bank AG and ebase are also members of the deposit insurance scheme of the Bundesverband deutscher Banken e.V. (Association of German Banks), through which each customer is insured up to a deposit amount of currently 20% of the main liable equity. As of the 2016 reporting date, protection for comdirect amounts to €81.0m and ebase customers amounts €5.1m per customer.

Non-financial performance indicators

Relationships with customers
As a smart financial companion, comdirect aims to be perceived across all access channels as friendly, pleasantly discreet and supportive with every contact. To this end, comdirect is creating especially simple tools and communication channels that are available at all times, most of which can be used on mobile devices.

Innovative dialogue formats such as video chat have also been very popular. By mid-year, the proportion of account openings via video chat stood at 13%, more than double than in the previous year.

The new comdirect community also launched in mid-August, with great success. The new platform, which replaces the previous forum on the comdirect website, allows users to discuss financial topics and to get helpful answers from other users to frequently asked questions.

comdirect measures the quality of its customer relationships by means of regular customer surveys in Customer Services and independent customer satisfaction analyses. As the key management parameter in the B2C business line for customer satisfaction, customer loyalty and customer willingness to recommend us (see Management section), the Net Promotor Score (NPS) was above the previous year's already high level (52) at 55.

In addition to customer satisfaction, brand awareness and likeability are key competitive factors. In comparison with the important competitors, comdirect is well positioned in this regard. Customers were largely addressed online (including search machine optimisation). comdirect is also making intensive use of the social media channels Facebook, Twitter and YouTube. comdirect invested significantly less in traditional advertising formats than in the previous year. Nevertheless, at 17%, unaided brand awareness remained at a high level in mid-2016.

In order to support comdirect's brand positioning in the competitive environment – in line with our claim to be a smart financial companion – comdirect introduced a new corporate design in 2016, which also gives its website a more modern and clear look.

Our very good results in performance comparisons on the positive perception of comdirect's brand in the competitive environment also revealed the following:

- Our distinct customer focus is demonstrated by the fact that we have won several awards – including "Germany's Customer Champion" from Deutsche Gesellschaft für Qualität, F.A.Z.-Institut and forum!, the "Deutsche Servicepreis" for service quality from Deutsches Institut für Service-Qualität and n-tv, and "Best Online Service" from Deutschland Test (Focus Money).

- comdirect's strength in innovation was recognised with the "Innovator of the Year 2016" award from brand eins Wissen. comdirect also won the coveted "Customer Innovation Prize" awarded by Deutsches Institut für Service-Qualität and DUB UNTERNEHMER magazine for its bonus savings scheme. We also won this award in the previous year for VideoIdent. Our smartPay app won silver in the "Payments & Wallets" category in the international Efma Accenture Innovation Awards and came top in the industry-wide YouGov competition "YouGov Customer Innovation 2016".

- comdirect emphasised its leading position in digital asset management with the audience prize "ETF Direct Bank of the Year" (Stuttgart stock exchange, EXtra Magazin), with first place in the comparison test for securities savings plans by FOCUS MONEY, and its victory with comdirect's AnlageAssistent in the comparison test of investment portals without risk enquiry carried out by €uro am Sonntag magazine.

- comdirect was convincing as a trading specialist with its fourth test victory in five years in the major broker test by €uro am Sonntag and was again named "Online Broker of the Year 2016" by the brokerwahl.de portal. comdirect also came top in audience ratings as the best online broker for certificate investors in the 2016 Certificate Awards from Zertifikateberater investor magazine. comdirect's trading app received the "Red Dot Award", the internationally renowned prize for communication design.

- with its favourable terms, comdirect did well in the comparative test of credit cards (Deutsches Finanz-Service Institut on behalf of FOCUS MONEY). comdirect's current account was selected as the best direct bank product for students by €uro am Sonntag. In n-tv and FMH-Finanzberatung's Zins-Award, comdirect was named "Best Mediator" in the "Building Finance" category and was among the top providers in the "Online Current Account" and "Salary Current Account" categories.

comdirect strengthened its contact with the brokerage community in the previous year by taking part in the World of Trading investor trade fair in Frankfurt, among other events. We also awarded the prize for best financial blogger in Germany for the sixth time in a row. The 2016 finance blog award was presented at Fintech Week's financial BarCamp at betahaus in Hamburg.

ebase once again took part in the fund congress in Mannheim, organising an ebase forum for its institutional partners in four German cities around the topic of customer acquisition in the age of digitalisation.

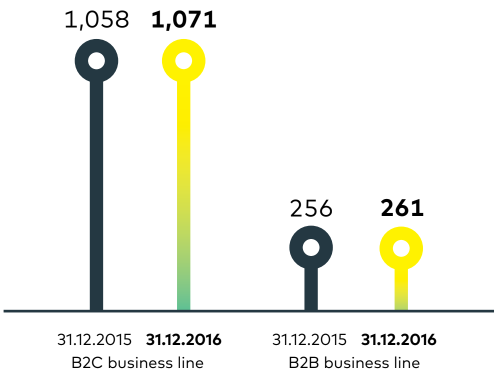
To boost the image of stocks and shares in Germany, comdirect is supporting the "Aktion pro Aktie" campaign – a joint initiative of leading German direct banks that was awarded the international German PR prize in 2016. The campaign aims to contribute to dispelling prejudice and establishing greater awareness of stocks and shares by means of studies, education opportunities, events, joint public relations and the "Tag der Aktie" (Shares Day), which is held each year on 16 March.

Personnel

The comdirect group's personnel management is an important component of the strategic development of the bank. The bank's strategy is strengthened through the use of targeted measures in personnel marketing and selection, competence and talent management as well as manager and team development.

Development in the number of employees
The number of employees in the comdirect group increased slightly to 1,332 in 2016 (end 2015: 1,314). In the B2C business line, the number climbed moderately to 1,071 (end 2015: 1,058 employees), while it increased slightly to 261 in the B2B business line despite the partial outsourcing of tasks to an external service provider (end of 2015: 256 employees).

Number of employees of comdirect group



Personnel marketing and selection
In order to make contact with qualified young executives, comdirect was present at job fairs and events such as the Code Cruise (Hamburg) and the connecticum (Berlin), as well as the Social Media Week (Hamburg) and a number of FinTech events. There was also another in-house day for school pupils. In addition, comdirect has received a welcoming response after connecting with the young target group of school pupils and students via the social media application Snapchat since April 2016. New recruiting channels such as radio advertising and poster advertising at railway stations were also used.

The focus in 2016 was primarily on improving the application experience – including with modern interview rooms, authentic applicant brochures and targeted optimisation of the recruiting process. Initial success is apparent from the increased positive valuations on the Kununu applicant portal. Vacant positions have also been filled again more quickly than in the previous year.

comdirect was again named a fair employer in 2016 when it participated in the Fair Company Initiative. We received the "Top Company" and "Open Company" awards from Kununu. The comdirect revised trainee programme received Absolventa's trainee seal for high-quality trainee programmes. In particular, comdirect's pledge to the "Charta karrierefördernder & fairer Trainee-Programme" was positively evaluated. This ensures, among other things, that trainees take on roles with responsibility from the start and are supported by experienced managers. Remuneration and duration must also be in sensible proportion to the learning content and development goals.

As was the case in the previous year, ebase was named a top employer in the category of SMEs (small and medium-sized enterprises) in the annual certification process conducted by the Top Employers Institute.

Competence and talent management
The commitment, expertise and creativeness of our employees remain core to our added value, which is why we are strongly committed to training and continued professional development, and adapt the formats continuously to meet changing market conditions and customer requirements.

On 1 August 2016, seven prospective bankers, two prospective IT specialists in system integration and two students on the business information technology dual study programme commenced their training with comdirect, which means we had a total of 35 trainees at year-end (previous year: 32).

To foster particularly talented and high-calibre employees, we offer among other things the Professional Programme. The programme, which was launched in 2015, was completed by 11 employees last year. The core of this programme is the project work, which encourages entrepreneurial, specialist and personal development through professional mentoring. In cooperation with the Connected Living innovation centre, the participants set off on a learning journey in which they grappled with the challenges and opportunities presented by the Internet of Things. They developed specific ideas on how banking can be integrated into smart homes and connected living.

In developing our training formats further, the particular focus in 2016 was on the networking of employees among themselves and peer learning. For example, the "digital knowledge injection" forum for continuous exchange around digital topics was introduced. We continued our regular keynote lecture series with renowned speakers and experts as well as our networking events just for women.

For employees in customer management, we offer Chamber of Industry and Commerce (IHK) certification with the "Customer Services – Financial Services (IHK)" qualification, which 198 employees had completed as of 31 December 2016.

Executive and team development
comdirect promotes development of its managers with training specially designed for this target group. As in previous years, numerous tailored team workshops were held on a range of topics.

A particular concern of comdirect in the reporting year was to provide targeted support to women in management positions. In accordance with the new legal regulations, the Board of Managing Directors set targets in this regard on 29 September 2015, which must be achieved by 30 June 2017 at the latest. They stipulate that at least 25% of the leadership roles at the first management level and at least 20% at the second management level should be filled by women. As of the end of 2016, the quota for women was 25.0% and 28.2% respectively at the firstand second management levels below the Board of Managing Directors. The target quotas have therefore been fulfilled.

Capital market relations

Share price performance, trading volume, shareholder structure
The comdirect share closed 2016 at a price of €9.63, having fallen 11.65% since the end of December 2015.

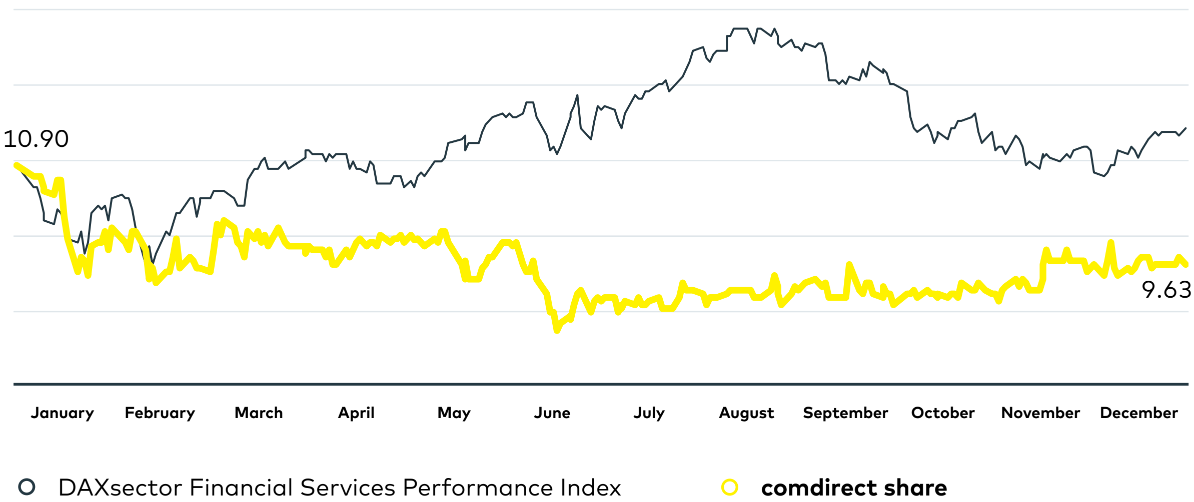
Following the annual general meeting on 12 May 2016, comdirect paid a dividend totalling €56.5m or €0.40 per share. This corresponds to a dividend yield of 3.7% in 2016. Approximately €8.6m was transferred to retained earnings.

As of 31 December 2016, Commerzbank AG indirectly held 81.34% of the shares. Consequently, 18.66% of the shares were in free float. The closing quotation at year-end 2016 produces a market capitalisation of €1,360.0m, of which €253.8m was attributable to free float. On average, 40.0 thousand units were traded a day (previous year: 70.7 thousand). Of this trading volume, 54.13% was traded on XETRA, 11.73% on Tradegate, 4.10% on the Frankfurt stock exchange and 2.31% on other exchanges. 27.74% was traded OTC. Due to the comparatively low stock exchange trading volume, which reflects the comdirect group's stable and non-fluctuating business model, comdirect ceased to be listed on the SDAX in September 2016.

Investor Relations
Once again in 2016, the comdirect Board of Managing Directors and Investor Relations team presented the strategy and business development at roadshows in Munich and Frankfurt, conferences in London and Frankfurt, and in numerous individual meetings with investors and analysts. The analysts' conference in Frankfurt/Main on 27 January 2016 was broadcast live. A recording can be seen on our website.

comdirect bank AG was regularly rated by six research institutes in the reporting year.

comdirect share price performance 30.12.2015 to 30.12.2016
(in €)



Source: Bloomberg; indices normalised to the comdirect share price as of year-end 2015

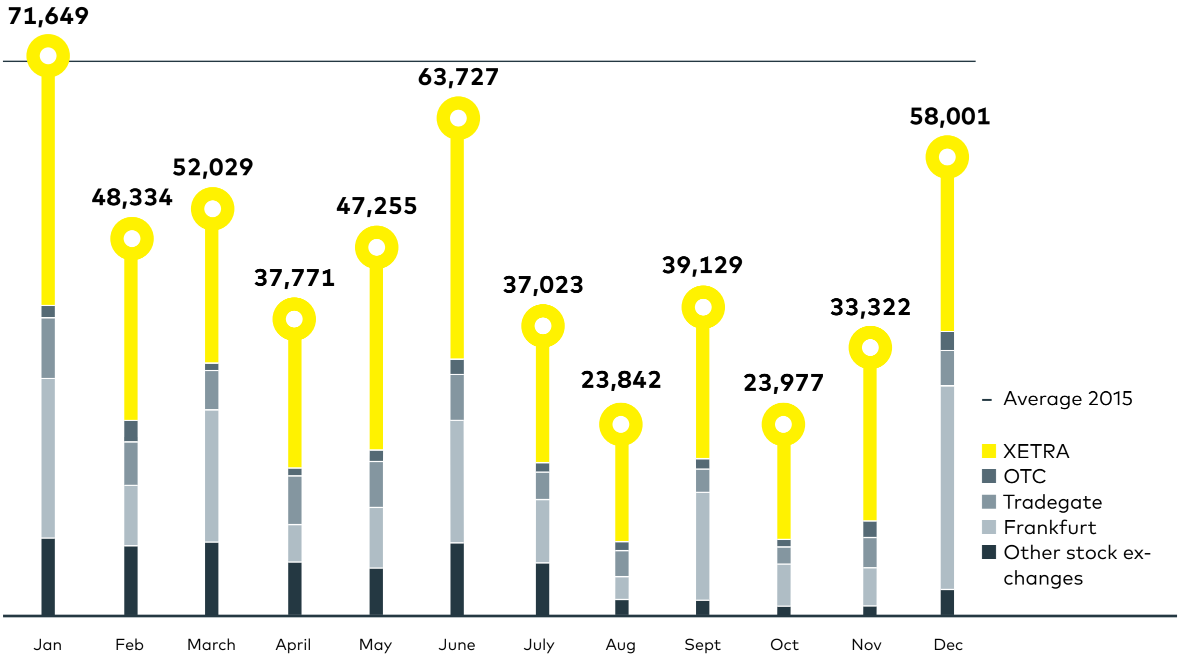
Data and key figures of the share 2016

Data	
German securities code number	542 800
ISIN Code	DE0005428007
Stock exchange code	COM Reuters: CDBG.DE Bloomberg: COM GR
Stock exchange segment	Prime Standard
Number of shares issued	141,220,815 no-par-value shares
Designated sponsor	Commerzbank AG
Shareholder structure	81.34% Commerzbank AG[1] 18.66% free float

Key figures 2016		
Average daily turnover in units	XETRA	21,637
	Frankfurt	1,639
	Tradegate	4,687
	Other stock exchanges	923
	OTC	11,086
		39,971
Opening quotation XETRA (4.1.2016)	€10.31	
Highest price XETRA (5.1.2016)[2]	€10.78	
Lowest price XETRA (16.6.2016)[2]	€8.75	
Closing quotation XETRA (30.12.2016)	€9.63	
Market capitalisation (30.12.2016)	€1,360.0m	

1) Indirectly
2) Daily closing quotation

comdirect share – average turnover in 2016
(in thousand units)



Key figures of the comdirect share in five-year comparison

		2016	2015	2014	2013	2012
Earnings per share	in €	0.66	0.46	0.47	0.43	0.53
Dividend per share	in €	0.25[1]	0.40	0.40	0.36	0.44
Opening quotation	in €	10.76	8.31	8.49	7.89	7.46
Highest price[2]	in €	10.78	11.25	8.87	8.67	8.86
Lowest price[2]	in €	8.75	8.20	7.57	7.07	6.81
Closing quotation	in €	9.63	10.90	8.31	8.30	7.89
Number of shares	in units	141,220,815	141,220,815	141,220,815	141,220,815	141,220,815
Market capitalisation (last trading day)	in € million	1,360.0	1,539.3	1,173.7	1,172.3	1,114.2
Price development[3]	in %	– 11.65	31.2	0.12	5.2	5.5
Total shareholder return[4]	in %	– 8.0	36.0	4.5	10.8	13.0
Dividend yield[5]	in %	2.6	3.7	4.8	4.3	5.6
Price/earnings ratio[6]		14.6	23.7	17.7	19.3	14.9
Trading volume XETRA[7]		21,637	38,704	28,539	37,793	34,473
Trading volume Frankfurt[7]		1,639	3,247	2,900	4,042	3,677

1) Dividend proposal
2) Daily closing quotation
3) Based on the respective closing quotations at year-end
4) Sum of the share price increase and dividend in relation to the share price as of the end of the previous year
5) Based on the dividend proposal and closing quotation at year-end
6) Based on the closing quotation at year-end and earnings per share
7) Average daily turnover in units

Supplementary report

No major events or developments of special significance have occurred since the 2016 reporting date.

Outlook report

Forward-looking statements

We forecast future developments in the economy based on assumptions that are most plausible from today's perspective. However, the comdirect group's planning and all statements regarding future development are of course associated with uncertainty, especially in the current market situation. The actual development of the market environment or the bank can vary from the assumed trends.

Expected economic framework conditions

Economists at Commerzbank expect a slight acceleration in global growth to 3.3% in 2017, based mainly on greater momentum in the US and a tangible recovery in Russia and Brazil.

Growth in the eurozone is expected to be just above the level of 2016 at 1.8%, although Germany is likely to increase at a below-average rate of 1.6%. Private and public consumption remain the most important support for the economy. This is affected partly by the good labour market situation and partly by the increased spending as a result of the refugee crisis. However, companies' profit margins are under pressure due to the greater wage increase.

The gap between Europe and the US regarding interest-rate policy is likely to widen in the current year. While the US Federal Reserve had already increased the base rate in December to between 0.5% and 0.75% with a view to further increases, the ECB is likely to maintain its low interest rate policy. However, a reduction of bond purchases to €60bn per month from April 2017 was announced. The discussion about an expiration of the purchases in 2017 is also likely to increasingly negatively impact the bond market.

The three-month EURIBOR, which is crucial for comdirect, will probably also be negative in 2017. However, the bond markets now appear to have bottomed out. The yields on ten-year German government bonds will probably hover above zero, whereas the gap with the yields on ten-year US treasuries is likely to widen. The higher capital and refinancing requirements for banks in connection with future observance of MREL quotas could lead to a moderate spread widening in this regard. This development and the expected steeper yield curve could lead to a slight easing of the conditions for the Treasury, even though an overall difficult market environment must still be assumed.

On the equity markets, securities from banks and insurance companies should be able to benefit from increasing yields for government bonds. The profit expectations of the European equity markets also recently exhibited an overall positive trend, while an increasing number of profit downgrades have been apparent in the US. The volatility was initially low at the beginning of 2017.

Regulatory issues – MiFID II in particular – will lead to changes in ebase's partner segments. For example, financial intermediaries are faced with fundamental adjustments to their business model, which is associated with high implementation requirements for ebase. In the insurance industry, the attractive shape of new business in the face of declining guaranteed return and growing requirements resulting from Solvency II remains the dominant theme.

Expected business performance and earnings situation

With the strategy adopted at the end of 2015 (see pages 21 to 23), comdirect puts saving, investing and trading with securities at the heart of its strategic orientation.

The strategy implementation in the B2C business line will be driven forward with the help of agile focus teams. By providing multi-banking solutions we aim to acquire even more bank customers for comdirect's smart financial centre. Using attractive and low threshold investing products and opportunities these new customers are to become active securities holders who make use of opportunities in all market environments using intelligent investor support. Among other things, we will be offering three alternative models that offer comprehensive solutions for securities investment and advice. The first model is for investors who want to make their own decisions, the second is a common advice solution and the third involves convenient delegation. The choice lies with the customer. The collaboration with FinTechs is also being continued. In addition to the further implementation of our strategy initiatives, the focus in 2017 will be on the takeover and integration of the OnVista Group into the comdirect group.

The aim with these initiatives is to increase the number of custody accounts and assets under management, as well as the associated number of executed securities orders.

In the B2B business line, the strategy remains oriented to becoming a digital financial service partner with a clear focus on asset management. It will focus on the partner segments of financial advisers, insurance companies, banks, asset managers, investment management companies, corporates and FinTechs. As a partner for the digitalisation of customer acquisition and investment processes as well as a provider of robo-advice solutions, ebase aims to anchor itself in the value chains of institutional partners and support them in overcoming market and regulatory challenges. Vital new business with consistent net fund inflows is also aimed at via the associated cooperation partners.

In the past financial year we made noteworthy progress in implementing our strategy, which will have a positive effect on the comdirect group's value drivers and earnings in 2017.

Assuming that the capital markets will move at least sidewards, assets under management will again increase noticeably in 2017. The growth will be mainly the result of net fund inflows in the B2C segment. Due partly to the positive non-recurring effect arising from the integration of OnVista into the comdirect group, this is likely to be above the extraordinarily high 2016 value of €4.9bn. As expected, the net fund inflows will be attributable for the most part to the portfolio volume. The deposit volume will also increase and contribute to a growth in the balance sheet total.

Despite this positive deposit volume effect, net interest income is expected to end up noticeably below the 2016 level due to the persistent low interest rate environment, even though we expect a gradual bottoming out over the course of the year.

The level of order activity on the part of customers depends to a great extent on the stock market environment and is very difficult to forecast in the short term. On the other hand, we are confident that we will outperform the general market development again in 2017. Based on the existing broad and continually growing customer base and the already comprehensive brokerage range from CFDs to ETFs to savings plans, this will be achieved in particular through our new digital asset management system, the new custody account manager and other sales measures. The integration of OnVista with its actively trading customers will also have a crucially positive effect. This will also significantly increase the number of securities custody accounts. As long as the equities markets continue to be positively influenced by the ECB's persistent policy of low interest rates and in particular if market volatility remains at a high level – as was the case for example in 2015 – the trading activity of our customers may noticeably exceed that of the reporting year. On the basis then of higher order figures and rising sales follow-up commission from the funds business as a result of higher average index values, we anticipate a net commission income above that of 2016 that overcompensates for the decrease in the net interest income.

With our numerous product developments we intend to maintain our customer satisfaction at a high level and strive to keep the Net Promoter Score (NPS) stable.

We anticipate a noticeable rise in administrative expenses compared with the reporting year. This will occur as a result of the integration of OnVista into the comdirect group, which will lead to increased expenses for a time. In addition, we again expect increasing regulatory costs, for example related to the implementation of the European Data Protection Directive, which will generate significant project expenses in the industry in 2017. Counter to this we will continue to critically monitor our implementation efficiency to deploy funds in an even more targeted way, thus limiting an increase in administrative expenses. In this respect, as in previous years, we will closely monitor market and earnings performance and additionally cap the rise in administrative expenses if necessary.

In 2016, other income resulting from the other operating result, the trading result and the result from financial investments, was characterised by the one-off income of €41.1m from the sale of VISA Europe to VISA Inc. USA. We do not expect this kind of exceptional effect for 2017. However, we plan to make use of the positive market level and to dispose of individual items of the proprietary trading portfolio, which will lead to a positive result from financial investments. It will fall far short of the 2016 level of other income, however.

Due to the described exceptional effect in the reporting year in the result from financial investments, we expect pre-tax profit for 2017 to be significantly below the 2016 value. As a result, the return on equity of 21.4% is also expected to be significantly lower.

Expected financial situation

The comdirect group is not expecting any material change in its financial situation compared with the position at year-end 2016.

Risk report

Risk-oriented global bank management

The overall aim of comdirect is to increase the value of the company on a sustainable basis with a manageable level of risk at all times, whilst striking a balance between attractive income for the period and the creation of future earnings potential through customer and asset growth.

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

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

A consistent risk strategy is developed on the basis of comdirect's business strategy and adopted by the Board of Managing Directors of comdirect bank AG. This strategy specifies the extent to which comdirect is prepared to take on risk to utilise opportunities and to provide the equity to do this. Sub-strategies for all material individual risks were defined in the overall risk strategy.

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

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

The comdirect bank Board of Managing Directors is responsible for the appropriateness of the risk management system. The Board specifies the permissible overall risk and its allocation across the individual types of risk and business divisions. The Internal Capital Adequacy Assessment Process (ICAAP) ensures that sufficient equity is available to cover all risks. The risk management system is therefore in line with the comdirect profile and strategy.

At comdirect, the CFO (Chief Financial Officer) who is also responsible for risk management – independent from the overall responsibility of the Board of Managing Directors – is responsible for monitoring and implementing the risk strategy.

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

The task of risk management is to identify, measure, assess and manage as well as monitor and communicate all risks in the respective risk categories. It has the necessary power to execute these tasks. The management is carried out partly on a centralised basis, for market and liquidity risks for instance, and partly on a decentralised basis, as in the case of operational risks (OpRisk) and reputation risks. With the aid of a risk inventory we obtain a regular overview of the material risks and examine whether and to what extent these risks may affect the capital resources, earnings situation or liquidity situation. Taking risk concentrations into account, tolerances are set for all material risks as part of the risk strategy, which is updated at least once a year. The guidelines for risk provisioning and reduction are also derived from these. The effect of the existing risk concentrations across all risk types is also analysed.

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

comdirect has an escalation process in place for risk provisioning and reduction in the event that the specified risk limits are exceeded. In addition to ad hoc reporting to the comdirect Board of Managing Directors and, if necessary, also to the Supervisory Board, this process entails regulation of the measures implemented for risk reduction.

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

The scope of risk consolidation is the same as the group of consolidated companies.

Inclusion in the Commerzbank Group

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

As a part of this integration, comdirect meets the requirements of the CRR as follows:

- The equity requirements relate to the provisions for measuring equity, compliance with capital ratios and the provision of capital buffers. Compliance with these requirements is assured at group level by the parent company, Commerzbank AG. For internal management purposes as well as for the Commerzbank Group's risk management, we determine the overall risk position of comdirect using advanced procedures. Credit risk is mostly assessed using the Advanced Internal Ratings Based Approach (AIRB). With regard to operational risks, comdirect uses the Advanced Measurement Approach (AMA).

- Compliance with the provisions governing increased credit value adjustments for counterparty risks is also ensured for the Commerzbank Group as a whole by the parent company, Commerzbank AG.

- The operational risk requirements are handled for the Commerzbank Group as a whole by the parent company, Commerzbank AG.

- The provisions for reporting on large exposures are implemented for the Commerzbank Group as a whole by the parent company, Commerzbank AG.

- Requirements related to the leverage ratio are implemented for the Commerzbank Group as a whole by the parent company, Commerzbank AG.

The liquidity coverage requirements, i.e. the calculation of the key figures Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), are substantiated in section 6 of the CRR. In addition to these, comprehensive parameters in the form of monitoring metrics must be determined. At comdirect, the key figures are calculated monthly for internal control purposes and additionally included in Commerzbank Group reporting. At individual institution level, a waiver exempts comdirect from complying with and reporting the LCR. The NSFR and the monitoring metrics continue to be reported at individual institution level in accordance with the regulatory requirements.

Risk categories of comdirect

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

The *market risk* describes the potential loss on positions in the bank's own portfolio caused by future market price fluctuations. A distinction is made between general changes in market prices and a specific market risk related to individual financial instruments. With regard to risk factors, we distinguish between interest rate, credit spread, equity price, fund price and currency risks. The main market risks for comdirect are equity price and interest rate risks, and credit spread risks in the banking book. The equity price risk describes the loss risk resulting from market price fluctuations of the share exposure. The interest rate risk arises in particular from maturity transformations, i.e. the mismatching of fixed interest rates on assets and liabilities. The credit spread risk results from changes in risk premiums on bonds against a low risk reference interest rate. Hedged items essentially comprise bonds and promissory notes as well as money market transactions with other financial institutions, which are used for the investment of surplus customer deposits. If required, interest rate swaps, forward rate agreements and forward-exchange contracts (FX forwards) are concluded for the purposes of hedging and general interest book management.

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

Liquidity risk in the narrower sense is understood as the risk that the bank will be unable to meet or to meet on time its current and future payment obligations. The broader definition of liquidity risk also encompasses refinancing risk, which is the risk that the liquidity will not be sufficient if required or that it can only be acquired in the money and capital markets at terms that are significantly less favourable than expected, as well as market liquidity risk. The latter describes the risk of being unable to unwind or close out securities positions to the desired extent or only at a loss as a result of inadequate market depth or market disruptions. The solvency, borrowing and market liquidity risks are mutually dependent. The liquidity risk is a material risk for comdirect and is adequately taken into account in the risk management and controlling processes. Nevertheless, the liquidity risk is not included in the risk-bearing capacity analysis, since, in line with the definition chosen, it cannot be usefully limited through economic capital.

Operational risk is understood as possible losses resulting from the use of operating processes and systems that are inappropriate or susceptible to failure as well as human error and external events such as natural disasters or terrorist attacks. Furthermore, operational risks comprise the legal risks resulting from contractual agreements or a change to legal framework parameters. Personnel risks, which arise as a result of having a qualitatively and quantitatively inadequate workforce due to insufficient recruitment capabilities, are also classified as operational risks.

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

Business risk encompasses possible losses from negative deviations from plans which can result, for example, from changes in market parameters and competitive behaviour or from incorrect planning.

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

General model risk describes the risk of poor management decisions due to an inaccurate representation of reality resulting from the models used as part of risk management.

Risk measurement concepts

To measure the risk situation with regard to quantifiable risks we use both the expected loss and the unexpected loss in various market scenarios.

The expected loss describes the loss that can be expected within a year based on empirical values, for example on past losses. We calculate this figure for credit risks and operational risks.

We determine the unexpected loss on a regular basis and aggregate it to form the overall risk position; this includes market risk, credit risk and operational risk as well as business risk and the risk relating to deposit modelling. The overall risk position is measured uniformly using the economically required capital, i.e. the amount of equity that has to be maintained to cover unexpected losses from positions involving risk at a given probability within a year. This calculation also includes risk categories that do not require equity backing under banking regulations or do not require full capital backing, but which, from an economic viewpoint, represent potential material risks (market and business risks as well as the risk relating to deposit modelling).

comdirect adopts a very conservative approach when calculating the economically required capital using the value-at-risk (VaR) approach. On the one hand, we generally use a confidence level of 99.91% with a holding period of one year when calculating the VaR. On the other, with regard to the aggregation of the individual types of risk to form the overall risk position, comdirect does not take into account any correlations that could have a risk-mitigating effect.

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

The value-at-risk model indicates the potential loss under historically observed market conditions. In order to assess potential extreme market developments as well, we carry out additional stress tests.

Integrated stress tests across all types of risk are an integral part of comdirect's risk management and ICAAP process. They are used to examine the resilience of comdirect's portfolio under extreme, but plausible, scenarios that have a low probability of occurrence. comdirect uses macroeconomic scenario analyses in accordance with MaRisk for the integrated stress tests. These are applied at comdirect group level. They include all objectively quantifiable risks that are deemed material in accordance with the risk inventory carried out on a regular basis. As well as determining the economically required capital, the results of the integrated stress tests are taken into account and the risks limited overall as part of the risk-bearing capacity analysis.

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

comdirect's risk-bearing capacity concept is based on the simulation of a consistent gone concern scenario, otherwise known as the liquidation approach. The concept is closely aligned with the risk-bearing capacity approach of Commerzbank, is designed to allow for comdirect-specific circumstances and takes the current legal and regulatory requirements and accounting standards into consideration. In the chosen liquidation approach, the underlying economic valuations of the respective items are realisable figures, which means that the objective of protecting comdirect's prior ranking creditors is achieved.

Parallel to the gone concern approach, comdirect also considers the going concern concept in an alternative scenario. The risk-bearing capacity analysis is used to examine whether comdirect would still be a viable going concern in a scenario where the existing waiver regulation under Section 2a (1) of the German Banking Act (KWG) in conjunction with article 7 CRR does not exist or is abolished and the risks quantified in the risk-bearing capacity analysis (ErC values) materialise.

Overall risk position in financial year 2016

At the end of 2016, comdirect's overall risk position stood at €187.2m (end 2015: €165.7m) with a confidence level of 99.91% and a holding period of one year. The slight increase in the economically required capital at the end of the financial year is a result of higher credit and business risks.

Breakdown of economically required capital 2016 (in € million)

	As of 31.12.2016
Market risk	30.2
Credit risk	122.9
Operational risk	14.5
Business risk	7.3
Model risk	12.3
Economically required capital	187.2

The limit utilisation level was non-critical with respect to the aggregate risk throughout the whole of the year. At the end of 2016, the utilisation level of the overall limit was 40.7% (end 2015: 38.1%). Even under stress conditions, the economic risk-bearing capacity remained consistent throughout the year. With an overall risk of €275.7m under stress, the utilisation level of the economic capital was 59.9%.

The economically required capital for market risks was slightly below the previous year, amounting to €30.2m at the end of 2016 (end 2015: €35.1m). The overall risk of the comdirect group included credit risks with a total CVaR (Credit Value at Risk) of €122.9m (end 2015: €102.5m).

For operational risks, the economically required capital remained relatively constant over the course of the year and was slightly below the previous year. This reflects comdirect's ongoing low level of OpRisk losses in the past, which are taken into account in the allocation of economically required capital (ErC) based on loss data in Commerzbank's AMA model. At year-end 2016, it amounted to €14.5m (previous year: €15.4m).

As of the balance sheet date, the risk-weighted assets calculated in accordance with the requirements of the CRR totalled €923.0m.

In preparation for the requirements of "Basel III", in principle banks have had to calculate the leverage ratio since financial year 2010. The leverage ratio is the ratio of Tier 1 capital (Tier 1 capital of €438.4m; see Note (47) starting on page 131) to total assets (non-risk-weighted) plus off-balance sheet items. The leverage ratio applies at the moment as a monitoring indicator, and a decision finalising the details of the ratio is set to be made in 2017 on the basis of the data available up to that point. Subsequent to this monitoring period a decision must be made as to whether a mandatory minimum requirement is set for the leverage ratio at the European level, and if so, in what amount. As a result of the existing waiver regulation for solvency purposes (see pages 58 to 59), in accordance with the CRR regulation comdirect bank AG is exempt from calculating, reporting and complying with the leverage ratio at individual bank level. The indicator is therefore calculated for internal purposes only.

To summarise, comdirect still has a comfortable risk buffer to certainly withstand even lengthy weak market phases. From today's perspective, there are no realistic risks in evidence that could threaten the continued existence of comdirect.

Market risk

Risk quantification, management and reporting
All comdirect trading transactions have to comply with the requirements of comdirect's market risk strategy. The aim of the market risk strategy is to manage market price risks and in particular to optimise and limit these on a risk/return basis by means of a conservative investment policy for the prudent investment of customer funds in the money and capital markets and purely to support the acquisition of customers and deposits. We monitor market risks – especially equity price, interest rate risks and credit spread risks in the banking book – on a daily basis. A VaR model based on a holding period of one day and a confidence level of 97.5% is used for operational management. The assumptions in the model are regularly validated to verify the informative value of the VaR forecast.

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

The method is described in detail in Note (50) starting on page 134.

Current risk situation
As of 31 December 2016, the VaR for market risk was €1.3m (end 2015: €1.8m) having fluctuated in the course of the year between €1.3m and €2.0m. At €79.8m, the overall stress value was below the previous year's figure (€87.7m). The limits for all types of market risk were complied with consistently.

Market risks (in € thousand)

	As of end of previous year	As of end of year	Year high	Year low	2016 median	2015 median
Total VaR 97.5% 1 day holding period*	1,750	1,340	2,043	1,325	1,796	1,532
Stress test – overall result	87,697	79,803	99,664	79,803	91,695	97,986

* Model see Note (50) starting on page 134.

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

Credit risk

Risk quantification, management and reporting
Credit risks at comdirect primarily exist in the form of counterparty and issuer risks as a result of trading transactions. In addition, retail lending involves credit risks.

The aim of the sub-strategy for comdirect's Treasury activities is to manage credit risks and, in particular, to limit them on a risk/return basis. As well as the established and collateralised liquidity transfers both with Commerzbank as a "preferred partner" and within the comdirect group, balanced asset allocation and minimum requirements for the credit quality of counterparties/issuers are also implemented for this purpose. An additional aim of the sub-strategy is to effectively manage lending to customers and limit loan defaults and risk costs in particular. Credit processes and the rating-scoring systems are continually further developed to achieve this.

Treasury acts as the front office for counterparty and issuer risks, while Customer Services is responsible for retail lending. In accordance with MaRisk, other tasks are to be carried out by departments other than the front office departments. The Credit Risk Management department is responsible for the back office tasks for retail lending, while risk controlling is anchored in the department of the same name. The Finance department is responsible for the settlement of Treasury transactions.

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

In retail lending, a distinction is made between the customer credit products loans against securities, the overdraft facility on the comdirect current account, the Visa credit card and the consumer loan. The decision to provide the loan is made with the aid of internal scoring models.

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

comdirect maintains an early warning system for the credit risks associated with the customer credit business. The necessary adjustments or cancellations of credit lines are carried out immediately.

Credit risks are quantified on a monthly basis by calculating the CVaR for trading transactions (excluding intragroup receivables) and retail lending. The method is described in detail in Note (50) starting on page 134.

Specific loan loss provisions are recognised separately for each product type for customers in the significant lending business, provided a "Basel II" default criterion applies to those customers.

Portfolio loan loss provisions are recognised for all other customers with utilisation. The level of the respective valuation allowance is primarily influenced by:

- the level of utilisation,
- the level of the expected probability of default,
- the consideration of existing collateral and the recovery rate.

Using a similar procedure, provisions are recognised for risks arising from existing credit lines, taking conversion factors into account.

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

Current risk situation
At the end of 2016, the total CVaR for credit risks amounted to €122.9m (previous year: €102.5m). As in the previous year, the average rating in the Treasury portfolio outside the Commerzbank Group stood at Aa1 (Moody's). In terms of external ratings, 100% of the portfolio remained within the investment grade range.

At the end of 2016, 18.7% (previous year: 12.9%) of the banking book portfolio was invested short term in the money market. The relative share of capital market investments decreased accordingly, with the investment focus on promissory notes/fixed-term deposit investments as in the previous year. Of the capital market investments, €0.61bn (previous year: €0.53bn) was attributable to five special funds, a substantial portion of which were invested in fixed-income securities (see Note (64) on page 155).

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

In comdirect's retail lending business, the average total utilisation of loans against securities was above that of the previous year (€137.5m) at €166.1m. At €2.48bn, the credit facility for loans against securities increased slightly on the level at the end of 2015 (€2.47bn). However, potential utilisation of the credit facility is restricted through the specific collateral value of the respective securities. As a result of the positive equity market environment, this increased from €899.3m to €960.1m over the course of the year. Equities accounted for nearly three quarters of the collateral portfolio. On average during the reporting year, taking account of collateral values, the utilisation rate of the credit facility provided for loans against securities stood at 18.1% (previous year: 15.8%). As of year-end, the volume of loans against securities amounted to €156.8m (previous year: €155.1m). The overdraft volume was marginal and stood at 0.02% (€0.27m) of the volume of loans against securities.

The growth-related increase in the number of current accounts with a credit facility led once again to a higher credit volume on average in overdraft facilities than in the previous year. The volume fluctuated in the course of the year between €41.7m and €51.1m and stood at €47.8m as of 31 December 2016; this equated to 5.5% of the overdraft facilities of €873.1m made available (end 2015: €801.5m). At 6.7%, the share of overdrafts relative to the number of current accounts with an overdraft facility in financial year 2016 was virtually unchanged on the previous year.

The credit volume utilised in the Visa card portfolio at the end of the year amounted to €101.9m, corresponding to 6.4% of the total limit granted of €1,587.8m.

The number of consumer loans granted has risen continuously since their introduction in April 2016. As of the end of the year, 1,797 consumer loans were paid out with a net loan volume totalling €16.7m.

At the end of 2016, the total receivables in retail lending amounted to €329.3m and were therefore significantly higher than in the previous year (€302.7m). Portfolio loan loss provisions and provisions for possible loan losses amounted to €6.2m as of the reporting date (end 2015: €8.4m). Allocations stood at €4.8m, while reversals amounted to €6.7m and utilisation was €0.3m. Reversals of provisions for possible loan losses, which had increased year-on-year, resulted from two parameter adjustments. The regular review of the parameters applied revealed a need for adjustment of the conversion factor and the recovery rate.

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

Liquidity risk

Risk quantification, management and reporting
The aim of the liquidity risk strategy is to ensure that comdirect is solvent at all times. This means that an adequate level of liquidity must be maintained at all times. In particular the level is managed using the advanced liquidity progress review, which is implemented throughout the Commerzbank Group, as well as by carrying out regular stress tests or a comdirect-specific contingency plan.

In order to cover a possible removal of liquidity by customers, the bank maintains a sufficient volume in cash as well as highly liquid securities, which can be used as collateral to obtain liquidity.

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

In addition to the regulatory report pursuant to the Liquidity Regulation, the liquidity indicators are determined and monitored on a monthly basis according to the CRR. A waiver exempts comdirect from complying with and reporting the LCR. It is likely that the banks will have to comply with the NSFR as of 2018. This ratio is already monitored as an observation indicator and reported at individual institution level.

Current risk situation
comdirect's liquidity situation was again comfortable in the reporting year and characterised by surplus liquidity even in the stress scenario. The accumulated net liquidity positions consistently exceeded the defined minimum values. In the stress scenario, the accumulated net liquidity amounted to €251.6m as of the balance sheet date (end 2015: €132.8m) and €124.8m on average for the year (previous year: €128.5m). In this scenario we simulate an abrupt and massive outflow of customer deposits as well as a sharp rise in the utilisation of open credit lines. Haircuts on highly liquid assets are also simulated. In the maturity structure up to one year, the accumulated value under stress conditions was considerably positive for each maturity structure.

The regulatory liquidity indicator (maturity structure 1) stood on average at 2.83 and was significantly higher than the minimum value of 1 required by the regulatory authorities. It is calculated by comparing short term cash and cash equivalents and payment obligations with a maturity of up to one month. The published liquidity indicator LCR (4.5) was significantly above the minimum limit at every point in the reporting year, as was the future liquidity indicator NSFR (1.4).

Operational risk

Risk quantification, management and reporting
Operational risks vary in line with the underlying business activities and are generally function-dependent. The aim of comdirect's OpRisk strategy is to manage operational risks and in particular to avoid/minimise these risks through the systematic and continual optimisation of all company processes and IT systems including anchoring such systems and processes within its organisation at an institutional and cultural level. They are therefore managed on a decentralised basis. The regular self-assessments are one instrument used to measure operational risk. All operational risks are continually monitored and loss incidents have to be reported immediately. The operational risks are valued and aggregated by means of Commerzbank's AMA model to form the VaR indicator for operational risks.

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

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

Personnel risks are countered by implementing suitable measures to strengthen personnel commitment and provide professional development programmes (see Human Resources section on pages 50 to 51).

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

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

Current risk situation
The VaR for operational risks (OpVaR) stood at €14.5m at the end of 2016, compared with €15.4m as of 31 December 2015. There have been fewer cases of misuse in online banking than in the previous year, and misuse connected with cards has also declined.

In addition to the continued improvement of fraud prevention related to card transactions and tackling cybercrime, the central task of managing operational risk is to drive forward the design and further development of the security measures, taking into account an appropriate cost-benefit ratio. Legal risks have risen due to the increased number of new regulations and directives at EU level as well as the corresponding national laws required to implement them. The systems and technical process used by comdirect were once again very stable. The IT-related incident listed under reputation risk is an exception. As in the previous year, system availability averaged 99.9% for the year. Personnel risks in terms of ensuring the quality and quantity of the personnel available were reduced on the basis of the measures implemented to increase the company's appeal as an employer.

Reputation risk

Risk quantification, management and reporting
The aim of comdirect's reputation risk strategy is to secure and strengthen the reputation of the comdirect group as well as to identify developments that could harm the reputation of the group at an early stage and be able to counter them effectively.

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

Furthermore, a cross-divisional reputation working group has been established which includes representatives from Risk Management & Compliance, Corporate Communications, Customer Management and Legal, Data Protection & Organisation and examines and assesses potential reputation risks and discusses targeted measures. The reputation working group reports regularly to the Board of Managing Directors.

Current risk situation
A technical error relevant to reputation occurred in July of the reporting year which meant that for a short time some customers were able to see the accounts of other customers. It was not, however, possible to transfer funds to other people's accounts, nor could securities be traded. Equally, login details were not visible and could not be changed. The fault was rectified within just a few hours. Intensive error analyses were also promptly initiated. Based on the results of this investigation, additional measures were introduced to further increase data security. Beyond this, there are at present no further risks of material significance for comdirect.

Business risk

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

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

Budget variances from past business periods with the net operating profit (NOP) are used to assess business risk. A risk model that simulates the variances between the planned result and the NOP generated in the future is used to determine a VaR for business risk.

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

Current risk situation
At €7.3m at the end of 2016 (previous year: €1.2m), VaR is above that of the previous year, however it remains at a low level.

Risk relating to deposit modelling

Risk quantification, management and reporting
In terms of the risk strategy, the aim of deposit model management is to ensure integrated earnings and risk controlling in order to meet the objectives in the business strategy whilst taking account of comdirect's tolerance for risk. The risk relating to deposit modelling stems from managing non-maturing customer deposits. When these are invested by comdirect Treasury, certain assumptions are made regarding future customer behaviour in the form of deposit models.

Loss risks from deposit modelling can result from the deposit outflows that are higher than anticipated and Treasury assets thus having to be sold prematurely. This could mean that market value losses have to be realised as a result of interest rate rises in the intervening period and/or credit spread widening (close-out risks).

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

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

Current risk situation
comdirect's deposit volume was very stable in the reporting year and expanded significantly as a result of the increase in the number of current and daily money accounts in particular. The close-out risk remained within the prescribed limits at all times during the reporting period. The VaR for model risks amounted to €12.3m at the end of the year (previous year: €11.5m).

General model risk

Risk quantification, management and reporting
For the respective types of risk, comdirect's risk management necessitates the use of quantitative risk models which mathematically formalise the causal relationships of the economic reality relevant for banking purposes.

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

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

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

Current risk situation
The respective validation processes have shown that all of the models in use at comdirect are appropriate and sufficiently conservative.

Opportunity report

Categorisation of opportunities

Opportunities are defined as positive planning deviations. Here we distinguish between three categories:

- Strategic opportunities that stem from strategic initiatives, such as intensive market cultivation and product developments, or from potential strategic business acquisitions.

- Performance opportunities that relate to improvements in operating processes and utilisation of cost and income synergies.

- Opportunities arising from developments in framework parameters that refer to potential added value resulting from favourable market developments, amendments to legislation, as well as industry and customer behaviour trends.

Identification, management and assessment of opportunities

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

Close monitoring of the market and competitive environment provides information on the changes in customer behaviour and an indication on how other banks will react with product and market initiatives. Similarly, changes to regulations can have a significant impact on the customer and competitive environment. This regular scrutiny of the market environment is supplemented by the use of market surveys, some of which are conducted on behalf of comdirect.

comdirect also gains insights from the feedback provided by customers and staff, for example regarding new product initiatives. This is gathered via an annual customer satisfaction survey and the feedback received by Customer Management on a daily basis, as well as from social media, and is evaluated on an anonymised basis. For ebase, feedback from institutional partners is also particularly important.

In addition to the direct market environment – the B2C and B2B direct banking market in Germany – comdirect and ebase track international trends with a focus on product innovation in the FinTech segment. The actively used company ideas and innovations tool is a further element in the innovation process.

Opportunity management forms part of global bank management. During the annual strategy process, the Board of Managing Directors of comdirect bank AG decides on the extent to which the group will use its income to exploit opportunities for growth and returns.

Opportunities are assessed in terms of their potential and probability on the basis of empirical values. Status reports on the current progress of the opportunities being developed as part of the strategy and their implementation are delivered on a quarterly basis, or more frequently if required. Where necessary, opportunities are supplemented or amended in terms of priority as a result of this qualitative and quantitative reporting.

On the whole, the methods and processes established put the comdirect group in a good position and enable opportunities to be identified, assessed and utilised at an early stage in line with strategy and earnings targets and the defined risk limits.

Current opportunities

The following developments in particular may give rise to positive planning deviations in 2017:

The trends in the capital market environment for trading may be better than assumed in the planning. For instance, rising volatilities – around the high level of 2015 – would have a favourable impact on the number of trades and thus on commission income.

A significant rise in the share price level on the equity markets would immediately cause portfolio volume to rise, which would have a positive effect on the sales follow-up commission included in the net commission income in the funds business. In addition, in a scenario of increasing prices, it could be that equities, ETFs and investment funds become more important than expected for the financial assets accumulation of private households. This could raise the net inflows to the portfolio volume, which would also have a positive impact on net commission income. The positive effect of a favourable trading environment is likely to further intensify as a result of the planned integration of OnVista into the comdirect group.

Conversely, an unexpected increase in market interest rates is possible, although this is unlikely for the eurozone in 2017, even in an environment of expansive fiscal policy. This would have a positive impact on the interest margin and possibly also on the volume in the deposit business.

Challenging expectations associated with the various measures planned for 2017 as part of the strategy launched in 2015 are being taken account of in planning. These expectations could still be exceeded if comdirect succeeds more quickly than expected in establishing itself further as the top address in saving, investing and trading with securities for example in the B2C business line via its digital asset management, its new custody account manager and successful sales measures. The same applies to the B2B business line in connection with the expansion of robo-advice solutions.

New products, including those generated from the cooperation with FinTechs, could also increase people's perception of comdirect and ebase as innovation drivers in the market and help attract even more customers and partners.

With regard to the industry environment, positive effects may arise from the continued reduction of branch networks nationwide. Consequently, growth in the acceptance of direct banking models could be faster than previously expected. The broader-based use of innovative solutions for financial management, combined with proactive services and support, may additionally boost this development. Opportunities may also arise from new technical developments that cannot as yet be forecast, which comdirect then quickly adapts on the basis of the redesigned innovation process.

Further opportunities for cooperation are apparent in the B2B business arising from tightened regulatory requirements and digitisation in the relevant partner segments, as well as the resulting increased cost pressures, among other things.

Regardless of developments in the money and capital markets, in the medium to long term we expect the market and investor trends that favour the comdirect group's direct banking model to continue. Through the significantly expanded mobile service package from comdirect and ebase, we are also able to benefit from the growing trend in banking using mobile devices.

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

Details in accordance with Sections 289 (4), 315 (4) of the German Commercial Code (HGB) and explanatory report of the Board of Managing Directors of comdirect bank Aktiengesellschaft

The details in the management report/group management report of comdirect bank AG in accordance with Sections 289 (4) and 315 (4) of the German Commercial Code (HGB) should provide third parties potentially interested in a takeover of comdirect bank AG with the information on the company relevant for a takeover.

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

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

Direct or indirect holdings above 10% of the voting rights
Commerz Bankenholding Nova GmbH, Frankfurt/Main, which is a wholly-owned subsidiary of Commerzbank AG, Frankfurt/Main, in turn holds 81.4683% of the capital of comdirect bank AG. There are no other direct or indirect shareholdings which exceed 10% of the voting rights.

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

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

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

The authority to make amendments to the Articles of Association that only affect the wording has been assigned to the Supervisory Board according to Article 8 (2) of the Articles of Association in compliance with Section 179 (1) clause 2 of the German Stock Corporation Act (AktG).

Powers of Board of Managing Directors to issue or buy back shares
In accordance with the further details of the resolutions adopted by the annual general meeting on 7 May 2015, the company is authorised to buy its own shares pursuant to Section 71 (1) Nos. 7 and 8 of the German Stock Corporation Act (AktG). The company has not made any use of this authorisation. New shares may be issued, particularly as part of the authorisations pursuant to Article 4 (3 and 4) of the Articles of Association (Authorised and conditional capital). The company has not made any use of this authorisation either.

Material agreements which would come into effect in the event of a change in control as a result of a takeover bid
There are no material agreements between comdirect bank AG and third parties which would come into effect, change, or end in the event of a change in control as a result of a takeover bid.

Compensation agreements concluded with members of the Board of Managing Directors or employees in the event of a takeover bid
comdirect bank AG has not concluded any compensation agreements with members of the Board of Managing Directors or employees in the event of a takeover bid.

Details and explanations relating to the accounting-related internal control and risk management system

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

Organisation
The internal control and risk management system relating to the accounting process is part of the remit of the Chief Financial Officer (CFO). Within the Management Board division, the Finance, Controlling & Investor Relations department is responsible for financial reporting in accordance with legal regulations and internal and external guidelines. Within the division, the Finance department is responsible for external financial reporting and calculation of current and deferred taxes, while internal reporting is the responsibility of Controlling. The Risk Management department is responsible throughout the bank for identifying, measuring, managing, monitoring and communicating risks as well as management of the retail credit risk. While Internal Audit reports to the CEO, Compliance reports to the CFO. The Supervisory Board monitors the accounting process primarily via the Risk and Audit Committee which is responsible in particular for questions regarding accounting, ensuring the required independence of the auditors, granting the audit contract to the auditors, determining the focal points of the audit and the agreed-upon fee arrangement. The Risk and Audit Committee also monitors Compliance. The Rules of Procedure for the Supervisory Board demand that the Chairman of the Risk and Audit Committee must have particular expertise and experience in the application of accounting principles and internal control procedures.

Control functions relating to financial reporting are assumed by the Board of Managing Directors and the Supervisory Board on one hand and by various units within Finance on the other.

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

Internal Audit reports directly to the Board of Managing Directors. It carries out its tasks autonomously and independently. The reporting and evaluation of the audit findings are not bound by any instructions. In line with MaRisk, the Chairman of the Risk and Audit Committee can obtain information directly from the Head of Internal Audit.

The Internal Audit department of comdirect reports directly to the comdirect Board of Managing Directors and the Board is responsible for its management. Information is frequently exchanged between the Internal Audit department of comdirect and Group Audit of Commerzbank, with regular reporting also taking place.

comdirect is solely responsible for preparing the accounts. It possesses the required expertise, particularly through its qualified personnel.

Components

Clear and binding accounting standards are in place within the comdirect group, which comply with legal regulations and the accounting standards of Commerzbank, the ultimate parent company. They are subject to auditing by the auditors and are continually reviewed with regard to the need for updating and adjusted if required.

In addition to the accounting guidelines, various organisational measures ensure reliable reporting. Consequently there are clear lines of authority at comdirect, which ensure the allocation of specialist task areas and responsibilities. Decisions are made exclusively in accordance with the allocated authorities. These regulations make a significant contribution to facilitating proper accounting at all times.

A further fundamental element ensuring correct accounting is the principle of dual control, whereby critical actions must always be checked by another person. Furthermore, the Finance unit is structured in line with the segregation of duties principle, under which incompatible activities are kept separate from each other in terms of organisation and are processed separately to avoid conflicts of interest.

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

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

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

Compensation report

Compensation of the Board of Managing Directors

Together with compensation experts from the Commerzbank Group, comdirect bank examined the need to amend the compensation system for the members of the Board of Managing Directors and revised it. An additional bonus cap had already been specified for financial year 2014 based on the amount of the individual variable compensation at the time of its definition. This may not exceed the annual fixed salary. Since financial year 2015, a multi-year assessment basis has also been gradually applied when determining the overall volume of variable compensation of the Board of Managing Directors. comdirect bank was categorised for the first time as an Important Institution in the 2016 financial year pursuant to Section 17 (1) of Germany's Remuneration Regulation for Institutions (IVV). In the future, comdirect bank is also obligated to meet the IVV's special requirements for important institutions. In this context, the share of the long-term incentive (LTI) relating to the variable compensation of the members of the Board of Managing Directors was increased from 40% to 60% from 2016 onwards, which is the same level as applicable to the CEO since 2011.

comdirect bank endeavours to achieve appropriate and sustainable compensation of the Board of Managing Directors that provides effective conduct incentives to achieve the targets specified in the bank's strategy, but avoids incentives to take disproportionately high risks. The design of the compensation policy therefore aims to permanently contribute to the continued positive development of the comdirect group.

Main features of the compensation system
The compensation system for the Board of Managing Directors of comdirect bank is specified and reviewed annually by the Supervisory Board. It takes account of the legal and regulatory requirements. The Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) as part of the Corporate Governance Statement can be viewed on the website at www.comdirect.de/ir under the heading Corporate Governance. The Supervisory Board considered the matter of compensation of the Board of Managing Directors on a total of five occasions in financial year 2016, both during its ordinary meetings and by circular resolution.

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

The compensation of the Board of Managing Directors is based on the duties of the individual members of the Board of Managing Directors and the current economic position and future prospects of the bank, as well as the level of compensation paid in peer companies. The relationship between fixed compensation and the variable compensation component is appropriate, thereby avoiding a significant dependence of the members of the Board of Managing Directors on the variable compensation and providing an effective conduct incentive at the same time. For the active members of the Board of Managing Directors, the target amount for the variable compensation component is currently limited to a maximum of approximately 40% of the target overall compensation. The appropriateness of the compensation is reviewed annually, also in consultation with independent, external compensation advisers.

Non-performance-related fixed compensation

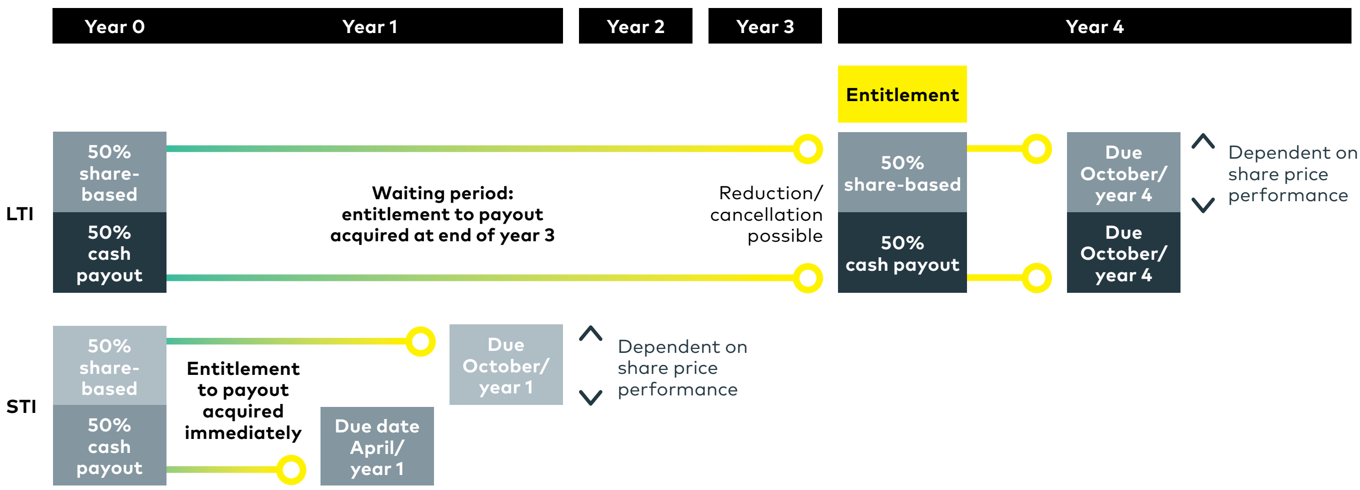
The non-performance-related fixed compensation comprises an annual fixed salary plus fringe benefits. Without prejudice to the possibility of a review by the Supervisory Board, the annual fixed salary for members of the Board of Managing Directors is set for the entire term of their respective contract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

Performance-related variable compensation

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

The volume of performance-related variable compensation depends on the achievement of corporate targets of comdirect bank and the Commerzbank Group and also of individual goals in the financial year to be assessed, combined with the target value for the variable compensation component for members of the Board of Managing Directors. The goals are agreed annually between the Board of Managing Directors and the Supervisory Board, are in line with the bank's strategic objectives, and particularly take into account risks entered into and the cost of capital. To determine the volume of the variable compensation, a multi-year assessment basis has gradually been introduced since 2015. The target attainments of the last three financial years are taken into account, although the individual financial years are included with a different weighting. Target attainment can amount to a minimum of 0% and a maximum of 200% of the target amount for the variable compensation component and limits the volume of the variable compensation of the Board of Managing Directors accordingly (cap). The amount of the individual variable compensation can likewise be a minimum of 0% and a maximum of 200% of the individual target amount at the time of its definition. At the same time, this individual variable compensation may not exceed the fixed salary for the financial year in question (bonus cap).

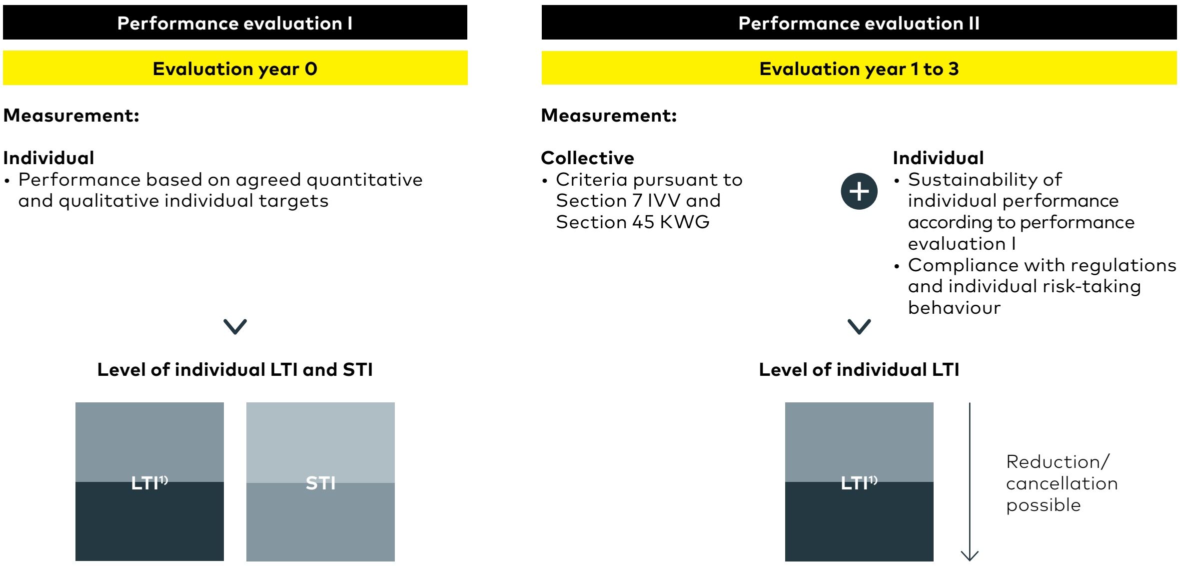
The individual variable compensation of the members of the Board of Managing Directors is split into two parts: a long-term incentive (LTI), which comprises 60% of the variable compensation and is paid out at the earliest three and a half years after the end of the financial year, and a short-term incentive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



With regard to variable compensation for financial year 2016, the STI will therefore fall due in financial year 2017 (year 1) and the LTI will fall due in 2020 (year 4) subject to a reduction or cancellation of the entitlement. If the variable compensation granted for the 2016 financial year is less than €50 thousand, payment is made in full in April 2017 (year 1).

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

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



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

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

Pensions

For their work at comdirect bank, the members of the Board of Managing Directors receive a pension entitlement, whereby the active members of the Board of Managing Directors acquire a claim to an annual pension element amounting to a fixed percentage of their respective basic annual salary. The level of the pension thus depends solely on the length of time they have been a member of the Board of Managing Directors. The rights to a pension are non-forfeitable after five years' service in the Commerzbank Group. The company has recognised pension provisions for these future claims on the basis of the International Financial Reporting Standards (IFRS), the level of which depends on the number of service years, the pensionable salary and the current actuarial interest rate. These are calculated according to the project unit credit method on the basis of actuarial opinions by an independent actuary (see Note (63) starting on page 151).

Premature termination benefits

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

Overall compensation for active members of the Board of Managing Directors

The overall compensation for active members of the Board of Managing Directors for their activities in financial year 2016 amounted to €1,690 thousand (previous year: €1,268 thousand). In accordance with Section 314 of the German Commercial Code (HGB) – in addition to the non-performance-related fixed compensation, the performance-related compensation due in the short term granted for 2016 and the share-based portion of the performance-related variable compensation with long-term incentive effect granted for 2016 – the cash payment portion of the performance-related variable compensation with long-term incentive effect granted for 2012 and paid out in 2016 must also be reported in the 2016 financial year as remuneration.

In addition to the compensation granted for the year under review and the compensation to be reported for the year under review in accordance with Section 314 of the German Commercial Code (HGB), the tables below show the cumulative payouts made for the individual reporting years up to the 2016 reporting date as well as the payouts made in 2016 on an individual basis for each of the active members of the Board of Managing Directors.

Arno Walter (Chief Executive Officer from 15 March 2015)

€ thousand	Non-performance-related fixed compensation		Performance-related variable compensation due in short term (STI component)			Performance-related variable compensation with long term incentive effect (LTI component)[2]				Compensation paid in 2016 for respective reporting year[3]	Cumulative compensation paid for respective reporting year as of 31.12.2016	Compensation granted for respective reporting year	Amount to be reported for respective reporting year in accordance with Section 314 HGB
Reporting year	Fixed salary	Value of fringe benefits	STI cash payout	Share-based STI[1]		LTI cash payout		Share-based LTI					
	Value upon payout	Value upon payout	Value upon granting and payout	Value upon granting	Value upon payout	Value upon granting	Value upon payout	Value upon granting	Value upon payout				
2016	**410**	**33**	**54**	**54**		**81**		**81**		**443**	**443**	**713**	**632**
From 15.3.2015	287	46	34	34	26	51		51[4]		60	393	503	452

1) Figure determined in performance evaluation I. The actual value varies depending on share price performance up until date of payout.
2) Indicative figures for performance-related variable compensation with long term incentive effect (LTI component) determined in performance evaluation I reported as value upon granting. Entitlement to a payout is acquired upon expiry of the three-year waiting period at the earliest, so in financial year 2019 for tranche 2015 and in financial year 2020 for tranche 2016. The amount can be reduced or cancelled depending on results of performance evaluation II and payout is due in financial year 2019 (tranche 2015) and in financial year 2020 (tranche 2016) respectively at the earliest. The actual value of the payout also varies depending on share price performance up until date of payout or date of issue respectively.
3) In addition to non-performance-related fixed compensation for 2016, the STI component granted for 2015 was also paid in 2016.
4) Valuation of LTI component granted for 2015 as of 31.12.2016: share-based LTI €45 thousand.

Martina Palte (Member of the Board of Managing Directors from 1 July 2012)

€ thousand	Non-performance-related fixed compensation		Performance-related variable compensation due in short term (STI component)			Performance-related variable compensation with long term incentive effect (LTI component)[2]				Compensation paid in 2016 for respective reporting year[3]	Cumulative compensation paid for respective reporting year as of 31.12.2016	Compensation granted for respective reporting year	Amount to be reported for respective reporting year in accordance with Section 314 HGB
Reporting year	Fixed salary	Value of fringe benefits	STI cash payout	Share-based STI[1]		LTI cash payout		Share-based LTI					
	Value upon payout	Value upon payout	Value upon granting and payout	Value upon granting	Value upon payout	Value upon granting	Value upon payout	Value upon granting	Value upon payout				
2016	**250**	**12**	**30**	**30**		**45**		**45**		**262**	**262**	**412**	**378[4]**
2015	205	11	35	35	27	23		23[5]		62	278	332	309
2014	180	11	32	32	28	21		21[6]			251	297	276
2013	180	9	28	28	28	19		19[7]			245	283	264
From 1.7.2012	90	3	16	16	12	10	11	10	6	17	138	145	135

1) Figure determined in performance evaluation I. The actual value varies depending on share price performance up until date of payout.
2) Indicative figures for performance-related variable compensation with long term incentive effect (LTI component) determined in performance evaluation I reported as value upon granting. Entitlement to a payout is acquired upon expiry of three-year waiting period at the earliest, i.e. in financial year 2016 for tranche 2012, in financial year 2017 for tranche 2013, in financial year 2018 for tranche 2014, in financial year 2019 for tranche 2015 and in financial year 2020 for tranche 2016. The amount can be reduced or cancelled depending on results of performance evaluation II and payout is due in financial year 2016 (tranche 2012), in financial year 2017 (tranche 2013), in financial year 2018 (tranche 2014), in financial year 2019 (tranche 2015) and in financial year 2020 (tranche 2016) respectively at the earliest. The actual value of the payout also varies depending on share price performance up until date of payout or date of issue respectively.
3) In addition to non-performance-related fixed compensation for 2016, the STI component granted for 2015 and the LTI component granted for 2012 were also paid in 2016.
4) In addition to the non-performance related fixed compensation, the STI component granted and the share-based LTI granted for the 2016 financial year, the 2012 LTI cash payout made in the 2016 financial year is also a component of the remuneration package to be reported for the 2016 financial year pursuant to Section 314 of the German Commercial Code (HGB).
5) Valuation of LTI component granted for 2015 as of 31.12.16: share-based LTI €20 thousand.
6) Valuation of LTI component granted for 2014 as of 31.12.16: share-based LTI €14 thousand.
7) Valuation of LTI component granted for 2013 as of 31.12.16: share-based LTI €11 thousand.

Martina Palte also received a payment in the amount of €3 thousand from the LTI component, which was granted to her in her capacity as Divisional Manager in financial year 2012.

Dr Sven Deglow (Member of the Board of Managing Directors from 1 September 2015)

€ thousand	Non-performance-related fixed compensation		Performance-related variable compensation due in short term (STI component)			Performance-related variable compensation with long term incentive effect (LTI component)[2]				Compensation paid in 2016 for respective reporting year[3]	Cumulative compensation paid for respective reporting year as of 31.12.2016	Compensation granted for respective reporting year	Amount to be reported for respective reporting year in accordance with Section 314 HGB
Reporting year	Fixed salary	Value of fringe benefits	STI cash payout	Share-based STI[1]		LTI cash payout		Share-based LTI					
	Value upon payout	Value upon payout	Value upon granting and payout	Value upon granting	Value upon payout	Value upon granting	Value upon payout	Value upon granting	Value upon payout				
2016	**250**	**10**	**30**	**30**		**45**		**45**		**260**	**260**	**410**	**365**
From 1.9.2015	77	1	12	12	9	8		8[4]		21	99	118	110

1) Figure determined in performance evaluation I, actual value varies depending on share price performance up until date of payout.
2) Indicative figures for performance-related variable compensation with long term incentive effect (LTI component) determined in performance evaluation I reported as value upon granting. Entitlement to a payout is acquired upon expiry of the three-year waiting period at the earliest, so in financial year 2019 for tranche 2015 and in financial year 2020 for tranche 2016. The amount can be reduced or cancelled depending on results of performance evaluation II and payout is due in financial year 2019 (tranche 2015) and in financial year 2020 (tranche 2016) respectively at the earliest. The actual value of the payout also varies depending on share price performance up until date of payout or date of issue respectively.
3) In addition to non-performance-related fixed compensation for 2016, the STI component granted for 2015 was also paid in 2016.
4) Valuation of LTI component granted for 2015 as of 31.12.16: share-based LTI €7 thousand.

Dr Deglow also received a payment of €41 thousand from the STI component, which was granted to him in his capacity as Chief Representative in financial year 2015.

With effect from 18 July 2016, Mr Dietmar von Blücher was appointed as a member of the Board of Managing Directors for a period of three years. Mr von Blücher's pension claims were transferred from Commerzbank to comdirect bank as part of this.

Dietmar von Blücher (Member of the Board of Managing Directors from 18 July 2016)

€ thousand	Non-performance-related fixed compensation		Performance-related variable compensation due in short term (STI component)			Performance-related variable compensation with long term incentive effect (LTI component)[2]				Compensation paid in 2016 for respective reporting year[3]	Cumulative compensation paid for respective reporting year as of 31.12.2016	Compensation granted for respective reporting year	Amount to be reported for respective reporting year in accordance with Section 314 HGB
Reporting year	**Fixed salary**	**Value of fringe benefits**	**STI cash payout**	**Share-based STI[1]**		**LTI cash payout**		**Share-based LTI**					
	Value upon payout	Value upon payout	Value upon granting and payout	Value upon granting	Value upon payout	Value upon granting	Value upon payout	Value upon granting	Value upon payout				
From 18.7.2016	**82**	**14**	**10**	**10**		**15**		**15**		**96**	**96**	**146**	**131**

1) Figure determined in performance evaluation I. The actual value varies depending on share price performance up until date of payout.
2) Indicative figures for performance-related variable compensation with long term incentive effect (LTI component) determined in performance evaluation I reported as value upon granting. Entitlement to a payout is acquired upon expiry of three-year waiting period at the earliest, so in financial year 2020 for tranche 2016. The amount can be reduced or cancelled depending on results of performance evaluation II and payout is due in financial year 2020 (tranche 2016) at the earliest. The actual value of the payout also varies depending on share price performance up until date of payout or date of issue respectively.
3) Only the non-performance-related fixed compensation for 2016 was paid in 2016.

Mr Holger Hohrein stood down from his position on the Board of Managing Directors with effect of the end of 30 June 2016. The current payments up to 30 June 2016 are shown in the table below under non-performance-related fixed compensation. The performance-related variable compensation for 2016 granted up to this point is also reported in the respective table items.

Holger Hohrein (Member of the Board of Managing Directors until 30 June 2016)

€ thousand	Non-performance-related fixed compensation		Performance-related variable compensation due in short term (STI component)			Performance-related variable compensation with long term incentive effect (LTI component)[2]				Compensation paid in 2016 for respective reporting year[3]	Cumulative compensation paid for respective reporting year as of 31.12.2016	Compensation granted for respective reporting year	Amount to be reported for respective reporting year in accordance with Section 314 HGB
Reporting year	Fixed salary	Value of fringe benefits	STI cash payout	Share-based STI[1]		LTI cash payout		Share-based LTI					
	Value upon payout	Value upon payout	Value upon granting and payout	Value upon granting	Value upon payout	Value upon granting	Value upon payout	Value upon granting	Value upon payout				
Up to 30.6. 2016	**135**	**3**	**13**	**13**		**20**		**20**		**138**	**138**	**204**	**184**
2015	270	18	41	41		27		27[4]		41	329	424	397
2014	230	7	43	43	38	29		29[5]			318	381	352
From 1.10. 2013	58	1	8	8	8	5		5[6]			75	85	80

1) Figure determined in performance evaluation I. The actual value varies depending on share price performance up until date of payout.
2) Indicative figures for performance-related variable compensation with long term incentive effect (LTI component) determined in performance evaluation I reported as value upon granting. Entitlement to a payout is acquired upon expiry of the three-year waiting period at the earliest, so in financial year 2017 for tranche 2013, in financial year 2018 for tranche 2014, for financial year 2019 for tranche 2015 and in financial year 2020 for tranche 2016. The amount can be reduced or cancelled depending on results of performance evaluation II and payout is due in financial year 2017 (tranche 2013), in financial year 2018 (tranche 2014), financial year 2019 (tranche 2015) and in financial year 2020 (tranche 2016) respectively at the earliest. The actual value of the payout also varies depending on share price performance up until date of payout or date of issue respectively.
3) In addition to non-performance-related fixed compensation for 2016, the STI component granted for 2015 was also paid in 2016.
4) Valuation of LTI component granted for 2015 as of 31.12.16: share-based LTI €24 thousand.
5) Valuation of LTI component granted for 2014 as of 31.12.16: share-based LTI €18 thousand.
6) Valuation of LTI component granted for 2013 as of 31.12.16: share-based LTI €3 thousand.

The contract of employment with Mr Hohrein was terminated on 30 September 2016. All the entitlements acquired up to 30 September remain in place. In the period from 30 June 2016 to 30 September 2016, Mr Hohrein received current payments totalling €91 thousand from comdirect bank. In addition, performance-related variable compensation was granted for this period totalling €34 thousand. Payouts may still be effected on the basis of the ongoing STI and LTI components as scheduled up to financial year 2020. After 30 June 2016, €31 thousand was paid out in this context for the share-based STI component granted for 2015.

Details regarding the pensions for the active members of the Board of Managing Directors in 2016 are shown individually in the following table.

€ thousand	**Pension obligation (DBO) under IFRS as of 31.12.2016**	**Vested rights of 31.12.2016**
Arno Walter	1,023	57
Dietmar von Blücher	375	12
Martina Palte	74	89
Dr Sven Deglow	36	44
Holger Hohrein	71	91
Total	**1,579**	**293**

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

In the past financial year, no member of the Board of Managing Directors received payments, considerations or corresponding commitments from a third party in relation to their activities as a board member. Members performing board functions at subsidiaries only received reimbursement for expenses.

The insurance premium for the group-wide D&O insurance for Managing Directors and supervisory bodies of comdirect bank is paid by the company. The company incurred expenses of €45 thousand in this regard in the year under review. No loans or advance payments were granted in the reporting year.

The model tables for the presentation of management board compensation as recommended by the German Corporate Governance Code (DCGK) are shown below.

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

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

Benefits granted

€ thousand	Arno Walter CEO (from 15 March 2015)				Dietmar von Blücher CFO (from 18 July 2016)			
	2015	2016	2016 (min)	2016 (max)	2015	2016	2016 (min)	2016 (max)
Fixed compensation[1]	287	410	410	410	n/a	82	82	82
Fringe benefits[1]	46	33	33	33	n/a	14	14	14
Total	**333**	**443**	**443**	**443**	**n/a**	**96**	**96**	**96**
One-year variable compensation[2]	38	54	0	82	n/a	10	0	16
Multi-year variable compensation	152	216	0	328	n/a	40	0	66
Share-based STI for 2015 or 2016[3]	38	54	0	82	n/a	10	0	16
LTI cash payout for 2015 or 2016[4]	57	81	0	123	n/a	15	0	25
Share-based LTI for 2015 or 2016[5]	57	81	0	123	n/a	15	0	25
Total	**523**	**713**	**443**	**853**	**n/a**	**146**	**96**	**178**
Benefit expense[6]	57	69	69	69	n/a	11	11	11
Overall compensation awarded according to DCGK	**580**	**782**	**512**	**922**	**n/a**	**157**	**107**	**189**

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

Allocation

€ thousand	Arno Walter CEO (from 15 March 2015)		Dietmar von Blücher CFO (from 18 July 2016)	
	2016	2015	2016	2015
Fixed salary[1]	410	287	82	n/a
Fringe benefits[1]	33	46	14	n/a
Total	**443**	**333**	**96**	n/a
One-year variable compensation[2]	54	34	10	n/a
Multi-year variable compensation	26	0	n/a	n/a
Share-based STI for 2015 and 2014 resp.[3]	26	n/a	n/a	n/a
LTI cash payout for 2012	n/a	n/a	n/a	n/a
Share-based LTI for 2012	n/a	n/a	n/a	n/a
Other	0	0	0	n/a
Total	**523**	**367**	**106**	n/a
Pension expenses[4]	69	57	11	n/a
Overall compensation granted according to DCGK	**592**	**424**	**117**	n/a

1) Compensation granted for the respective financial year.
2) STI cash payout for the respective financial year, taking target attainment into account (falling due in 04/2017 or 04/2016 respectively).
3) Share-based STI payout in the respective financial year, taking target attainment and share price developments up to the maturity date into account (10/2016 or 10/2015).
4) Service cost in accordance with IAS 19 from pension schemes and other pension benefits for the respective financial year.

Overall compensation for former members of the Board of Managing Directors

The overall compensation for former members of the Board of Managing Directors amounted to €346 thousand in the financial year (previous year: €376 thousand). In 2016, a payout of €105 thousand was made for the LTI component for former members of the Board of Managing Directors granted in financial year 2012. As of the reporting date, pension obligations to former members of the Board of Managing Directors pursuant to IFRS totalled €5,105 thousand (previous year: €4,724 thousand).

Martina Palte COO and HR Director (from 1 July 2012)				Dr Sven Deglow CMO (from 1 September 2015)				Holger Hohrein CFO (until 30 June 2016)			
2015	**2016**	**2016 (min)**	**2016 (max)**	**2015**	**2016**	**2016 (min)**	**2016 (max)**	**2015**	**2016**	**2016 (min)**	**2016 (max)**
205	250	250	250	77	250	250	250	270	135	135	135
11	12	12	12	1	10	10	10	18	3	3	3
216	**262**	**262**	**262**	**78**	**260**	**260**	**260**	**288**	**138**	**138**	**138**
39	30	0	50	13	30	0	50	45	15	0	27
91	120	0	200	31	120	0	200	105	61	0	108
39	30	0	50	13	30	0	50	45	15	0	27
26	45	0	75	9	45	0	75	30	23	0	41
26	45	0	75	9	45	0	75	30	23	0	41
346	**412**	**262**	**512**	**122**	**410**	**260**	**510**	**438**	**214**	**138**	**273**
16	19	19	19	5	17	17	17	19	10	10	10
362	**431**	**281**	**531**	**127**	**427**	**277**	**527**	**457**	**224**	**148**	**283**

Martina Palte COO and HR Director (from 1 July 2012)		Dr Sven Deglow CMO (from 1 September 2015)		Holger Hohrein CFO (until 30 June 2016)	
2016	**2015**	**2016**	**2015**	**2016**	**2015**
250	205	250	77	135	270
12	11	10	1	3	18
262	**216**	**260**	**78**	**138**	**288**
30	35	30	12	13	41
44	28	9	n/a	n/a	38
27	28	9	n/a	n/a	38
11	n/a	n/a	n/a	n/a	n/a
6	n/a	n/a	n/a	n/a	n/a
0	0	0	0	0	0
336	**279**	**299**	**90**	**151**	**367**
19	16	17	5	10	19
355	**295**	**316**	**95**	**161**	**386**

Compensation of the Supervisory Board

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

In addition to reimbursement of expenses, the individual members of the Supervisory Board receive a fixed compensation of €20,000 after the end of the financial year, with the Chairman of the Supervisory Board receiving €60,000 and his Deputy €30,000.

Members of the Risk and Audit Committee additionally receive fixed compensation amounting to €10,000. Compensation of €5,000 is paid for membership of all of the other committees. The Chairman of a committee receives double the amount of compensation of an ordinary member.

Shareholder representatives on the Supervisory Board, who act as members of the Board of Managing Directors of a group company of the majority shareholder, do not receive any compensation for their Supervisory Board activities.

The compensation paid to members of the Supervisory Board, including if necessary statutory VAT accrued on the compensation, is shown individually in the following table.

€ thousand	Non-variable components		Remuneration for committee activities		Total	
	2016	2015	2016	2015	2016	2015
Michael Mandel (from 12 May 2016)	0	0	0	0	0	0
Frank Annuscheit	0	0	0	0	0	0
Sandra Persiehl	24	24	6	6	30	30
Georg Rönnberg	24	24	24	24	48	48
Sabine Schmittroth	24	24	12	12	36	36
Maria Xiromeriti	24	24	0	0	24	24
Martin Zielke (until 12 May 2016)	0	0	0	0	0	0

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

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

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

Reportable measures were neither effected nor omitted.

Consolidated financial statements

Income statement

Income statement of comdirect group according to IFRS

€ thousand		1.1. to 31.12.	
	Notes	**2016**	**2015**
Interest income		135,041	165,300
Interest expenses		17,229	27,896
Net interest income before provisions for possible loan losses	(20)	**117,812**	**137,404**
Provisions for possible loan losses	(6), (21)	1,074	–2,895
Net interest income after provisions for possible loan losses		**118,886**	**134,509**
Commission income		368,952	383,395
Commission expenses		153,540	155,030
Net commission income	(22)	**215,412**	**228,365**
Trading result and result from hedge accounting	(23), (24)	–1,351	219
Result from financial investments	(25)	43,172	4,212
Administrative expenses	(26)	**260,960**	**279,980**
Other operating result	(27)	5,505	3,283
Pre-tax profit		**120,664**	**90,608**
Taxes on income	(14), (28)	28,153	25,566
Net profit		**92,511**	**65,042**
Allocation to retained earnings		22,625	8,554
Consolidated profit	(16)	**69,886**	**56,488**

Undiluted/diluted earnings per share

		1.1. to 31.12.	
	Notes	**2016**	**2015**
Net profit (in € thousand)		92,511	65,042
Average number of ordinary shares (number)	(46)	141,220,815	141,220,815
Undiluted/diluted earnings per share (in €)	(17)	**0.66**	**0.46**

No shares were issued in the financial year so that the average number of ordinary shares corresponds to the number of ordinary shares outstanding as of 31 December 2016.

Statement of comprehensive income

Statement of comprehensive income of comdirect group according to IFRS

€ thousand		1.1. to 31.12.	
	Notes	**2016**	**2015**
Net profit		**92,511**	**65,042**
Items which cannot be reclassified to the income statement			
– Change in actuarial gains/losses recognised in equity	(46)	–3,669	2,951
Items which can be reclassified to the income statement			
– Change in the revaluation reserves after tax	(46)		
Change in value recognised in equity		8,583	26,499
Reclassification to the income statement		–37,005	–4,014
Other comprehensive income for the period		**–32,091**	**25,436**
Comprehensive income		**60,420**	**90,478**

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

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

Other comprehensive income for the period

€ thousand			
	Before tax	**Tax**	**After tax**
1 January to 31 December 2016			
Actuarial gains and losses	–5,079	1,410	–3,669
Change in the revaluation reserves	–27,808	–614	–28,422
Other comprehensive income for the period	**–32,887**	**796**	**–32,091**
1 January to 31 December 2016			
Actuarial gains and losses	4,071	–1,120	2,951
Change in the revaluation reserves	19,173	3,312	22,485
Other comprehensive income for the period	**23,244**	**2,192**	**25,436**

Balance sheet

Balance sheet of comdirect group according to IFRS

€ thousand			
Assets	Notes	**as of 31.12.2016**	**as of 31.12.2015**
Cash reserve	(5), (29)	2,138,165	1,228,206
Claims on banks	(5), (30), (32)	13,432,413	11,699,450
Claims on customers	(5), (31), (32)	375,114	341,798
Financial investments	(5), (7), (33)	3,268,287	3,416,228
Intangible assets	(9), (34), (37)	24,255	23,051
Fixed assets	(10), (35), (37)	15,546	14,903
Non-current assets held for sale	(36)	0	32,498
Current income tax assets	(14), (38)	198	1,278
Deferred income tax assets	(14), (38)	3,591	1,785
Other assets	(39)	15,886	9,532
Total assets		**19,273,455**	**16,768,729**

Liabilities and equity	Notes	**as of 31.12.2016**	**as of 31.12.2015**
Liabilities to banks	(12), (40)	15,577	6,382
Liabilities to customers	(12), (41)	18,518,937	16,044,884
Negative fair values from derivative hedging instruments	(5), (42)	1,447	0
Provisions	(13), (43)	39,583	46,299
Current income tax liabilities	(14), (44)	2,429	3,075
Other liabilities	(45)	67,320	43,859
Equity	(46)	**628,162**	**624,230**
– Subscribed capital		141,221	141,221
– Capital reserve		223,296	223,296
– Retained earnings		146,394	127,438
– Revaluation reserves		47,365	75,787
– Consolidated profit		69,886	56,488
Total liabilities and equity		**19,273,455**	**16,768,729**

Statement of changes in equity

€ thousand	Sub-scribed capital	Capital reserve	Retained earnings	Revalu-ation reserves[1]	Group result	Total
Equity as of 31.12.2015	141,221	223,296	115,934	53,302	56,488	590,241
Net profit from 1.1. to 31.12.2015	–	–	–	–	65,042	65,042
Change in actuarial gains/losses recognised in equity			2,951	–	–	2,951
Change in the revaluation reserves	–	–	–	22,485	–	22,485
Comprehensive income 2015			**2,951**	**22,485**	**65,042**	**90,478**
Profit distributions	–	–	–	–	–56,488	–56,488
Allocation to/transfer from retained earnings	–	–	8,554	–	–8,554	0
Equity as of 31.12.2015/1.1.2016	**141,221**	**223,296**	**127,438**	**75,787**	**56,488**	**624,230**
Net profit from 1.1. to 31.12.2016	–	–	–	–	92,511	92,511
Change in actuarial gains/losses recognised in equity			–3,669	–	–	–3,669
Change in the revaluation reserves	–	–	–	–28,422	–	–28,422
Comprehensive income 2016	**–**	**–**	**–3,669**	**–28,422**	**92,511**	**60,420**
Profit distributions	–	–	–	–	–56,488	–56,488
Allocation to/transfer from retained earnings	–	–	22,625	–	–22,625	0
Equity as of 31.12.2016	**141,221**	**223,296**	**146,394**	**47,365**	**69,886**	**628,162**

1) pursuant to IAS 39

In financial year 2016, dividend payments totalling €56,488 thousand (2015: €56,488 thousand) were distributed to shareholders of comdirect bank AG. This equates to a payment of €0.40 per share (2015: €0.40).

In financial year 2016, comdirect bank AG did not make use of either the existing authorisations of the annual general meeting to purchase own shares for the purpose of securities trading pursuant to Section 71 (1) No. 7 German Stock Corporation Act (AktG) or of the resolutions of the annual general meeting authorising the purchase of own shares pursuant to Section 71 (1) No. 8 German Stock Corporation Act (AktG) for purposes other than securities trading.

For details of the equity items, see Note (46).

Cash flow statement

€ thousand	1.1. to 31.12.	
	2016	2015
Net profit	**92,511**	**65,042**
Non-cash items contained in net profit and transfer to cash flow from operating activities		
– Depreciation, loan loss provisions, additions to assets, change in provisions and net changes due to hedge accounting and trading	27,747	31,389
– Result from the sale of assets	–43,532	–4,824
– Other adjustments	–47,240	–76,095
Sub-total	**29,486**	**15,512**
Changes in assets and liabilities from operating activities after adjustments for non-cash items		
– Claims		
on banks	–1,743,627	–506,078
on customers	–31,714	–104,852
– Positive/negative fair values from derivative hedging instruments and trading assets	0	495
– Securities	194,052	236,414
– Other assets from operating activities	–3,850	5,185
– Liabilities		
to banks	9,195	–9,529
to customers	2,452,327	1,570,233
– Other liabilities and equity from operating activities	–23,699	–44,829
Interest and dividends received	147,595	180,965
Interest paid	–18,821	–29,706
Income tax payments	–28,729	–19,551
Cash flow from operating activities	**982,215**	**1,294,259**
Cash inflows from the disposal of fixed assets and intangible assets	–24	0
Cash outflows for the acquisition of fixed assets and intangible assets	–15,744	–15,588
Cash flow from investing activities	**–15,768**	**–15,588**
Dividend payment	–56,488	–56,488
Cash flow from financing activities	**–56,488**	**–56,488**
Cash and cash equivalents as of the end of the previous year	**1,228,206**	**6,023**
Cash flow from operating activities	982,215	1,294,259
Cash flow from investing activities	–15,768	–15,588
Cash flow from financing activities	–56,488	–56,488
Cash and cash equivalents as of the end of the period	**2,138,165**	**1,228,206**

Cash and cash equivalents correspond to the balance sheet item cash reserve and include cash on hand and balances held with central banks.

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

Notes

Basis of accounting principles

The consolidated financial statements of the comdirect group as of 31 December 2016 were prepared in accordance with Section 315a (1) of the German Commercial Code (HGB) and Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as further regulations on the adoption of certain international accounting standards in accordance with the International Financial Reporting Standards (IFRS), which were approved and published by the International Accounting Standards Board (IASB). Furthermore, the additional standards to be applied under Section 315a (1) of the German Commercial Code (HGB) were observed.

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

The subgroup financial statements of the comdirect group are included in the consolidated financial statements of our ultimate parent company, Commerzbank AG, Frankfurt/Main. The consolidated financial statements of Commerzbank AG as of 31 December 2015 were published in the online Federal Gazette on 14 April 2016.

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

The consolidated financial statements were approved for publication by the Board of Managing Directors on 21 February 2017.

Accounting and measurement methods

1 Basic principles

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

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

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

In principle, assets and liabilities are shown at (amortised) cost (assets) and the issue amount or amount to be paid (liabilities) respectively.

Financial instruments are recognised and measured using IAS 39 and the different classification and measurement principles specified by this regulation. Derivative hedging instruments are subject to the provisions of hedge accounting.

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

The presentation of the composition of other administrative expenses in these consolidated financial statements deviates from that of the 2015 financial report. The new structure is more meaningful and is oriented to the comdirect group's internal reporting. The previous year's figures regarding other administrative expenses were adjusted for comparability; this is not however a retrospective correction as defined by IAS 8. The total amounts of other administrative expenses reported in previous periods all remain unchanged.

For technical calculation reasons, differences due to rounding of one unit (e.g. € thousand, %) may appear in the following figures.

2 Changes in accounting and measurement methods

In the consolidated financial statements of the comdirect group, all the standards and interpretations to be compulsorily applied in the EU in financial year 2016 were taken into account. There were no changes in comparison to the previous year on the basis of newly applicable standards.

Standards to be applied in future:

Standard	Title	Date of application
IFRS 10/IAS 28 (amended)	Sale or Contributions of Assets between an Investor and its Associate or Joint Venture	indefinite
	Annual improvements to IFRS (2014–2016 cycle)	1 January 2017*
IAS 7 (amended)	Cash flow statement: disclosure initiative	1 January 2017*
IAS 12 (amended)	Income taxes: recognition of deferred tax assets for unrealised losses	1 January 2017*
IAS 40 (amended)	Transfers of investment property	1 January 2018*
IFRS 2 (amended)	Share-based payment: classification and measurement of share-based payment transactions	1 January 2018*
IFRS 4 (amended)	Insurance contracts: Applying IFRS 9 with IFRS 4	1 January 2018*
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019*

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

We opted out of early application of the standards and interpretations which are compulsory for the 2017 financial year or later.

IFRS 9 "Financial Instruments" includes requirements for recognition and measurement, derecognition and hedge accounting. It replaces IAS 39 "Financial Instruments: Recognition and Measurement" in accounting for financial instruments. This excludes rules on portfolio hedge accounting, which are covered by the IASB as part of a separate project. In terms of classification and measurement, the financial instruments held by the comdirect group will be allocable to the measurement categories as stipulated in IFRS 9. Assessments are based on the business model in question.

We currently anticipate that portions of the securities portfolio presently classified as available for sale will be carried at amortised cost in the future. Fluctuations in values will then no longer be reported in other comprehensive income for the period or in revaluation reserves. If the fair value of these instruments deviates from the amortised cost as of the date of first-time application, the change of IFRS category results either in balance sheet extension or contraction. Based on current expectations, there is a minor balance sheet contraction.

There may be implications for the income statement arising from IFRS 9 due to the valuation of individual financial instruments at fair value through profit and loss. Value fluctuations from such financial instruments were shown directly in profit or loss. There is then no additional contribution to the income statement when these kinds of instruments are disposed of. We currently assume that such financial instruments are used only to a limited extent in the comdirect group.

In the area of impairments, IFRS 9 calls for a transition from an incurred loss model to an expected loss model. In the case of financial assets of deteriorated credit quality, the losses expected over the instrument's remaining lifetime must additionally be taken into account. This is likely to result in a moderate rise in the volume of provisions for possible loan losses as of the date of first-time application. Under IFRS 9, provision expenses for possible loan losses should then return to approximately their previous level.

With regard to hedge accounting, we do not anticipate any significant implications for the comdirect group's consolidated financial statements.

IFRS 15 regulates the manner of collection, the volume and the time of collection of revenue from contracts with customers. This standard additionally calls for the disclosure of a substantial amount of qualitative and quantitative information regarding contractual agreements, performance obligations and significant discretionary decisions and assessments. We do not expect this to have any material effects on the comdirect group's consolidated financial statements.

After completing its long-term project on lease accounting, the International Accounting Standards Board (IASB) issued IFRS 16 "Leases" in January 2016.

Under the current standard IAS 17, a distinction is made between operating leases and finance leases, whereby only finance leases are recognised.

According to IFRS 16, lessees have to report an obligation to make future lease payments and an asset for the right to use a lease asset for almost all lease contracts. The lessee can only opt to refrain from leased assets of small value or short contractual life. Overall, an extension of the balance sheet under IFRS 16 can be assumed. In the income statement, use of the effective interest method on the lease obligation compared with recognising expenses on a straight-line basis could lead to higher expenses at the beginning of the contract term (front-loading).

Nothing can be said as yet concerning the specific effects that this would have on the comdirect group's consolidated financial statements.

No material effects on the comdirect group consolidated financial statements are expected from the other provisions to be applied in future.

3 Consolidated companies

In addition to the parent company comdirect bank AG, Quickborn, the scope of consolidation comprises ebase GmbH, Aschheim, and five special funds which are included in the consolidated financial statements as structured entities. There were no changes in the scope of consolidation in comparison to the previous year.

comdirect bank AG holds 100% of the shares in each of the consolidated group units. All the consolidated companies prepared annual financial statements as of 31 December 2016. A statement of comdirect bank AG's holdings can be found in the tables section of the Notes.

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

4 Principles of consolidation

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

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

5 Financial Instruments: Recognition, measurement and presentation

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

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

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

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

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

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

All claims on banks and customers originated by the comdirect group companies are included in the “loans and receivables” category. The valuation allowances made within claims on banks and customers are explained in Note (32).

Loans and receivables also includes the financial instruments reported in the cash reserve balance sheet items. The holdings are mainly included in balances held with central banks.

Assets available for sale
As of the balance sheet date, all bonds, other fixed-income securities, equities and investment fund units not held for trading purposes were assigned to the “available for sale” category. They are reported under the “financial investments” item in the balance sheet.

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

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

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

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

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

The application of the hedge accounting rules is contingent on the comprehensive documentation of the hedging relationship and evidence of the effectiveness of the hedge. Effectiveness is proved using the dollar offset method.

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

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

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

In an effective hedge, the changes in value of a hedged item and the hedge recorded in the income statement will largely offset one another. Value changes that do not result from hedged risks are recorded pursuant to the rules of the relevant category of financial instruments.

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

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

If current verifiable market data is insufficient for valuation with valuation models, unobservable inputs are also to be applied (level 3 valuation hierarchy). These initial inputs are from the perspective of the seller of an asset or a liability and take into account the assumptions that market participants would use for pricing. The risks inherent to the valuation method that is used and the incorporated input factors are to be included here.

The consumer loans taken out by customers and the preferred stocks of VISA Inc. USA are allocated to level 3 of the valuation hierarchy.

In the case of consumer loans this is the result in particular of individual customer behaviour not observable on the market, which is expressed as individual default risk. This leads to an adjustment of the discounting interest rate as part of determining fair value with the discounted cash flow method. In addition to interest, credit and liquidity risks, the discount curve applied also takes into account administrative expenses and a profit margin. Compared with the other influencing factors of the fair values, in particular interest rate risk, the default risk relating to the overall portfolio largely recedes into the background.

The value of preferred stocks of VISA Inc. USA can be derived from their stock exchange price due to the later exchange to common stocks of VISA Inc. USA. Because they are listed in US dollars, the exchange rate to euros has an effect on the fair value. There is uncertainty regarding the later exchange ratio. This is affected by possible losses of VISA Inc. USA from legal risks in connection with the transaction. This is a non-observable parameter with future effects. Discounts to be accounted for arising from the illiquidity of the preferred stocks are also non-observable.

The parameters named are estimated on the basis of earlier transactions with comparable risks. Overall, this results in a moderate valuation discount of the market value of the shares translated into euros.

Transfers between hierarchical levels are reported as of the last day of the relevant quarter. More information on the fair values of financial instruments and their allocation to the valuation hierarchy can be found in Notes (51) and (52).

A transaction on the primary market or, if this cannot be identified, on the most advantageous market for the financial instrument in question serves as the basis for determining the fair value. Identifying the primary market and determining which is the most advantageous market are the subject of individual discretionary decisions.

6 Provisions for possible loan losses

We provide for the particular credit risks in lending by forming single and portfolio loan loss provisions, with loans comprising exposure of more than €1m seen as significant.

Specific loan loss provisions are formed to cover the existing credit-standing risks relating to significant exposures. Loan loss provisions have to be formed for a loan if it is probable on the basis of observable criteria that not all the interest payments and capital repayments can be made as agreed. The level of the loan loss provisions corresponds to the difference between the book value of the loan less the present value of the expected future cash flow, discounted at the original effective interest rate.

In addition, credit risks are covered by means of portfolio loan loss provisions. The level of the portfolio loan loss provisions is determined using parameters derived from Basel II (probability of default, loss given default). The loan loss provisions are deducted from the relevant asset items in the balance sheet, provided they relate to claims in the balance sheet. The provisions for possible loan losses for off-balance-sheet business (loan commitments) are shown as provisions for lending risks.

Uncertainties pertaining to estimates arise with regard to the use of Basel II parameters. The parameters are derived from empirical values for corresponding receivables and can therefore be subject to fluctuations due to changes in framework conditions, such as developments in the macroeconomy or labour market data. Thus, revised estimates for probabilities of default or capital recovery factors per exposure, in particular, could lead to an increase or decrease in provisions for possible loan losses for both utilised and unutilised loan commitments. Revised conversion factors regarding open lines of credit would only lead to an increase or decrease in provisions for loan losses.

At comdirect, default reasons are, in particular, defined as being a delay of 90 days and the reaching of a defined default action level after which notice of termination is given.

Unrecoverable amounts are written down utilising any existing loan loss provisions. Income on written-down receivables is recognised in the income statement under provisions for possible loan losses.

7 Impairment of financial assets

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

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

8 Currency translation

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

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

As open positions in currency are only entered into to a limited degree, currency translation only makes a minor contribution to earnings. This is reported under the "result from financial investments" item.

9 Intangible assets

Internally generated software and purchased software are included under "intangible assets".

Internally generated software is recognised if all provisions of IAS 38 are met. These assets are recognised at cost. Sundry intangible assets are recognised at historical cost.

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

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

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

10 Fixed assets

The item "fixed assets" shows office furniture and equipment.

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

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

All fixed assets are depreciated over a period of 3 to 20 years.

In the income statement, depreciation is reported under "administrative expenses"; gains and losses arising from the sale of fixed assets under "other operating result".

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

11 Leases

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

Essentially, the companies of the comdirect group appear as lessees in operating leases (bank building, office furniture and equipment).

12 Liabilities

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

Derivative financial instruments that are not used as hedging instruments as part of hedge accounting and show a negative fair value are reported as trading liabilities. The instruments are measured at fair value. Measurement results and disposal gains and losses are recorded in the income statement under the trading result. Interest income and expenses from trading are reported under net interest income.

13 Provisions

Basic principles

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

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

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

Income from the reversal of provisions is recognised under “other operating result”. This excludes provisions for credit risk (provisions for possible loan losses) and provisions for variable compensation (personnel expenses).

Provisions for pensions and similar obligations

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

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

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

In other schemes, selected employees acquire vested rights to benefits on the basis of a direct benefit obligation, whereby the level of benefit is fixed and depends on factors such as age, compensation and length of service (defined benefit plan). According to the ADIG/cominvest pension rules in the version dated 1 June 1988 and 1 July 1988, ebase grants all employees who commenced their employment before 31 December 2000 lifetime pension benefits if they meet the relevant pension benefit requirements upon reaching the fixed age of 65 or receive a statutory old-age pension. In accordance with the pension rules, the pension benefits are granted in addition to those paid out under the statutory pension scheme and are primarily based on length of service and the last salary earned.

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

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

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

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

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

For defined benefit plans, the pension obligations and similar commitments are calculated annually by an independent actuary in accordance with the projected unit credit method. In addition to biometric assumptions and the current actuarial interest rate, this calculation is based on the expected future rates of increase for salaries and pensions. Changes in the estimated assumptions from year to year and deviations from the actual annual effects are reported in actuarial gains and loss (see Note (43) regarding the effects of changes in parameters).

The trustee required for a bilateral trust was established by Commerzbank AG in the form of the Commerzbank Pension-Trust e.V. In this regard, the companies in the comdirect group insure selected old-age pension obligations by means of a contractual trust agreement.

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

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

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

Net liabilities from the present value of defined benefit obligations less the fair value of the plan assets are to be recognised in the balance sheet. The expenses relating to the defined benefit old-age pension obligations to be recognised in the income statement comprise the service cost and the net interest cost arising from commitments and plan assets. Further information on the pension commitments granted is provided in Notes (43) and (63).

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

14 Income taxes

Current income tax assets and liabilities are calculated in accordance with tax provisions by applying the current valid tax rates at which a refund from or a payment to the relevant tax authorities is expected. Deferred tax assets and liabilities are formed for differences arising between the IFRS book values of assets or liabilities and their tax value, provided that future tax-reducing or tax-burdening effects are expected to result from this (temporary differences) and no prohibition on recognition is in place. The valuation of deferred taxes is based on income tax rates already enacted as of 31 December 2016 and applicable in the event of realisation of the temporary differences.

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

Current and deferred income tax assets and liabilities are netted against one another where they exist towards the same tax authority and the right of set-off can actually be enforced to the tax authority.

15 Conditional and authorised capital

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

By resolution of the annual general meeting of 16 May 2013, conditional capital totals €30.0m. The conditional capital increase will only be effected to the extent that holders and/or creditors of convertible bonds or convertible profit-sharing certificates or of warrants from bonds with warrants or profit-sharing certificates with warrants may exercise their option or conversion rights or fulfil their conversion obligations. The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to issue in bearer form, convertible bonds, bonds with warrants or profit-sharing certificates as mentioned above on one or more occasions, up to a maximum amount of €300.0m with or without a fixed maturity. This authorisation is valid until 15 April 2018.

16 Appropriation of profits

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

For the 2016 financial year, comdirect bank AG reported a distributable profit in accordance with the German Commercial Code (HGB) of €69,885,766.41.

The Board of Managing Directors and the Supervisory Board of comdirect bank AG will propose to the annual general meeting a dividend payment of €0.25 per no-par-value bearer share. This is equivalent to a dividend volume of €35,305,203.75. The Board of Managing Directors and Supervisory Board will also propose to the annual general meeting to transfer the remaining amount of the distributable profit of €34,580,562.66 to the other retained earnings.

17 Earnings per share

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

18 Share-based compensation

Variable compensation of the Board of Managing Directors

The volume of performance-related variable compensation depends on the achievement of corporate targets of comdirect and the Commerzbank Group and also of individual goals in the financial year to be assessed, combined with the target amount for the variable compensation component for members of the Board of Managing Directors. The goals are agreed annually between the Board of Managing Directors and the Supervisory Board, are in line with the bank's strategic objectives, and particularly take into account risks entered into and the cost of capital. Target attainment can amount to a minimum of 0% and a maximum of 200% of the target amount for the variable compensation component and limits the volume of the variable compensation of the Board of Managing Directors accordingly (cap).

The individual variable compensation component for the members of the Board of Managing Directors is split into two parts – a long-term incentive (LTI), which comprises 60% of total variable compensation for the CEO and 40% for members of the Board of Managing Directors and is paid out at the earliest three and a half years after the end of the financial year, and a short-term incentive (STI), paid out within ten months of the end of the financial year. Entitlement to the LTI is only conferred upon expiry of the three-year waiting period. Entitlement to the STI is conferred immediately. Half of both the LTI and STI component is settled as a cash payout and the remaining half in the form of shares in Commerzbank AG after a specified blocking period.

IFRS 2 governs share-based compensation transactions between group companies. As comdirect bank AG is required to provide the compensation, the share-based components of the LTI and STI are treated as compensation components with cash settlement. Those components of the LTI and STI for which cash payments are planned are recognised in the balance sheet in accordance with IAS 19.

At the end of the financial year, a mathematical compensation volume is calculated on the basis of the attainment of company targets for all of the components indicated above. The individual variable compensation for members of the Board of Managing Directors is determined on the basis of a performance evaluation in the financial year following the reporting year.

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

A provision is recognised for the full amount of the compensation volume calculated for the share-based STI component. After the number of shares to be issued has been specified, the equivalent value can change due to fluctuations in the share price up until issue in the fourth quarter of the following year.

The entitlement to the share-based LTI component is linked to suspensive conditions. These include a three-year waiting period from the end of the financial year for which the compensation is to be determined. The corresponding expenses for recognition of a provision for the share-based LTI component are recognised in each case pro rata over a vesting period of four years, as the payout of the equivalent value of this component is linked in principle to the beneficiary remaining with the company during the waiting period.

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

19 Related party disclosures

Relations with affiliated companies
The parent company of comdirect bank AG is Commerz Bankenholding Nova GmbH, Frankfurt/Main. The ultimate parent company is Commerzbank AG, Frankfurt/Main.

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

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

On the basis of the general agreement and the master agreement, the following services were provided during the 2016 financial year:

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

In total, the expenses for the above services amounted to €31.5m in the financial year (2015: €31.5m).

In the year under review, the earnings generated from these agreements totalled €8.5m (2015: €8.7m).

An addendum to the cooperation agreement regarding CFD trading was agreed upon in 2013. As such, comdirect bank AG's previously exclusive use of the CFD platform was limited. The competitive disadvantage caused by this will be offset by Commerzbank over a period of three years. comdirect bank AG was awarded €1.0m in this respect in 2016 (2015: €1.0m).

Outside of the general agreement, there are also the following significant business relations with Commerzbank AG:

In connection with the general agreement on liquidity transfer concluded in August 2010, there is also an assignment agreement between comdirect bank AG and Commerzbank AG for a customer loan portfolio consisting of retail loans. Claims are assigned from Commerzbank AG to comdirect bank AG as security for all existing, future and conditional claims by comdirect bank AG against Commerzbank AG and/or its group companies arising from the general agreement or other loans. Commerzbank AG was paid a fee of €2.9m due to this assignment agreement (2015: €3.0m).

As part of money market and capital market transactions, comdirect bank AG makes investments with Commerzbank AG and its affiliated companies.

As at the balance sheet date, the nominal value of daily money and fixed-term deposits as well as promissory notes totalled €13,072m (2015: €11,112m). During the year under review, the comdirect group companies generated total interest income of €90.8m from these transactions with Commerzbank AG (2015: €119.4m). There is a separate general agreement between comdirect bank AG and Commerzbank AG for these money and capital market transactions.

As at the balance sheet date, bonds and notes in the portfolio from affiliated companies amounted to €956m (2015: €968m). The interest income on this item amounted to €13.0m for the financial year as a whole (2015: €14.3m).

Bonds with a nominal volume of €70.6m were purchased from the portfolios of affiliated companies during the reporting year (2015: €118.9m). No bonds were sold to affiliated companies (2015: €28.7m). Furthermore, equity instruments from the portfolios of affiliated companies with a market value of €5.9m were purchased (2015: €10.6m). Equity instruments with a market value of €2.0m were sold to affiliated companies (2015: €3.0m).

A general agreement on security loans was concluded with Commerzbank AG on 16 May 2000, on the basis of which comdirect bank AG can lend securities to Commerzbank AG. In the year under review, income of less than €0.1m (2015: €0.1m) was generated on the average portfolio of lent securities amounting to €24m (2015: €140m).

Through its connection to Commerzbank AG, comdirect bank AG offers its customers new issues and a range of certificates for subscription. These sales are remunerated in line with the commission for the banking syndicate or issuing institution. In addition, comdirect bank AG receives pro rata commission for carrying out capital measures. In the year under review, commission from these areas totalled €0.1m (2015: less than €0.1m).

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

comdirect bank AG and European Bank for Financial Services GmbH (ebase) offer their customers a range of funds from a wide variety of investment companies. These include investment companies of the Commerzbank Group. In financial year 2016, the comdirect group companies received sales and sales follow-up commission at prevailing market rates from the investment companies of the Commerzbank Group.

For placement activities for the benefit of ebase, Commerzbank AG received sales and ongoing sales follow-up commission amounting to €8.6m in financial year 2016 (2015: €10.2m).

As part of its processing and management services for custody accounts, ebase procures support and services from Commerzbank AG. In the year under review, Commerzbank AG received payment totalling €1.5m for these services (2015: €1.6m).

ebase purchased other services from Commerzbank AG in the amount of €0.3m over the financial year (2015: €0.2m).

In addition to Commerzbank AG, there were service relationships with other affiliated companies. This resulted in expenses for comdirect bank AG of €0.1m (2015: €0m) in the financial year.

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

On 15 March 2005, comdirect bank AG concluded an agreement with Commerzbank AG concerning the cash receiving office and depository service for the shares of comdirect bank AG.

comdirect bank AG and its affiliated companies made provisions for old-age pension obligations by allocating trust assets to Commerzbank Pension-Trust e.V. As of 31 December 2016, the market value of the trust assets in this trust totalled €23.1m (2015: €9.6m).

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

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

As at the reporting date, the comdirect group held bonds from the government and government-related entities with a book value of €82.9m (prior-year reporting date: €71.0m). The comdirect group companies generated interest income of €0.7m from these bonds during the reporting year (2015: €0.7m).

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

In addition to the financial relations as part of the product and service offering of the comdirect group, related parties received compensation on the basis of their position as members of the boards (see Note (63)). The employee representatives on the Supervisory Board additionally receive payment as a result of their employment by comdirect bank AG in an amount that is usual for the company in accordance with the corresponding works agreement and the associated grading of the respective job profile.

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

Notes to the income statement

20 Net interest income

€ thousand	2016	2015	Change in %
Interest income from fixed-income securities held in the "available for sale" portfolio	25,666	29,943	–14.3
Interest income from credit and money market transactions	108,132	134,619	–19.7
Operating income from investments, shares and other variable-yield securities	1,243	1,299	–4.3
Net interest income from derivative financial instruments	0	–224	–100.0
Other interest income	0	–337	–100.0
Interest income and similar income	**135,041**	**165,300**	–18.3
Interest expenses for deposits	12,561	26,247	–52.1
Negative interest from active financial instruments	4,140	919	350.5
Other interest expenses	528	730	–27.7
Interest expenses	**17,229**	**27,896**	–38.2
Total	**117,812**	**137,404**	–14.3

Other interest expenses primarily include net interest expenses for pensions.

21 Provisions for possible loan losses

€ thousand	**Allowance**	**Reversal**	**Direct write-downs**	**Income received on written-down claims**	**Total 2016**
Provisions for possible loan losses for on-balance sheet lending transactions	**1,636**	**1,664**	**831**	**69**	**–734**
Claims on customers	1,636	1,664	831	69	–734
– Significant lending business	0	0	0	0	0
– Non-significant lending business	1,636	1,664	831	69	–734
Provisions for credit risks	**3,261**	**5,069**	**0**	**0**	**1,808**
Total	**4,897**	**6,733**	**831**	**69**	**1,074**

€ thousand	**Allowance**	**Reversal**	**Direct write-downs**	**Income received on written-down claims**	**Total 2015**
Provisions for possible loan losses for on-balance sheet lending transactions	**2,032**	**1,343**	**676**	**31**	**–1,334**
Claims on customers	2,032	1,343	676	31	–1,334
– Significant lending business	0	0	0	0	0
– Non-significant lending business	2,032	1,343	676	31	–1,334
Provisions for credit risks	**3,524**	**1,963**	**0**	**0**	**–1,561**
Total	**5,556**	**3,306**	**676**	**31**	**–2,895**

22 Net commission income

€ thousand	2016	2015	Change in %
Commission income	**368,952**	**383,395**	–3.8
Securities transactions	337,666	345,369	–2.2
Payment transactions	20,795	20,579	1.0
Placement business	7,719	10,000	–22.8
Other commission	2,772	7,447	–62.8
Commission expenses	**153,540**	**155,030**	–1.0
Securities transactions	143,116	143,219	–0.1
Payment transactions	7,484	8,141	–8.1
Other commission	2,940	3,670	–19.9
Net commission income			
Securities transactions	194,550	202,150	–3.8
Payment transactions	13,311	12,438	7.0
Placement business	7,719	10,000	–22.8
Other commission	–168	3,777	–
Total	**215,412**	**228,365**	–5.7

Net commission income contains commission income from securities lending transactions which are not recognised at fair value through profit or loss, in the amount of less than €0.1m (2015: €0.1m).

23 Result from hedge accounting

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

€ thousand	2016	2015	Change in %
Results from hedging instruments	–138	–2	6,800.0
Results from hedged items	137	2	6,750.0
Total	**–1**	**0**	–

Hedge accounting was applied in accordance with the provisions of IAS 39. Groups of ETFs (hedged items) in the balance sheet line item "financial investments" are hedged against fluctuations in fair value due to changes in the exchange rate using foreign currency forwards (hedging instruments).

24 Trading result

€ thousand	2016	2015	Change in %
Result from interest rate related transactions	–41	219	–
Result from foreign currency transactions	–1,309	0	–
Total	**–1,350**	**219**	–

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

25 Result from financial investments

The disposal result, gains and losses from impairments and recoveries in the securities portfolio are shown in the result from financial investments.

€ thousand	2016	2015	Change in %
Disposal gains	44,305	5,054	776.6
Disposal losses	–750	–230	226.1
Impairment	–383	–612	–37.4
Total	**43,172**	**4,212**	925.0

Exclusively equity instruments of €–383 thousand (2015: equity instruments of €–247 thousand and debt instruments of €–365 thousand) were subject to impairment.

The announced purchase of shares in VISA Europe Ltd. by VISA Inc. USA was completed in June 2016. As a principal member of VISA Europe Ltd. comdirect bank AG has generated a result from financial investments of €41.1m from the disposal of the shares. This amount comprises a payment received of €29.6m, an entitlement to later payments of €2.5m and preferred stocks of VISA Inc. USA with a fair value of €9.0m on conclusion of the transaction.

26 Administrative expenses

€ thousand	2016	2015	Change in %
Personnel expenses	88,072	83,153	5.9
Other administrative expenses	158,991	180,310	–11.8
Depreciation of office furniture and equipment and intangible assets	13,897	16,517	–15.9
Total	**260,960**	**279,980**	–6.8

Personnel expenses

€ thousand	2016	2015	Change in %
Wages and salaries	74,764	70,521	6.0
Compulsory social security contributions	12,266	11,825	3.7
Expenses for pensions and other employee benefits	1,042	807	29.1
Total	**88,072**	**83,153**	5.9

The item "wages and salaries" includes share-based payments (IFRS 2) totalling €220 thousand (2015: €246 thousand).

Breakdown of expenses for pensions and other employee benefits

€ thousand	2016	2015	Change in %
Company pension scheme	878	711	23.5
Expenses for early retirement	127	63	101.6
Contributions to Versicherungsverein des Bankengewerbes a.G. (BVV)	37	33	12.1
Total	**1,042**	**807**	29.1

Other administrative expenses € thousand	**2016**	**2015**	Change in %
Sales	34,898	53,582	–34.9
External services	44,240	44,533	–0.7
Business operations	36,749	39,183	–6.2
IT expenses	29,569	32,053	–7.7
Mandatory contributions	11,693	8,796	32.9
Others	1,842	2,163	–14.8
Total	**158,991**	**180,310**	–11.8

The administrative expenses in the year under review include minimum lease payments totalling €6,498 thousand (2015: €5,695 thousand), which are recognised as expenses for operating leases.

Depreciation of office furniture and equipment and intangible assets € thousand	**2016**	**2015**	Change in %
Office furniture and equipment	4,597	5,551	–17.2
Intangible assets	9,300	10,966	–15.2
Total	**13,897**	**16,517**	–15.9

Depreciation did not include any impairment losses (2015: intangible assets €202 thousand; office furniture and equipment €364 thousand).

27 Other operating result

€ thousand	**2016**	**2015**	Change in %
Other operating income	**11,312**	**6,970**	62.3
Tax matters from previous years	0	5	–100.0
Income from writing-back of provisions and accruals	3,684	2,253	63.5
Income from service level agreements	1,832	1,810	1.2
Insurance payments	59	29	103.4
Income from other accounting periods	2,904	971	199.1
Licence fees and royalties	1,085	1,083	0.2
Income from recoverable input taxes	398	420	–5.2
Sundry income items	1,350	399	238.3
Other operating expenses	**5,807**	**3,687**	57.5
Goodwill payments and price differences in security transactions	1,729	1,963	–11.9
Non-income-related taxes including interest from previous years	286	75	281.3
Other taxes	1,029	2	51,350.0
Expenses from service level agreements	1,180	146	708.2
Expense from legal proceedings and recourse	390	225	73.3
Losses on the disposal on fixed assets	24	1	2,300.0
Loan loss provisions and write-downs outside retail lending	36	16	125.0
Expenses from other accounting periods	3	3	0.0
Regulatory expenses for losses	868	993	–12.6
Sundry expense items	262	263	–0.4
Total	**5,505**	**3,283**	67.7

28 Taxes on income

€ thousand	2016	2015	Change in %
Current taxes on income current year	27,244	27,098	0.5
Current taxes on income from previous years	1,827	–17	–
Deferred taxes	–918	–1,515	–39.4
Total	**28,153**	**25,566**	10.1

Reconciliation of taxes on income € thousand	2016	2015
Profit from ordinary activities of comdirect bank AG and ebase GmbH	**120,664**	**90,608**
Multiplied by the respective income tax rate for the company		
= Calculated income tax paid in financial year	32,994	24,857
Effect of tax-free income from financial investments	–6,059	–425
Effect of losses from financial investments; not tax deductible	165	91
Effect of taxes from previous years recognised in the financial year	1,827	–17
Other effects	–774	1,060
Total	**28,153**	**25,566**

With effect from 1 January 2016, an income tax affiliation was established pursuant to Section 14 and Section 17 of the German Corporation Tax Act (KStG) between comdirect bank AG as the parent company and ebase GmbH as the subsidiary company. The income tax affiliation ensures joint taxation of comdirect bank AG and ebase GmbH so that the subsidiary company's net income is attributed to the parent company for corporation and trade earnings tax purposes.

The income tax rate selected as a basis for the reconciliation is composed of the corporation income tax rate of 15.0% applicable in Germany, plus a solidarity surcharge of 5.5% and a rate for trade earnings tax of 11.52%, which is the result of the weighted average of the trade tax rates of the municipalities of Quickborn, Aschheim and Rostock.

This results in an income tax rate for 2016 of around 27.34%.

In the previous year the trade earnings tax rate for comdirect bank AG (Quickborn site) was 11.66% and for ebase GmbH (Aschheim site) 11.20%.

This accordingly produced an income tax rate of around 27.49% for comdirect bank AG and around 27.03% for ebase GmbH.

Notes to the balance sheet

29 Cash reserve

€ thousand	31.12.2016	31.12.2015	Change in %
Cash on hand	597	168	255.4
Balances held with central banks	2,137,568	1,228,038	74.1
Total	**2,138,165**	**1,228,206**	74.1

The minimum reserve requirement to be met at the end of December 2016 totalled €170,670 thousand (31.12.2015: €153,713 thousand).

30 Claims on banks

€ thousand	Total			Due on demand		Other claims	
	31.12.2016	31.12.2015	Change in %	31.12.2016	31.12.2015	31.12.2016	31.12.2015
German banks	13,431,315	11,699,391	14.8	272,565	311,060	13,158,750	11,388,331
Foreign banks	1,098	59	1,761.0	1,098	59	0	0
Total	**13,432,413**	**11,699,450**	14.8	**273,663**	**311,119**	**13,158,750**	**11,388,331**

Claims on banks include foreign currency amounts of €250,054 thousand (2015: €191,067 thousand).

Claims on banks primarily comprise promissory notes in the amount of €8,746,524 thousand (2015: €10,628,486 thousand) as well as overnight money and fixed-term deposits totalling €4,412,226 thousand (2015: €759,845 thousand).

During the financial years under review, no provisions for possible loan losses were created for claims on banks, since these are fully secured by a general assignment agreement.

Claims on banks include accrued interest in the amount of €32,773 thousand (2015: €43,431 thousand).

31 Claims on customers

€ thousand	Total			Due on demand		Other claims	
	31.12.2016	31.12.2015	Change in %	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Claims on German customers	**356,763**	**325,793**	9.5	**305,679**	**295,565**	**51,084**	**30,228**
Companies and financial institutions	34,293	30,233	13.4	103	5	34,190	30,228
Private customers	322,470	295,560	9.1	305,576	295,560	16,894	0
Claims on foreign customers	**20,659**	**18,631**	10.9	**12,556**	**11,593**	**8,103**	**7,038**
Companies and financial institutions	8,095	7,038	15.0	0	0	8,095	7,038
Private customers	12,564	11,593	8.4	12,556	11,593	8	0
Total claims before provisions for possible loan losses	**377,422**	**344,424**	9.6	**318,235**	**307,158**	**59,187**	**37,266**
Portfolio loan loss provisions	−2,308	−2,626	−12.1	−2,208	−2,626	−100	0
Total claims after provisions for possible loan losses	**375,114**	**341,798**	9.7	**316,027**	**304,532**	**59,087**	**37,266**

Claims on customers include €156,764 thousand (2015: €155,144 thousand) from loans against securities. These claims are secured by securities. The claims on customers include amounts in foreign currency totalling €27.7 thousand (2015: €0.7 thousand).

32 Provisions for possible loan losses

Provisions for possible loan losses by class of receivables

€ thousand	As of 1.1.2016	Utilised	Reversal	Allowance	As of 31.12.2016
Provisions for possible loan losses for on-balance sheet lending transactions	**2,626**	**290**	**1,664**	**1,636**	**2,308**
Claims on customers	2,626	290	1,664	1,636	2,308
– Significant lending business	0	0	0	0	0
– Non-significant lending business	2,626	290	1,664	1,636	2,308
related to transactional accounts	2,344	277	1,501	1,422	1,988
related to securities accounts and other accounts	282	13	163	214	320
Claims on banks	0	0	0	0	0
Provisions for credit risks	**5,820**	**12**	**5,069**	**3,261**	**4,000**
Total	**8,446**	**302**	**6,733**	**4,897**	**6,308**

Provisions for possible loan losses by class of receivables

€ thousand	As of 1.1.2015	Utilised	Reversal	Allowance	As of 31.12.2015
Provisions for possible loan losses for on-balance sheet lending transactions	**2,211**	**274**	**1,343**	**2,032**	**2,626**
Claims on customers	2,211	274	1,343	2,032	2,626
– Significant lending business	0	0	0	0	0
– Non-significant lending business	2,211	274	1,343	2,032	2,626
related to transactional accounts	1,953	267	1,195	1,853	2,344
related to securities accounts and other accounts	258	7	148	179	282
Claims on banks	0	0	0	0	0
Provisions for credit risks	**4,271**	**12**	**1,963**	**3,524**	**5,820**
Total	**6,482**	**286**	**3,306**	**5,556**	**8,446**

The provisions for credit risk are attributable exclusively to payment transaction products. The decrease in provisions for possible loan losses and provisions in the 2016 financial year is primarily due to changes in estimates arising from the validation of parameters for provisions for possible loan losses. The growth of the previous financial year in credit products had a counter effect.

Provisions for possible loan losses by individual and portfolio risks

€ thousand	Total			Single loan loss provisions		Portfolio loan loss provisions	
	2016	2015	Change in %	2016	2015	2016	2015
Balance as of 1 January	**2,626**	**2,211**	18.8	**0**	**0**	**2,626**	**2,211**
Allowances	1,636	2,032	–19.5	0	0	1,636	2,032
Deductions	1,954	1,617	20.8	0	0	1,954	1,617
– of which utilised	290	274	5.8	0	0	290	274
– of which reversals	1,664	1,343	23.9	0	0	1,664	1,343
Portfolio for possible loan losses as of 31 December	**2,308**	**2,626**	–12.1	**0**	**0**	**2,308**	**2,626**

As in the previous years, there were no losses or defaults to report with regard to significant commitment.

33 Financial investments

The item "financial investments" consists of the bonds and other fixed-income securities, equities and other variable-yield securities not held for trading purposes.

The financial instruments shown in the financial investments portfolio are allocated to the category "available-for-sale".

€ thousand	31.12.2016	31.12.2015	Change in %
Bonds and other fixed-income securities of the "available-for-sale" portfolio	3,148,930	3,339,427	–5.7
issued by public sector borrowers	318,096	377,967	–15.8
issued by other borrowers	2,830,834	2,961,460	–4.4
Equities and other variable-yield securities of the "available-for-sale" portfolio	109,612	76,801	42.7
Investments	9,745	0	–
Total	**3,268,287**	**3,416,228**	–4.3

Financial investments include amounts in foreign currency totalling €56,420 thousand (2015: €82,295 thousand).

The item "bonds and other fixed-income securities of the 'available-for-sale' portfolio" includes accrued interest totalling €29,692 thousand (2015: €31,582 thousand).

The preferred stocks of VISA Inc. USA received as part of the VISA transaction (cf. Note (25)) are reported under the "Investments" item. The additions amounted to €9.0m upon receipt.

34 Intangible assets

€ thousand	31.12.2016	31.12.2015	Change in %
Internally generated software	17,322	15,511	11.7
Software purchased	6,933	7,540	–8.1
Total	**24,255**	**23,051**	5.2

Changes in the intangible assets are shown in the schedule of assets (Note (37)).

35 Fixed assets

€ thousand	31.12.2016	31.12.2015	Change in %
Office furniture and equipment	15,546	14,903	4.3
Total	**15,546**	**14,903**	4.3

Changes in fixed assets are shown in the schedule of assets (Note (37)).

36 Non-current assets held for sale

€ thousand	31.12.2016	31.12.2015	Change in %
Non-current assets held for sale	0	32,498	–100.0
Total	**0**	**32,498**	–100.0

As of the balance sheet date, there were no non-current assets held for sale in the portfolio. Due to the impending takeover of VISA Europe by VISA Inc. USA, the shares in VISA Europe Ltd. held by comdirect bank AG were reported in the "Non-current assets held for sale" item in the 2015 financial year.

Information on the disposal of shares in VISA Europe Ltd. in the 2016 financial year can be found in the note "Result from financial investments" (Note (25)). The preferred stocks of VISA Inc. USA received as part of the transaction are reported in "Financial investments" (Note (33)).

37 Schedule of assets

Intangible assets € thousand	Internally generated software		Software purchased		Acquired customer relationships	
	2016	2015	2016	2015	2016	2015
Book value as of 1 January	**15,511**	**14,664**	**7,540**	**9,128**	**0**	**960**
Cost of acquisition/ manufacture as of 1 January	94,312	93,131	58,066	54,674	11,592	11,592
– Additions	6,937	5,873	3,567	3,392	0	0
– Disposals	0	4,692	1,148	0	0	0
Cost of acquisition/ manufacture as of 31 December	101,249	94,312	60,485	58,066	11,592	11,592
Cumulative write-downs as of 1 January	78,801	78,467	50,526	45,546	11,592	10,632
– Additions	5,126	5,026	4,174	4,778	0	960
– Impairments	0	0	0	202	0	0
– Disposals	0	4,692	1,148	0	0	0
Cumulative write-downs as of 31 December	83,927	78,801	53,552	50,526	11,592	11,592
Book value as of 31 December	**17,322**	**15,511**	**6,933**	**7,540**	**0**	**0**

Office furniture and equipment € thousand	2016	2015
Book value as of 1 January	**14,903**	**14,131**
Cost of acquisition/manufacture as of 1 January	65,958	61,823
– Additions	5,273	6,325
– Disposals	2,378	2,190
Cost of acquisition/manufacture as of 31 December	68,853	65,958
Cumulative write-downs as of 1 January	51,055	47,692
– Additions	4,597	5,187
– Impairments	0	364
– Disposals	2,345	2,188
Cumulative write-downs as of 31 December	53,307	51,055
Book value as of 31 December	**15,546**	**14,903**

38 Income tax assets

€ thousand	31.12.2016	31.12.2015	Change in %
Current income tax assets	198	1,278	–84.5
Deferred income tax assets	3,591	1,785	101.2
Total	**3,789**	**3,063**	23.7

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

Deferred income tax assets and liabilities are offset as they relate to the same tax authorities. In financial year 2016, offsetting deferred income tax assets and liabilities produced an income tax asset.

Deferred income tax assets breakdown as follows:

€ thousand	Income tax assets	Income tax liabilities	31.12.2016 balance	Income tax assets	Income tax liabilities	31.12.2015 balance
Negative fair values from derivative hedging instruments	590	0	590	0	0	0
Claims on customers (provisions for possible loan losses)	290	–14	276	333	0	333
Financial investments						
– Recognised in profit or loss	13,595	0	13,595	14,179	0	14,179
– Recognised in equity	0	–15,698	–15,698	0	–15,085	–15,085
Intangible assets	34	–3,566	–3,532	0	–3,493	–3,493
Provisions						
– Recognised in profit or loss	3,896	0	3,896	3,407	–73	3,334
– Recognised in equity	3,921	0	3,921	2,512	0	2,512
Other liabilities	543	0	543	5	0	5
Total	**22,869**	**–19,278**	**3,591**	**20,436**	**–18,651**	**1,785**

As at 31 December 2016, deferred income tax assets and liabilities were measured as in the previous year at the currently valid tax rates.

39 Other assets

€ thousand	31.12.2016	31.12.2015	Change in %
Deferred items	2,080	988	110.5
Receivables from local advisory services	0	1	–100.0
Claims on product providers	2,026	2,226	–9.0
Claims on group companies	479	1,481	–67.7
Receivables from securities transactions	1,734	1,582	9.6
Trade receivables	2,879	427	574.2
Salary advances	819	805	1.7
ECB collateral	2,997	0	–
Other	2,872	2,022	42.0
Total	**15,886**	**9,532**	66.7

The valuation allowances applied to receivables from local advisory services were as follows:

€ thousand	2016	2015	Change in %
As of 1 January	**88**	**1,272**	–93.1
Allowances	0	0	–
Reversals/Utilised	88	1,184	–92.6
Loan loss provisions as of 31 December	**0**	**88**	–100

40 Liabilities to banks

€ thousand	31.12.2016	31.12.2015	Change in %
German banks	14,427	5,709	152.7
Foreign banks	1,150	673	70.9
Total	**15,577**	**6,382**	144.1

41 Liabilities to customers

€ thousand	Total			Due on demand		With agreed maturity or withdrawal notice	
	31.12.2016	31.12.2015	Change in %	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Liabilities to German customers	**18,001,704**	**15,605,061**	15.4	**17,474,706**	**14,891,118**	**526,998**	**713,943**
Private customers	17,915,184	15,527,038	15.4	17,388,591	14,816,700	526,593	710,338
Corporate customers and self-employed private individuals	86,520	78,023	10.9	86,115	74,418	405	3,605
Liabilities to foreign customers	**517,233**	**439,823**	17.6	**492,917**	**406,382**	**24,316**	**33,441**
Private customers	495,510	423,972	16.9	471,194	390,531	24,316	33,441
Corporate customers and self-employed private individuals	21,723	15,851	37.0	21,723	15,851	0	0
Total	**18,518,937**	**16,044,884**	15.4	**17,967,623**	**15,297,500**	**551,314**	**747,384**

Liabilities to customers include foreign currency amounts of €294,696 thousand (2015: €272,388 thousand).

Deposits of up to €100 thousand per customer are protected under the German Banks' Compensation Fund. Furthermore, as of the balance sheet date, these deposits are protected by the Deposit Protection Fund of the Association of German Banks (Bundesverband deutscher Banken e.V.) up to €81.0m (comdirect bank AG customers) or €5.1m (ebase GmbH customers).

42 Negative fair values from derivative hedging instruments

Derivative financial instruments used for hedging purposes and covered by hedge accounting and showing a negative fair value are disclosed in this item:

€ thousand	31.12.2016	31.12.2015	Change in %
Negative fair values from allocated effective fair value hedges	**1,447**	**0**	–

Only foreign currency forwards are currently used for hedging purposes. They are carried at fair value. The nominal volume of the financial instruments amounts to USD 30m (2015: USD 0m).

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

43 Provisions

€ thousand	31.12.2016	31.12.2015	Change in %
Provisions for pensions and similar commitments	18,756	24,812	–24.4
Other provisions	20,827	21,487	–3.1
Total	**39,583**	**46,299**	–14.5

Provisions for pensions and similar commitments comprise pension obligations and deferred compensation obligations. There are also obligations relating to partial retirement arrangements. Netted against the corresponding plan assets, this results in an asset of €340 thousand (2015: €203 thousand).

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

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

€ thousand	Pension obligations	Plan assets	Net liabilities
As of 1.1.2015	**36,344**	**–5,093**	**31,251**
Current service costs	885	0	885
Contributions from employees from salary sacrifice	25	–25	0
Interest expenses/income	828	–117	711
Pension payments	–639	0	–639
Transfers	699	0	699
Earnings/loss in the plan assets excluding amounts already recognised in the net interest expenses/income	0	302	302
Experience gains and losses	–221	0	–221
Gains and losses from changes in financial assumptions	–2,894	0	–2,894
Gains and losses from changes in demographic assumptions	–1,282	0	–1,282
Allocation to plan assets	0	–4,000	–4,000
As of 31.12.2015	**33,745**	**–8,933**	**24,812**
As of 1.1.2016	**33,745**	**–8,933**	**24,812**
Current service costs	852	0	852
Contributions from employees from salary sacrifice	27	–27	0
Interest expenses/income	868	–388	480
Pension payments	–706	0	–706
Transfers	240	0	240
Earnings/loss in the plan assets excluding amounts already recognised in the net interest expenses/income	0	–1,109	–1,109
Experience gains and losses	34	0	34
Gains and losses from changes in financial assumptions	6,153	0	6,153
Gains and losses from changes in demographic assumptions	0	0	0
Allocation to plan assets	0	–12,000	–12,000
As of 31.12.2016	**41,213**	**–22,457**	**18,756**
– of which provisions for pensions	41,213	–22,457	18,756
– of which activated plan assets	0	0	0

The service costs are reported in administrative expenses and the interest components in net interest income. The experience gains and losses and those resulting from changes in financial or demographic assumptions reported for the pension obligations and plan assets are recognised in other comprehensive income for the period.

Additional costs arose for partial retirement contracts and early retirement scheme in the amount of €127 thousand (2015: €63 thousand), for pension insolvency insurance in the amount of €11 thousand (2015: €24 thousand) and for costs for Versicherungsverein des Bankgewerbes a.G. (BVV) in the amount of €37 thousand (2015: €33 thousand). The actual gains from plan assets amounted to €1,501 thousand (2015: losses in the amount of €194 thousand).

The weighted duration of the obligations amounts to 20.4 years (31.12.2015: 19.2 years). The expected due dates of the pension payments are as follows:

€ thousand	2017	2018	2019	2020	2021	2022-2026
Expected pension payment	728	765	787	819	942	5,600

The following table presents the effects of individual parameter changes on pension obligations in the form of a sensitivity analysis. It does not take correlation effects into account. The same valuation methods were applied as in determination of the pension obligations.

€ thousand	DBO as of 31.12.2016	DBO as of 31.12.2015
Interest-rate sensitivity		
– Discount rate +50 basis points	–3,829	–2,940
– Discount rate –50 basis points	4,463	3,396
Salary progression sensitivity		
– Salary progression +50 basis points	1,198	986
– Salary progression –50 basis points	–1,061	–914
Pension-adjustment sensitivity		
– Pension-adjustment +50 basis points	1,965	1,435
– Pension-adjustment –50 basis points	1,741	–1,312
Mortality rate (life expectancy) adjustment sensitivity		
– Reduction in probability of death by 10%[1]	**1,194**	**878**

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

The reported plan assets are primarily held as assets in a pension trust. A portion of this, €335 thousand (31.12.2015: €299 thousand), relates to reinsurance cover. The assets held in the pension trust to meet pension claims are as follows:

Market value of plan assets in %	31.12.2016		31.12.2015	
	Active market	**Inactive market**	**Active market**	**Inactive market**
Fixed-income securities/bond funds	42.3	20.5	44.5	21.2
Equities/equity funds	7.6	3.2	9.0	3.9
Other financial instruments	19.3	4.4	14.1	4.6
Liquidity	2.7	0.0	2.7	0.0
Total	**71.9**	**28.1**	**70.3**	**29.7**

The calculations are based on the Heubeck RT 2005G mortality tables (modified). Furthermore the following parameters are included in the actuarial calculations:

in %	31.12.2016	31.12.2015
Parameters for determining the pension obligations at year-end		
Discount rate	1.8	2.6
Salary progression	2.5	2.5
Pension adjustment	1.6	1.5
Parameters for determining pension expenses in financial year		
Discount rate	2.6	2.3
Salary progression	2.5	2.5
Pension adjustment	1.5	1.8

Changes in other provisions:

€ thousand	As of 1.1.2016	Utilised	Reversal	Allowance	As of 31.12.2016
Provisions for non-income-related taxes and interest due to tax claims	251	37	0	185	399
Provisions for staff	11,772	8,865	1,078	10,464	12,293
Provisions for credit risk	5,820	12	5,069	3,261	4,000
Sundry provisions	3,644	2,059	679	3,229	4,135
Total	**21,487**	**10,973**	**6,826**	**17,139**	**20,827**

The provisions for staff mainly relate to provisions for variable compensation components, which are scheduled to be used in financial year 2017. This item also includes provisions for anniversary expenses of €1,074 thousand (2015: €996 thousand).

We expect a remaining lifetime of more than one year for part of the provisions. In particular, this relates to individual items attributable to provisions for staff – above all provisions for long-term compensation components and provisions for anniversary bonuses. The same applied in the previous year.

As of the reporting date there are contingent liabilities of €3.0m (31.12.2015: €0.0m) to the German Banks' Compensation Fund. This is the result of the contribution of an irrevocable payment obligation to cover 30% of the annual contribution volume. In future periods, the German Banks' Compensation Fund can call on the member institutes from the current payment obligations to cover compensation cases. The contingent liability is covered by cash collateral in the same amount held at the Bundesbank.

The "other provisions" item includes an amount of €2.7m (31.12.2015: €1.8m) for contribution obligations arising from the contribution year of the German Banks' Compensation Fund begun in the financial year.

44 Income tax liabilities

€ thousand	31.12.2016	31.12.2015	Change in %
Current income tax liabilities	2,429	3,075	–21.0
Deferred income tax liabilities	0	0	–
Total	**2,429**	**3,075**	–21.0

Current income tax liabilities include liabilities for the current and previous financial years.

Deferred income tax assets and liabilities are offset as they relate to the same tax authorities. In financial year 2016, offsetting deferred income tax assets and liabilities produced an income tax asset. A breakdown is given in Note (38).

45 Other liabilities

€ thousand	31.12.2016	31.12.2015	Change in %
Liabilities from final withholding tax	18,028	3,850	368.3
Trade accounts payable	30,099	25,119	19.8
Liabilities to affiliated companies	14,721	11,149	32.0
Other	4,472	3,741	19.5
Total	**67,320**	**43,859**	53.5

46 Equity

€ thousand	31.12.2016	31.12.2015	Change in %
Subscribed capital	141,221	141,221	0.0
Capital reserve	223,296	223,296	0.0
Retained earnings	146,394	127,438	14.9
Revaluation reserves	47,365	75,787	–37.5
Consolidated profit	69,886	56,488	23.7
Equity	**628,162**	**624,230**	0.6

Subscribed capital
Subscribed capital comprises no-par value shares.

	Number
Number of shares held as of 1.1.2016	**141,220,815**
Issue of new shares	0
Number of shares held as of 31.12.2016	**141,220,815**

There are no privileges or restrictions related to dividend distribution at comdirect bank AG. All shares issued are fully paid up.

Capital reserve
The capital reserve shows free reserves as well as the amount exceeding the subscribed capital from the exercise of stock options.

Retained earnings
Retained earnings show the net profit which has not been distributed.

Retained earnings also includes actuarial gains and losses from pension liabilities recognised directly in equity in accordance with IAS 19.

Revaluation reserves
Gains or losses on remeasurement of the financial investment portfolio, which is broken down into interest-bearing and dividend-based instruments, are shown at fair value in the revaluation reserves, taking into account deferred taxes. Gains and losses only affect the income statement when the asset is sold or impairments or write-ups are carried out.

The decrease in the revaluation reserves is primarily the result of the disposal of the shares in VISA Europe Ltd., which was reported with revaluation reserves of €32.1m in 2015.

Additional information

47 Equity management

Through equity management, comdirect bank aims to meet regulatory capital requirements, to maintain adequate capital levels at all times to ensure that the bank has the capacity to act, and to achieve an appropriate return on equity.

Risk-bearing capacity analysis

The risk-bearing capacity analysis, i.e. the economically required capital as compared with the available risk cover potential, is used to limit the overall risk of the bank in conjunction with the capital levels. The overall risk position represents comdirect's economically required capital for all key quantifiable risk types (operational risk, credit risk, market risk, risk relating to deposit modelling and business risk). The risk cover potential comprises the subscribed capital, capital reserve and retained earnings, result and the revaluation reserves after tax. Other intangible assets, such as software licences or internally generated software and deferred tax are deducted from the risk cover potential as correction items. The risk-bearing capacity is guaranteed as long as the risk cover potential available exceeds the overall risk position.

The economically required capital is measured using the value-at-risk (VaR) approach based on a confidence level of 99.91% and a holding period of one year.

The risk cover potential comprised as the following:

€ million	31.12.2016	31.12.2015
Profit after tax[1]	91.5	64.0
Subscribed capital	141.2	141.2
Revaluation reserves	47.4	43.7
General reserves[2]	353.6	350.4
Other intangible assets	–24.3	–23.1
Deferred tax assets and liabilities	–20.1	–18.6
Economic capital	**589.3**	**557.7**
Reserve for fluctuations in economic capital	–129.3	–122.7
Risk cover potential	**460.0**	**435.0**

1) After-tax profit/loss in accordance with the income statement of the comdirect group after allowing for a deduction of €1.0m for expected loss from financial investments recognised at fair value in equity.
2) Including corrections resulting from divergent pension obligations due to the gone concern approach.

comdirect bank's overall risk position as of year-end was €187.2m (2015: €165.7m). As of the end of the financial year, utilisation of risk cover potential was thus 40.7% (2015: 38.1%). The risk report contains further details on the overall risk position.

Equity resources in accordance with Section 10, German Banking Act (KWG)

comdirect bank AG is an institution registered in Germany and is a subordinate company within an institution group pursuant to Section 10a (1) of the German Banking Act (KWG). In this capacity, comdirect bank AG has exercised the "waiver" under Section 2a of the German Banking Act (KWG) combined with article 7 CRR. comdirect bank AG is included in the regulatory report of the Commerzbank Group.

The regulatory capital of comdirect bank AG is determined on the basis of the regulations of the German Banking Act (KWG) in conjunction with Regulation (EU) No. 575/2013 and the results of the calculation are used for internal management purposes. A separate notification of this is not submitted to the regulatory authorities. The equity of the regulatory scope of consolidation comprising comdirect bank AG and European Bank for Financial Services GmbH (ebase) is used as a basis in accordance with IFRS requirements.

Banking regulatory capital requirements were complied with at all times during the year under review. At comdirect bank AG, the own funds ratio as of the end of the financial year stood at 38.79% (in accordance with Article 92 CRR, previous year: 36.26%).

€ thousand	31.12.2016	31.12.2015	Change in %
Subscribed capital	141,221	141,221	0.0
General reserves	263,952	267,060	–1.2
Addition/reduction	33,195	25,202	31.7
Core capital	**438,368**	**433,483**	**1.1**
Liable equity	**438,368**	**433,483**	**1.1**
Own funds for SolvV	**438,368**	**433,483**	**1.1**
Risk-weighted assets	923,043	950,761	–2.9
Eligible amount for operational and other risks, multiplied by 12.5	206,974	244,823	–15.5
Total	**1,130,017**	**1,195,584**	–5.5

48 Maturities of assets and liabilities

All assets and liabilities items are classified in the following table as short-term or long-term according to realisation of the amounts. The amounts that are realised within one year are classified as short-term. The amounts that are realised after more than 12 months are classified as long-term.

€ thousand	as of 31.12.2016		as of 31.12.2015	
	Short-term	**Long-term**	**Short-term**	**Long-term**
Cash reserve	2,138,165	0	1,228,206	0
Claims on banks	3,351,804	10,080,609	2,848,946	8,850,504
Claims on customers	358,943	16,171	341,798	0
Financial investments	807,295	2,341,635	505,841	2,833,586
Intangible assets	0	24,255	0	23,051
Fixed assets	0	15,546	0	14,903
Current income tax assets	198	0	1,080	198
Deferred income tax assets	–1,522	5,113	–1,388	3,173
Other assets	15,886	0	9,531	1
Total	**6,670,769**	**12,483,329**	**4,934,014**	**11,725,416**
Liabilities to banks	15,577	0	6,382	0
Liabilities to customers	18,293,406	225,531	15,799,147	245,737
Negative fair values from derivative hedging instruments	1,447	0	0	0
Provisions	20,156	19,427	20,867	25,432
Current income tax liabilities	2,429	0	3,075	0
Other liabilities	67,320	0	43,859	0
Total	**18,400,335**	**244,958**	**15,873,330**	**271,169**

We show the maturities for financial instruments for which there are contractual terms in the table listing the remaining lifetimes. Time remaining to maturity is considered as the period between the balance sheet date and the contractual maturity of the claim or obligation.

Remaining lifetimes as of 31.12.2016
€ thousand

	Total	Due on demand and unlimited in time	Up to three months	More than three months to one year	More than one to five years	More than five years
Claims on banks	13,432,413	273,663	921,228	2,156,913	8,653,560	1,427,049
Claims on customers	375,114	316,027	42,286	630	10,316	5,855
Bonds and notes in the "available for sale" portfolio	3,148,930	0	329,082	478,213	2,246,221	95,414
Total	**16,956,457**	**589,690**	**1,292,596**	**2,635,756**	**10,910,097**	**1,528,318**
Liabilities to banks	15,577	15,577	0	0	0	0
Liabilities to customers	18,518,937	17,967,623	306,938	18,845	151,833	73,698
Negative fair values from derivative financial instruments	1,447	0	1,447	0	0	0
Total	**18,535,961**	**17,983,200**	**308,385**	**18,845**	**151,833**	**73,698**

Remaining lifetimes as of 31.12.2015
€ thousand

	Total	Due on demand and unlimited in time	Up to three months	More than three months to one year	More than one to five years	More than five years
Claims on banks	11,699,450	311,119	748,754	1,789,073	8,397,502	453,002
Claims on customers	341,798	304,532	37,266	0	0	0
Bonds and notes in the "available for sale" portfolio	3,339,427	0	166,997	338,844	2,739,679	93,907
Total	**15,380,675**	**615,651**	**953,017**	**2,127,917**	**11,137,181**	**546,909**
Liabilities to banks	6,382	6,382	0	0	0	0
Liabilities to customers	16,044,884	15,297,500	447,627	54,020	114,182	131,555
Negative fair values from derivative financial instruments	0	0	0	0	0	0
Total	**16,051,266**	**15,303,882**	**447,627**	**54,020**	**114,182**	**131,555**

49 Claims on/liabilities to affiliated companies

€ thousand	31.12.2016	31.12.2015	Change in %
Assets			
Claims on banks	13,353,152	11,648,377	14.6
Financial investments	955,803	968,239	–1.3
Other assets	479	1,481	–67.7
Total	**14,309,434**	**12,618,097**	**13.4**
Liabilities			
Liabilities to banks	0	0	–
Other liabilities	14,721	11,149	32.0
Total	**14,721**	**11,149**	32.0

Money and capital market investments with companies in the Commerzbank Group are collateralised within the scope of a general assignment agreement.

50 Risk reporting on financial instruments

Risk management

The risk strategy is determined by the Board of Managing Directors of comdirect bank AG, which also bears the responsibility for the group-wide risk management and risk controlling system.

At comdirect bank, the CFO is responsible for monitoring and implementing the risk strategy.

The implementation and monitoring of the risk strategy is carried out through risk managment on the one hand and risk controlling on the other. The task of risk management is to proactively and consciously manage all risks in the relevant divisions. For effective value-oriented overall bank management, risk management is carried out on a decentralised basis in the individual divisions. The task of risk controlling is to identify, evaluate, limit and continually monitor risks and to report to the Board of Managing Directors regularly on the respective risk situation.

Credit risk

The credit risk describes the risk of a financial loss as a result of a borrower being unable to pay or to pay on time the contractually agreed consideration.

One of the methods used to monitor credit risk is the monthly calculation of the CVaR for lending to customers as well as for the treasury business. Credit risks are therefore part of global bank management.

Maximum credit risk

The maximum default risk from financial instruments in the unlikely case of simultaneous complete default by all borrowers is equal to the book value of the financial instrumens in question. The figures can be seen in the tables below.

The exposure to Commerzbank Group companies represents a major risk concentration relating to financial instruments. The maximum default risk for Commerzbank Group companies is €14,309m (2015: €12,618m). These default risks are fully covered by collateral via an assignment agreement and title loans with Commerzbank AG or in the form of Pfandbriefe. The annual risk inventory showed no further material risk concentrations relating to financial instruments.

Of the €377.4m (2015: €344.4m) in claims on customers before provisions for possible loan losses, default risks from loans against securities in the amount of €156.8m (2015: €155.1m) are covered by securities pledged as collateral by customers.

Credit quality of assets

The following table lists financial assets in accordance with the rating scale developed by the Initiative for Germany as a Financial Centre (IFD).

€ thousand	Claims on customers	Claims on banks	Financial investments	Other
31.12.2016				
Very good	277,979	13,432,413	3,102,139	2,138,165
Good	6,016	0	42,834	0
Satisfactory	9,644	0	0	0
Adequate	9,808	0	0	0
Heightened risk	15,276	0	0	0
High risk	7,720	0	0	0
Default	2,034	0	0	0
No allocation	48,945	0	123,314	0
Total	**377,422**	**13,432,413**	**3,268,287**	**2,138,165**
31.12.2015				
Very good	255,835	11,699,450	3,258,263	1,228,206
Good	3,038	0	47,320	0
Satisfactory	7,649	0	21,018	0
Adequate	8,502	0	10,058	0
Heightened risk	12,501	0	0	0
High risk	6,917	0	0	0
Default	1,853	0	0	0
No allocation	48,130	0	79,569	32,498
Total	**344,425**	**11,699,450**	**3,416,228**	**1,260,704**

The unallocated claims on customers are first and foremost short-term claims on institutional product partners in the funds business who present a low default risk. The unallocated financial investments are primarily shares in public funds and exchange-traded funds. The unallocated other financial assets concern the investment in VISA Europe Ltd.

Overdue, but as yet unimpaired financial assets

Claims on customers € thousand	31.12.2016	31.12.2015	Change in %
Age structure			
30 to 90 days	3,229	1,639	97.0
91 to 179 days	243	237	2.5
180 days and more	1,632	1,684	–3.1
Total	**5,104**	**3,560**	43.4

Less provisions for possible loan losses, claims on customers which are overdue but not yet impaired total €2,660 thousand for those in arrears of 30 to 90 days (2015: €1,613 thousand), €235 thousand for those in arrears of 91 to 179 days (2015: €228 thousand) and €1,568 thousand for those in arrears of 180 days or more (2015: €1,606 thousand).

Individually impaired financial assets

Claims on customers € thousand	31.12.2016	31.12.2015	Change in %
Volume of claims individually impaired	2,034	1,853	9.8
Impairment	–734	–935	–21.5
Book value	**1,300**	**918**	41.6

The risk report contains further details on the origin and cause of credit risk, on risk quantification and management as well as information on the current risk situation.

Liquidity risk

Liquidity risk in the narrower sense is understood as the risk that the bank will be unable to meet or to meet on time its current and future payment obligations. The wider definition of liquidity risk also encompasses refinancing risk, that is the risk that the liquidity will not be sufficient if required or that it can only be acquired in the money and capital markets at terms that are significantly less favourable than expected – as well as market liquidity risk.

The latter describes the risk of being unable to close out positions to the desired extent or only at a loss as a result of inadequate market depth or market disturbances.

Details on managing liquidity risk are included in the liquidity risk section of the risk report within the group management report.

Payment claims under financial assets in accordance with contractually agreed maturities

Remaining lifetimes as of 31.12.2016 € thousand	Book value	Due on demand	Up to one year	More than one to five years	More than five years
Non-derivative financial instruments					
Cash reserve	2,138,165	2,138,165	0	0	0
Claims on banks	13,675,467	273,663	3,120,692	8,800,967	1,466,077
Claims on customers	375,114	316,027	43,637	11,543	6,068
Bonds and notes	3,148,930	0	820,346	2,232,827	95,019
Total	**19,337,676**	**2,727,855**	**3,984,675**	**11,045,337**	**1,567,164**

Remaining lifetimes as of 31.12.2015 € thousand	Book value	Due on demand	Up to one year	More than one to five years	More than five years
Non-derivative financial instruments					
Cash reserve	1,228,206	1,228,206	0	0	0
Claims on banks	11,699,450	311,119	2,597,094	8,587,351	477,429
Claims on customers	341,798	304,532	37,266	0	0
Bonds and notes	3,339,427	0	527,693	2,738,968	95,126
Total	**16,608,881**	**1,843,857**	**3,162,053**	**11,326,319**	**572,555**

Payment obligations under financial liabilities in accordance with contractually agreed maturities

Remaining lifetimes as of 31.12.2016 € thousand	Book value	Due on demand	Up to one year	More than one to five years	More than five years
Non-derivative financial liabilities					
Liabilities to banks	15,577	15,577	0	0	0
Liabilities to customers	18,518,937	17,967,623	334,261	180,379	73,698
Derivative financial liabilities					
Negative fair values from derivative hedging instruments	1,447	0	1,445	0	0
Credit obligations					
Private customers	0	4,632,153	0	0	0
of which from loans against securities	0	2,320,152	0	0	0
Total	**18,535,961**	**22,615,353**	**335,706**	**180,379**	**73,698**

Remaining lifetimes as of 31.12.2015 € thousand	Book value	Due on demand	Up to one year	More than one to five years	More than five years
Non-derivative financial liabilities					
Liabilities to banks	6,382	6,382	0	0	0
Liabilities to customers	16,044,884	15,297,500	511,928	145,433	136,429
Derivative financial liabilities					
Negative fair values from derivative hedging instruments	0	0	0	0	0
Credit obligations					
Private customers	0	4,552,105	0	0	0
of which from loans against securities	0	2,311,949	0	0	0
Total	**16,051,266**	**19,855,987**	**511,928**	**145,433**	**136,429**

The loan commitments result from credit facilities granted, less those utilised as at the reporting date.

The possible loan utilisation for loans against securities is limited by the specific collateral value of each securities portfolio.

The risk report contains further details on the origin and cause of liquidity risk, on risk quantification and management as well as information on the current risk situation.

Market risk

Market price risks encompass the risk of loss from changes in market parameters (in particular interest rates, credit spreads, exchange rates and share prices).

The statistical/mathematical approach of historic simulation to calculate the value-at-risk values is used to quantify and monitor general market price risks on a daily basis. The value-at-risk describes the maximum loss under normal market conditions for a specific probability (confidence level) and specific holding period. The underlying statistical parameters are based on a historic monitoring period of the past 255 trading days, a holding period of one day and a confidence level of 97.5%.

The key feature of the historic simulation is that it does not use a parametric model for the risk factors. Historic market data and its empirical distribution function is used directly. A portfolio value is obtained for every day of the historic monitoring period. For a monitoring period of 255 trading days, a confidence level of 97.5% and a holding period of one day, the value-at-risk is the seventh highest daily loss in the historic monitoring period.

Stress tests are carried out at comdirect to monitor extreme market movements. The stress figure shows the maximum portfolio loss under worst case conditions. The respective maximum losses in the scenarios for the share price, interest rate, credit spreads and foreign currency risk factors are added together and are shown in the overall stress volume.

Market risks

€ thousand	As of 31.12.2015	As of 31.12.2016	Year high	Year low	Median 2016	Median 2015
Total VaR 97.5% Holding period 1 day	1,750	1,340	2,043	1,325	1,796	1,532
Stress test – overall result	**87,697**	**79,803**	**99,664**	**79,803**	**91,695**	**97,986**

The risk report contains further details on the origin and cause of market risk, on risk quantification and management as well as information on the current risk situation.

51 Fair value of financial instruments

The table below shows the fair values of financial instruments compared with their book values. The fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Where stock market prices were available, these were used for the measurement of financial instruments. In the event that no market price was available, measurements were carried out using internal measurement models with current market price parameters. In this connection, the net present value method was used in particular.

€ thousand	Fair value		Book value	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
Loans and receivables				
Cash reserve	2,138,165	1,228,206	2,138,165	1,228,206
Claims on banks	13,534,510	11,835,565	13,432,413	11,699,450
Claims on customers	375,358	341,798	375,114	341,798
Total	**16,048,033**	**13,405,569**	**15,945,692**	**13,269,454**
Available-for-sale financial assets				
Financial investments	3,258,542	3,416,228	3,258,542	3,416,228
Non-current assets held for sale	0	32,498	0	32,498
Investments	9,745	0	9,745	0
Total	**3,268,287**	**3,448,726**	**3,268,287**	**3,448,726**
Liabilities measured at amortised cost				
Liabilities to banks	15,577	6,382	15,577	6,382
Liabilities to customers	18,551,148	16,080,496	18,518,937	16,044,884
Total	**18,566,725**	**16,086,878**	**18,534,514**	**16,051,266**
Financial assets and liabilities at fair value through profit or loss				
Negative fair values from derivative hedging instruments	1,447	0	1,447	0
Total	**1,447**	**0**	**1,447**	**0**

The nominal value of the financial instruments due on demand is their fair value. These instruments include the cash reserve, overdraft facilities and demand deposits under the balance sheet item "claims on banks" in the amount of €273,662 thousand (2015: €311,119 thousand), "claims on customers" in the amount of €358,383 thousand (2015: €341,798 thousand), "liabilities to banks" in the amount of €15,577 thousand (2015: €6,382 thousand) and "liabilities to customers" in the amount of €17,974,328 thousand (2015: €15,309,341 thousand).

Allocation of fair values is presented in the note "fair value hierarchy" (Note (52)).

52 Fair value hierarchy

The table below shows how the individual financial instruments are allocated to the appropriate level of the fair value hierarchy and to the corresponding measurement category in accordance with IAS 39.

Level 1:
Prices quoted in active markets (not adjusted) for identical assets or liabilities.
Level 2:
Exemplary prices calculated with the exception of the quoted prices included in Level 1, which can be observed for assets or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3:
Exemplary prices calculated for assets or liabilities, which are not based on observable market data (non-observable input data).

€ thousand	31.12.2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Loans and receivables				
Cash reserve	2,138,165	0	2,138,165	0
Claims on banks	13,534,510	0	13,534,510	0
Claims on customers	375,358	0	358,383	16,975
Available for sale				
Financial investments	3,258,542	2,306,289	952,253	0
Non-current assets held for sale	0	0	0	0
Investments	9,745	0	0	9,745
Total assets	**19,316,320**	**2,306,289**	**16,983,311**	**26,720**
Liabilities				
Liabilities measured at amortised cost				
Liabilities to banks	15,577	0	15,577	0
Liabilities to customers	18,551,148	0	18,551,148	0
Fair value through profit or loss				
Negative fair values from derivative hedging instruments	1,447	0	1,447	0
Total liabilities	**18,568,172**	**0**	**18,568,172**	**0**

€ thousand	31.12.2015			
	Total	Level 1	Level 2	Level 3
Assets				
Loans and receivables				
Cash reserve	1,228,206	0	1,228,206	0
Claims on banks	11,835,565	0	11,835,565	0
Claims on customers	341,798	0	341,798	0
Available for sale				
Financial investments	3,416,228	2,435,871	980,357	0
Non-current assets held for sale	32,498	0	0	32,498
Total assets	**16,854,295**	**2,435,871**	**14,385,926**	**32,498**
Liabilities				
Liabilities measured at amortised cost				
Liabilities to banks	6,382	0	6,382	0
Liabilities to customers	16,080,496	0	16,080,496	0
Fair value through profit or loss				
Negative fair values from derivative hedging instruments	0	0	0	0
Total liabilities	**16,086,878**	**0**	**16,086,878**	**0**

Securities with fair value of €45m were reclassified from level 1 to level 2 in the reporting period, as no listed market prices were available. On the other hand, securities with fair values of €18m were reclassified from level 2 to level 1, as an active market was available due to increased market activity.

In the previous year, shares held by comdirect bank AG in VISA Europe Ltd. were recognised as "assets held for sale" under level 3 of the valuation hierarchy. As part of their sale, preferred stocks in VISA Inc. USA will also be allocated under level 3 of the valuation hierarchy. They are reported under the "investments" item.

All consumer loans will be allocated under level 3 of the valuation hierarchy. This resulted in the value for level 3 recognised in the "claims on customers" item.

53 Net result from financial instruments

The following table shows the net result before income tax per financial instrument category within the meaning of IAS 39.

€ thousand	2016	2015	Change in %
Loans and receivables			
Interest income	108,132	134,619	–19.7
Provisions for possible loan losses	–734	–1,334	–45.0
Net result	**107,398**	**133,285**	–19.4
Available-for-sale financial assets			
Fair value changes (recognised in equity)	15,365	23,385	–34.3
Valuation results reposted from the revaluation reserves to the income statement	383	612	–37.4
Results of sales reposted from the revaluation reserves to the income statement	–43,556	–4,824	802.9
Sub-total: change in revaluation reserves before tax	**–27,808**	**19,173**	–
Interest income	25,666	29,943	–14.3
Amortisation hedge adjustments	0	–337	–100.0
Dividends and similar income	1,243	1,299	–4.3
Results from financial investments	43,173	4,212	925.0
Change in hedged fair value from hedging instruments	0	2	–100.0
Net result	**42,274**	**54,292**	–22.1
Liabilities measured at amortised cost			
Interest expenses	–16,721	–27,169	–38.5
Net result	**–16,721**	**–27,169**	–38.5
At fair value through profit or loss: held for trading			
Trading result	–1,350	219	–
Net result	**–1,350**	**219**	–
At fair value through profit or loss: derivative hedging instruments			
Net interest income	0	–224	–100.0
Change in fair value from hedging instruments	–138	–2	6,800.0
Net result	**–138**	**–226**	–38.9

Interest income for financial instruments not recognised at fair value in profit or loss amounts to €135.0m (2015: €165.5m); interest expenses amount to €16.7m (2015: €27.2m).

Interest income from loans and receivables in the year under review do not include any significant interest income from impaired receivables.

54 Average number of employees during the reporting period

	2016			2015			Change (Total) in %
	Total	Female	Male	Total	Female	Male	
At comdirect bank AG	**1,066**	**524**	**542**	**1,048**	**522**	**526**	1.7
in Customer Management	507	311	196	521	322	199	–2.7
in other areas	559	213	346	527	200	327	6.1
At ebase GmbH	**260**	**157**	**103**	**250**	**153**	**97**	4.0
Average number of employees during the reporting period	**1,326**	**681**	**645**	**1,298**	**675**	**623**	2.2

The employee details listed above include full-time and part-time staff. The number of employees does not include the average number of apprentices and trainees in the group in financial year 2016.

	2016			2015			Change (Total) in %
Apprentices and trainees	**Total**	**Female**	**Male**	**Total**	**Female**	**Male**	
At comdirect bank AG	**32**	**13**	**19**	**28**	**11**	**17**	14.3

55 Income statement of comdirect group according to IFRS – year-to-year comparison

€ thousand	1.1. to 31.12.2016	1.1. to 31.12.2015	1.1. to 31.12.2014	1.1. to 31.12.2013	1.1. to 31.12.2012
Interest income	135,041	165,300	194,006	214,815	263,870
Interest expenses	17,229	27,896	48,203	76,174	112,887
Net interest income before provisions for possible loan losses	**117,812**	**137,404**	**145,803**	**138,641**	**150,983**
Provisions for possible loan losses	1,074	–2,895	–279	–1,429	–4,430
Net interest income after provisions for possible loan losses	**118,886**	**134,509**	**145,524**	**137,212**	**146,553**
Commission income	368,952	383,395	333,946	323,348	288,298
Commission expenses	153,540	155,030	140,796	135,018	120,599
Net commission income	**215,412**	**228,365**	**193,150**	**188,330**	**167,699**
Trading result and result from hedge accounting	–1,351	219	145	287	–8
Result from financial investments	43,172	4,212	4,829	9,243	3,690
Administrative expenses	**260,960**	**279,980**	**270,995**	**259,866**	**235,911**
Personnel expenses	88,072	83,153	77,650	73,402	68,167
Other administrative expenses	158,991	180,310	173,696	168,662	152,249
Sales	34,898	53,582	52,229	50,523	45,555
External services	44,240	44,533	40,986	36,585	34,263
Business operations	36,749	39,183	36,924	41,015	36,267
IT expenses	29,569	32,053	31,581	28,229	24,852
Mandatory contributions	11,693	8,796	10,615	10,581	10,280
Others	1,842	2,163	1,361	1,729	1,032
Depreciation of office furniture and equipment and intangible assets	13,897	16,517	19,649	17,802	15,495
Other operating result	5,505	3,283	9,825	4,826	11,519
Pre-tax profit	**120,664**	**90,608**	**82,478**	**80,032**	**93,542**
Taxes on income	28,153	25,566	16,285	19,498	19,262
Net profit	**92,511**	**65,042**	**66,193**	**60,534**	**74,280**

Statement of comprehensive income of comdirect group according to IFRS – year-to-year comparison

€ thousand	1.1. to 31.12.2016	1.1. to 31.12.2015	1.1. to 31.12.2014	1.1. to 31.12.2013	1.1. to 31.12.2012
Net profit	**92,511**	**65,042**	**66,193**	**60,534**	**74,280**
Items which cannot be reclassified to the income statement					
– Change in actuarial gains/losses recognised in equity	–3,669	2,951	–6,252	708	–3,349
Items which can be reclassified to the income statement					
– Change in the revaluation reserves after tax					
Change in value recognised in equity	8,583	26,499	35,204	–25,988	46,924
Reclassification to the income statement	–37,005	–4,014	–4,139	–7,294	–2,721
Other comprehensive income for the period	**–32,091**	**25,436**	**24,813**	**–32,574**	**40,854**
Comprehensive income	**60,420**	**90,478**	**91,006**	**27,960**	**115,134**

56 Income statement of comdirect group according to IFRS on a quarterly comparison

€ thousand	2016			
	Q1	Q2	Q3	Q4
Interest income	37,118	34,105	33,266	30,552
Interest expenses	5,002	4,127	4,056	4,044
Net interest income before provisions for possible loan losses	**32,116**	**29,978**	**29,210**	**26,508**
Provisions for possible loan losses	–92	995	–426	597
Net interest income after provisions for possible loan losses	**32,024**	**30,973**	**28,784**	**27,105**
Commission income	89,569	90,002	89,468	99,913
Commission expenses	34,693	36,434	38,009	44,404
Net commission income	**54,876**	**53,568**	**51,459**	**55,509**
Trading result and result from hedge accounting	–76	35	0	–1,310
Result from financial investments	595	41,875	5	697
Administrative expenses	**64,977**	**63,217**	**62,907**	**69,859**
Personnel expenses	21,121	21,733	22,675	22,543
Other administrative expenses	40,248	38,085	36,919	43,739
Sales	6,055	6,336	6,929	15,578
External services	11,316	11,311	10,609	11,004
Business operations	9,314	8,775	8,460	10,200
IT expenses	8,798	7,284	7,109	6,378
Mandatory contributions	4,341	3,583	3,428	341
Others	424	796	384	238
Depreciation of office furniture and equipment and intangible assets	3,608	3,399	3,313	3,577
Other operating result	1,285	917	1,688	1,615
Pre-tax profit	**23,727**	**64,151**	**19,029**	**13,757**
Taxes on income	6,457	15,114	5,432	1,150
Net profit	**17,270**	**49,037**	**13,597**	**12,607**

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

€ thousand	2016			
	Q1	Q2	Q3	Q4
Net profit	**17,270**	**49,037**	**13,597**	**12,607**
Items which cannot be reclassified to the income statement				
– Change in actuarial gains/losses recognised in equity	–2,517	–1,349	–1,109	1,306
Items which can be reclassified to the income statement				
– Change in the revaluation reserves after tax				
Change in value recognised in equity	9,622	2,161	3,659	–6,859
Reclassification to the income statement	–570	–36,038	94	–491
Other comprehensive income for the period	**6,535**	**–35,226**	**2,644**	**–6,044**
Comprehensive income	**23,805**	**13,811**	**16,241**	**6,563**

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

€ thousand	2015			
	Q1	Q2	Q3	Q4
Interest income	42,947	41,382	41,307	39,664
Interest expenses	7,742	7,200	6,588	6,366
Net interest income before provisions for possible loan losses	**35,205**	**34,182**	**34,719**	**33,298**
Provisions for possible loan losses	–26	–411	–1,850	–608
Net interest income after provisions for possible loan losses	**35,179**	**33,771**	**32,869**	**32,690**
Commission income	99,239	96,890	96,554	90,712
Commission expenses	38,720	41,294	37,895	37,121
Net commission income	**60,519**	**55,596**	**58,659**	**53,591**
Trading result and result from hedge accounting	60	63	66	30
Result from financial investments	1,601	2,134	22	455
Administrative expenses	**73,408**	**65,515**	**66,086**	**74,971**
Personnel expenses	19,772	20,078	21,113	22,190
Other administrative expenses	49,556	41,558	41,103	48,093
Sales	15,210	11,328	11,958	15,086
External services	11,126	11,128	10,986	11,293
Business operations	9,508	9,852	9,352	10,471
IT expenses	9,152	7,518	7,736	7,647
Mandatory contributions	2,346	1,672	1,734	3,044
Others	2,214	60	–663	552
Depreciation of office furniture and equipment and intangible assets	4,080	3,879	3,870	4,688
Other operating result	709	621	1,016	937
Pre-tax profit	**24,660**	**26,670**	**26,546**	**12,732**
Taxes on income	6,644	7,101	7,411	4,410
Net profit	**18,016**	**19,569**	**19,135**	**8,322**

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

€ thousand	2015			
	Q1	Q2	Q3	Q4
Net profit	**18,016**	**19,569**	**19,135**	**8,322**
Items which cannot be reclassified to the income statement				
– Change in actuarial gains/losses recognised in equity	–2,760	5,470	709	–468
Items which can be reclassified to the income statement				
– Change in the revaluation reserves after tax				
Change in value recognised in equity	11,079	–15,257	–7,188	37,865
Reclassification to the income statement	–1,386	–1,803	–429	–396
Other comprehensive income for the period	**6,933**	**–11,590**	**–6,908**	**37,001**
Comprehensive income	**24,949**	**7,979**	**12,227**	**45,323**

57 Segment reporting by business line

€ thousand	1.1. to 31.12.2016			
	B2C	B2B	Consolidation	comdirect group total
Interest income	134,741	318	–18	135,041
Interest expenses	16,578	669	–18	17,229
Net interest income before provisions for possible loan losses	118,163	–351		117,812
Provisions for possible loan losses	1,131	–57		1,074
Net interest income after provisions for possible loan losses	119,294	–408		118,886
Commission income	179,394	189,777	–219	368,952
Commission expenses	16,225	137,423	–108	153,540
Net commission income	163,169	52,354	–111	215,412
Trading result and result from hedge accounting	–1,351	0		–1,351
Result from financial investments	43,221	–49		43,172
Administrative expenses	217,190	43,979	–209	260,960
Other operating result	3,424	2,179	–98	5,505
Pre-tax profit	**110,567**	**10,097**		**120,664**
Segment investments	10,941	4,834		15,775
Segment depreciation	9,127	4,770		13,897
Cost/income ratio	66.5%	81.2%		68.6%
Segment income	366,861	194,215		
– of which external income	366,653	194,086		
– of which inter-segmental income	208	129		
Segment expenses	256,294	184,118		

The management manages the comdirect group via two business lines: Business to Customer (B2C) and Business to Business (B2B). The B2C business line is comprised of comdirect bank AG and its five separate assets; ebase GmbH is comprised of the B2B business line.

The segmentation carried out reflects the internal perspective of the comdirect group and corresponds to the management approach. The respective customer groups in particular constitute the main delimitation feature of the business segment. comdirect bank AG is responsible for direct business with private customers. ebase GmbH is in charge of business with institutional partners and their customers.

The reporting to management for management purposes exclusively includes the segment information outlined here.

The figures for the B2B business segment were derived from the internal reporting of ebase GmbH and correspond to the contributions of ebase GmbH included in the income statement of the comdirect group.

In the comdirect group, net interest income is essentially generated by reinvesting customer deposits in the money and capital markets, whereby Commerzbank is a major business partner (see information on related party disclosures, Note (19)). The interest income from money and capital market transactions in the amount of €102.2m exceeds 10% of the total income for the segments. This was earned almost exclusively in the B2C business line.

€ thousand	1.1. to 31.12.2015			
	B2C	**B2B**	**Consoli-dation**	**comdirect group total**
Interest income	165,024	382	–106	165,300
Interest expenses	27,334	668	–106	27,896
Net interest income before provisions for possible loan losses	137,690	–286		137,404
Provisions for possible loan losses	–2,852	–43		–2,895
Net interest income after provisions for possible loan losses	134,838	–329		134,509
Commission income	192,621	190,937	–163	383,395
Commission expenses	17,997	137,070	–37	155,030
Net commission income	174,624	53,867	–126	228,365
Trading result and result from hedge accounting	219	0		219
Result from financial investments	4,154	58		4,212
Administrative expenses	236,604	43,595	–219	279,980
Other operating result	2,521	855	–93	3,283
Pre-tax profit	**79,752**	**10,856**		**90,608**
Segment investments	10,802	4,789		15,591
Segment depreciation	11,992	4,525		16,517
Cost/income ratio	74.1%	80.0%		75.0%
Segment income	368,605	192,695		
– of which external income	368,470	192,463		
– of which inter-segmental income	135	232		
Segment expenses	288,853	181,839		

As part of Treasury investments, the B2B business segment makes money market transactions with the B2C business segment. Interest income of €18 thousand (previous year: €106 thousand) was achieved in the B2B business segment. The corresponding level of interest expenses was recorded in the B2C business segment.

Net commission income in the B2C segment results predominantly from custody account business with private customers. In addition, commission is generated from payment transactions and other commission, e.g. from advisory services. In the B2C business segment impairments on equity instruments amounting to €335 thousand were necessary (2015: €247 thousand). Debt instruments were not subject to impairments (2015: €365 thousand). There were also no write-downs on intangible assets (2015: €202 thousand) or on office furniture and equipment (2015: €364).

In the B2B business line, net commission income is generated from securities services for institutional and private customers. Other sources of income, such as deposit business, are not material. Impairments on financial assets of €49 thousand were taken into account (2015: €0 thousand).

The segment income and expenses reported relate to IFRS values and therefore correspond to the values stated in the consolidated income statement.

58 Other liabilities

€ thousand	31.12.2016 Up to one year	31.12.2015 Up to one year	31.12.2016 More than one year up to five years	31.12.2015 More than one year up to five years	31.12.2016 More than five years	31.12.2015 More than five years
Rental payments	5,262	4,499	13,269	10,563	0	0
Lease payments	538	573	500	642	0	0
Total	**5,800**	**5,072**	**13,769**	**11,205**	**0**	**0**

The above table contains minimum lease payments under non-cancellable operating leases.

59 Fees for auditors

€ thousand	2016	2015	Change in %
Annual audits	404	384	5.2
Other certification services	179	206	–13.1
Tax advisory services	201	124	62.1
Other services	59	0	–
Total	**843**	**714**	18.1

The expenses shown in the table for services provided by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft are stated net of VAT.

60 Corporate Governance Code

comdirect bank AG has submitted the Declaration of Compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) and has made it permanently available to shareholders on its website www.comdirect.de.

61 The company's Boards

Supervisory Board

Michael Mandel
Chairman
Member of the Board of Managing Directors of Commerzbank AG,
Frankfurt/Main
(from 12 May 2016)

Frank Annuscheit
Deputy Chairman
Member of the Board of Managing Directors of Commerzbank AG,
Frankfurt/Main

Sandra Persiehl
Chairwoman of the works council of comdirect bank AG, Quickborn

Georg Rönnberg
Certified accountant and tax consultant, Neu-Anspach

Sabine Schmittroth
Group Executive Manager for Retail Business in the Central Germany Region at Commerzbank AG,
Frankfurt/Main

Maria Xiromeriti
Group leader Customer Management of comdirect bank AG, Quickborn

Martin Zielke
Member of the Board of Managing Directors of Commerzbank AG,
Frankfurt/Main
(until 12 May 2016)

Board of Managing Directors

Arno Walter
Chairman of the Board of Managing Directors, CEO

Dietmar von Blücher
Member of the Board of Managing Directors, CFO
(from 18 July 2016)

Dr Sven Deglow
Member of the Board of Managing Directors, CMO

Martina Palte
Member of the Board of Managing Directors, COO

Holger Hohrein
Member of the Board of Managing Directors, CFO
(until 30 June 2016)

62 Seats on supervisory boards and other executive bodies

Members of the Supervisory Board of comdirect bank AG

Michael Mandel (from 12 May 2016)
Seats on statutory supervisory boards:
- Commerz Real AG, Eschborn
  Deputy Chairman
- SCHUFA Holding AG, Wiesbaden

Seats on comparable supervisory boards:
- Commerz Real Investmentgesellschaft mbH, Wiesbaden
  Deputy Chairman
- mBank S.A., Warsaw/Poland

Frank Annuscheit
Seats on statutory supervisory boards:
- BVV Versicherungsverein des Bankgewerbes a.G., Berlin
  Deputy Chairman

Seats on comparable supervisory boards:
- BVV Versorgungskasse des Bankgewerbes a.G., Berlin
  Deputy Chairman
- Commerz Services Holding GmbH, Frankfurt/Main
  Chairman of the Advisory Board

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

Seats on comparable supervisory boards:
- Commerz Real Investmentgesellschaft mbH, Wiesbaden

Martin Zielke (until 12 May 2016)
Seats on comparable supervisory boards:
- CommerzVentures GmbH, Frankfurt/Main
  Chairman of the Board of Directors
- mBank S.A., Warsaw/Poland
  Deputy Chairman

Members of the Board of Managing Directors of comdirect bank AG

Arno Walter
Seats on statutory supervisory boards:
- Commerz Direktservice GmbH, Duisburg
  Deputy Chairman

Seats on comparable supervisory boards:
- European Bank for Financial Services GmbH (ebase), Aschheim
  Chairman
- NEUGELB STUDIOS GmbH, Berlin
  Deputy Chairman of the Board of Directors

Dietmar von Blücher (from 18 July 2016)
Seats on comparable supervisory boards:
- European Bank for Financial Services GmbH (ebase), Aschheim

Dr Sven Deglow
Seats on comparable supervisory boards:
- European Bank for Financial Services GmbH (ebase), Aschheim

Martina Palte
Seats on comparable supervisory boards:
- European Bank for Financial Services GmbH (ebase), Aschheim

Holger Hohrein (until 30 June 2016)
Seats on comparable supervisory boards:
- European Bank for Financial Services GmbH (ebase), Aschheim

63 Remuneration and loans to Board members

Remuneration for the Board of Managing Directors
The remuneration for the Board of Managing Directors of comdirect bank AG is set by the Supervisory Board. In addition to the non-performance related fixed compensation comprising the annual fixed salary and fringe benefits, the compensation also comprises a performance-related variable compensation component, which comprises a component due in the short term (short term incentive, STI) and a component with a long-term incentive effect (long term incentive, LTI). The STI and LTI will each be awarded half in the form of a cash payout and half as a share-based payment.

The variable compensation of the Board of Managing Directors therefore comprises the following components: STI cash payout, share-based STI, LTI cash payout and share-based LTI. Entitlement to payment of the LTI components is linked to suspensive conditions. There is a bonus cap based on the amount of the individual variable compensation at the time of its definition. The bonus may not exceed the annual fixed salary. The share-based components may also be subject to share price-related fluctuations up to the time at which they are allocated.

All members of the Board of Managing Directors also receive a company pension for their activities at comdirect bank AG.

Details of the compensation system for the Board of Managing Directors are provided in the Compensation Report.

In accordance with commercial law regulations, the overall remuneration for financial year 2016 includes the following compensation components: fixed remuneration, fringe benefits, STI cash payout, share-based STI and share-based LTI. The portion of the LTI component granted for 2012 to be settled as cash payout must also be reported as part of the remuneration for the 2016 financial year. In accordance with commercial law regulations, the corresponding component granted in 2016 is not reported until it is sufficiently specified and the suspensive conditions have been fulfilled and is shown as part of the overall remuneration in the amount to be determined at that time. The individual components below relate to the subheadings under IAS 24.17.

Taking into account commercial law regulations, compensation for the Board of Managing Directors totalling €1,690 thousand (2015: €1,268 thousand) was reported for financial year 2016.

Short-term benefits

€ thousand	**Non-variable components**		**Value of fringe benefits**		**STI cash payout**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Arno Walter (from 15 March 2015)	410	287	33	46	54	34
Dietmar von Blücher (from 18 July 2016)	82	n/a	14	n/a	10	n/a
Dr Sven Deglow (from 1 September 2015)	250	77	10	1	30	12
Martina Palte	250	205	12	11	30	35
Holger Hohrein (until 30 June 2016)	135	270	3	18	13	41
Total	**1,127**	**839**	**72**	**76**	**137**	**122**

In financial year 2016, expenses were recorded in the income statement for the variable components due in the short term for Mr Walter €48 thousand (2015: €36 thousand), for Mr von Blücher €9 thousand, for Dr Deglow €27 thousand (2015: €12 thousand), for Ms Palte €26 thousand (2015: €39 thousand) and for Mr Hohrein €12 thousand (2015: €51 thousand).

Share-based payment

Share-based components of variable compensation
One STI and one LTI component is settled in shares in Commerzbank AG as the ultimate parent company of comdirect bank AG. These are consequently to be viewed as share-based payment in accordance with IFRS 2. With regard to the LTI component, the expense is posted over a vesting period of four years. The full amount for the STI component is recognised as an expense in financial year 2016.

The compensation components shown in the table below are subject to suspensive conditions. The figures stated as the value upon granting represent the total amounts of the volume granted for these compensation components. They are deemed to constitute part of the overall remuneration for the specified year, even though they can be reduced or cancelled depending on the performance evaluation at the end of the waiting period or as a result of infringements of the objectives of the bank.

€ thousand	Share-based STI (Value upon granting)		Share-based LTI[1] (Value upon granting)	
	Tranche 2016	Tranche 2015	Tranche 2016	Tranche 2015
Arno Walter (from 15 March 2015)	54	34	81	51
Dietmar von Blücher (from 18 July 2016)	10	n/a	15	n/a
Dr Sven Deglow (from 1 September 2015)	30	12	45	8
Martina Palte	30	35	45	23
Holger Hohrein (until 30 June 2016)	13	41	20	27
Total	**137**	**122**	**206**	**109**

1) The table shows the indicative figures calculated in the performance evaluation in respect of the performance-related variable compensation with long-term incentive effects (LTI component) upon granting. No entitlement is acquired in this regard until the end of a three-year waiting period, at the earliest. The amount can be reduced or cancelled depending on the results of a renewed performance evaluation at the end of the waiting period and falls due at the earliest in the fourth year after the end of the financial year for which the compensation component is granted. The value also fluctuates in line with the performance of Commerzbank shares until the time of issue. In accordance with DRS 17, the share-based LTI component has to be reported as part of the overall remuneration for the financial year in which the duty was performed.

Performance of the share-based components – share-based STI

€ thousand	Share-based STI Tranche 2015	
	Due for payment in the reporting year	Value upon granting
Arno Walter (from 15 March 2015)	26	34
Dr Sven Deglow (from 1 September 2015)	9	12
Martina Palte	27	35
Total	**62**	**81**

Performance of the share-based components – share-based LTI

€ thousand	Tranche 2015		Tranche 2014		Tranche 2013	
	Evaluation as of 31.12.2016	Value upon granting	Evaluation as of 31.12.2016	Value upon granting	Evaluation as of 31.12.2016	Value upon granting
Arno Walter (from 15 March 2015)	45	51	n/a	n/a	n/a	n/a
Dr Sven Deglow (from 1 September 2015)	7	8	n/a	n/a	n/a	n/a
Martina Palte (from 1 July 2012)	20	23	14	21	11	19
Holger Hohrein (1 October 2013 to 30 June 2016)	24	27	18	29	3	5
Total	**96**	**109**	**32**	**50**	**14**	**24**

In the 2016 financial year Ms Palte received a payout of €6 thousand (value upon granting: €10 thousand) from the share-based LTI of the 2012 tranche.

In the financial year, the following expenses arising from the share-based compensation components illustrated were recorded in the income statement: for Mr Walter €69 thousand (2015: €48 thousand), for Mr von Blücher €12 thousand, for Dr Deglow €36 thousand (2015: €14 thousand), for Ms Palte €33 thousand (2015: €51 thousand) and for Mr Hohrein €15 thousand (2015: €60 thousand).

Other long term benefits

The following table shows the indicative figures calculated in the performance evaluation when granted. No entitlement is acquired in this regard until the end of a three-year waiting period at the earliest. The amount can be reduced or cancelled depending on the results of a renewed performance evaluation at the end of the waiting period and will be paid out in the fourth year after the end of the financial year in which the underlying duty was performed, at the earliest. Only then are the amounts included in the overall remuneration of the Board of Managing Directors.

Presentation of LTI component cash payout

€ thousand	Value upon granting			
	Tranche 2016	**Tranche 2015**	**Tranche 2014**	**Tranche 2013**
Arno Walter (from 15 March 2015)	81	51	n/a	n/a
Dietmar von Blücher (from 18 July 2016)	15	n/a	n/a	n/a
Dr Sven Deglow (from 1 September 2015)	45	8	n/a	n/a
Martina Palte (from 1 July 2012)	45	23	21	19
Holger Hohrein (1 October 2013 to 30. June 2016)	20	27	29	5
Total	**206**	**109**	**50**	**24**

In the 2016 financial year Ms Palte received a payout of €11 thousand (value upon granting: €10 thousand) from the LTI cash payout of the 2012 tranche.

The amounts for each tranche are recognised as an expense on a pro rata basis over a total period of four years. In the reporting year, expenses relating to the LTI component with cash payout were incurred in the amount of €30 thousand (2015: €12 thousand) for Mr Walter, €3 thousand for Mr von Blücher, €11 thousand (2015: €2 thousand) for Dr Deglow, €27 thousand (2015: €19 thousand) for Ms Palte and €22 thousand (2015: €16 thousand) for Mr Hohrein.

Post-employment benefits

The members of the Board of Managing Directors receive a pension commitment for their activities at comdirect bank AG. The company has formed pension provisions under IFRS for these future claims, the amount of which depends on the length of service, pensionable salary and current actuarial interest rate. The valuation is based on actuarial assessments, using the projected unit credit method, which are conducted by an independent actuary.

The pension obligations under IFRS towards members of the Board of Managing Directors who were active during the financial year developed as follows:

2016 € thousand	**DBO (IFRS) as of 1.1.2016**	**Change in 2016**	**DBO (IFRS) as of 31.12.2016**	**Service cost 2016**
Arno Walter (from 15 March 2015)	712	311	1,023	69
Dietmar von Blücher (from 18 July 2016)	0	375	375	11
Dr Sven Deglow (from 1 September 2015)	13	23	36	17
Martina Palte	48	26	74	19
Holger Hohrein (1 October 2013 to 30 June 2016)	41	30	71	10
Total	**814**	**765**	**1,579**	**126**

2015 € thousand	DBO (IFRS) as of 1.1.2015	Change in 2015	DBO (IFRS) as of 31.12.2015	Service cost 2015
Arno Walter (from 15 March 2015)	0	712	712	57
Dr Sven Deglow (from 1 September 2015)	0	13	13	5
Martina Palte	36	12	48	16
Holger Hohrein (1 October 2013 to 30 June 2016)	22	19	41	19
Total	**58**	**756**	**814**	**97**

As part of Mr von Blücher's appointment as a member of the Board of Managing Directors of comdirect bank AG, the pension claims of Mr von Blücher awarded as a result of his activities at Commerzbank AG were transferred to comdirect. The values given in the table also include entitlements that members of the Board of Managing Directors acquired before their appointment for their activity in comdirect bank AG or in other companies of the Commerzbank Group.

Regulations governing termination of employment

If comdirect bank AG prematurely terminates the appointment to the Board of a member of the Board of Managing Directors, the respective contract of employment is in principle continued until the end of the original term of office. Members of the Board of Managing Directors active as at the reporting date receive a maximum amount of up to two years' annual compensation, whereby the calculation is based on the compensation in the last full financial year prior to termination. There is no entitlement to further remuneration where termination takes place for good cause.

Mr Holger Hohrein stood down from his position on the Board of Managing Directors with effect of the end of 30 June 2016. The contract of employment with Mr Hohrein was terminated on 30 September 2016. All the entitlements acquired up to 30 September remain in place. In the period between 30 June 2016 and 30 September 2016, Mr Hohrein received current payments totalling €91 thousand from comdirect. In addition, performance-related variable compensation was granted for this period totalling €33 thousand. Payouts may be effected on the basis of the ongoing STI and LTI components as scheduled up to financial year 2020. After 30 June 2016, €31 thousand was paid out in this context for the share-based STI component granted for 2015.

Other information on active members of the Board of Managing Directors

In the past financial year, no member of the Board of Managing Directors has received payments, considerations or corresponding commitments from a third party in relation to their activities as a member of the Board of Managing Directors.

Members of the Board of Managing Directors performing board functions at subsidiaries or affiliated companies during the financial year only received reimbursement of expenses.

Information relating to former members of the Board of Managing Directors

The bank provides old-age provisions for former members of the Board of Managing Directors or their surviving dependents. As of the balance sheet date, pension obligations under IFRS (defined benefit obligations) for former members of the Board of Managing Directors amounted to €5,105 thousand (2015: €4,724 thousand).

The compensation of the former members of the Board of Managing Directors of comdirect bank AG amounted to €346 thousand in the 2016 financial year (2015: €376 thousand). In 2016, a payout of €102 thousand (2015: €127 thousand) was made for the LTI component for former members of the Board of Managing Directors granted in the 2012 (2011) financial year.

Remuneration for the Supervisory Board
The compensation of the Members of the Supervisory Board is stipulated in comdirect bank AG's Articles of Association. In addition to fixed compensation, additional compensation is granted for committee activities.

Members of the Supervisory Board receive total remuneration of €137 thousand (2015: €137 thousand). This comprises any applicable VAT and the remuneration breakdown by the members of the Supervisory Board is as follows:

€ thousand	Non-variable components		Remuneration for committee activities		Total	
	2016	2015	2016	2015	2016	2015
Michael Mandel (from 12 May 2016)	0	0	0	0	0	0
Frank Annuscheit	0	0	0	0	0	0
Sandra Persiehl	24	24	6	6	30	30
Georg Rönnberg	24	24	24	24	48	48
Sabine Schmittroth	24	24	12	12	36	36
Maria Xiromeriti	24	24	0	0	24	24
Martin Zielke (until 12 May 2016)	0	0	0	0	0	0

Shareholder representatives on the Supervisory Board, who act as members of the Board of Managing Directors of a group company of the majority shareholder, do not receive any compensation for their Supervisory Board activities.

Neither advance payments nor loans were extended. comdirect bank AG did not take on any contingent liabilities.

64 Holdings

The following companies were included in the consolidated financial statements in accordance with IFRS 10. Details of the companies' equity and net profit for the year are taken from the financial statements prepared in accordance with their national financial reporting guidelines.

Affiliated companies:

Name	Domicile	Share of capital held in %	Equity in € thousand	Net profit for the year in € thousand
European Bank for Financial Services GmbH (ebase)	Aschheim/Germany	100.0	26,800	–[1)]

1) Net income after profit transfer

Structured companies (special funds):

Name	Domicile	Share of capital held in %	Funds volume in € thousand	Net profit for the year in € thousand
CDBS-Cofonds	Frankfurt/Main, Germany	100.0	143,168	2,931
CDBS-Cofonds II	Frankfurt/Main, Germany	100.0	96,775	–62
CDBS-Cofonds III	Frankfurt/Main, Germany	100.0	132,610	1,062
CDBS-Cofonds IV	Frankfurt/Main, Germany	100.0	132,991	1,042
CDBS-Cofonds V	Frankfurt/Main, Germany	100.0	107,357	1,191

Supplementary report

No major events or developments of special significance have occured since the 2016 reporting date.

Declaration of the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group.

Quickborn, 21 February 2017
The Board of Managing Directors

Arno Walter

Dietmar von Blücher

Dr Sven Deglow

Martina Palte

Repetition of the auditor's report

"We have audited the consolidated financial statements prepared by comdirect bank Aktiengesellschaft, Quickborn, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with legal requirements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Hamburg, 22 February, 2017

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Lothar Schreiber	ppa. Tim Brücken
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Six-year overview of comdirect group

		2016	Change in %	2015	Change in %
Customers, assets under custody and key products					
comdirect group*		**31.12.**		**31.12.**	
Customers	number	3,116,797	4.3	2,989,454	3.4
Custody accounts	number	1,867,163	4.5	1,786,168	4.0
Total assets under custody	in € million	75,749	15.7	65,498	11.1
– of which: portfolio volume	in € million	57,249	15.7	49,463	11.2
– of which: deposit volume	in € million	18,500	15.4	16,035	11.1
Business-to-customer (B2C) business line					
Customers	number	2,080,949	4.0	2,001,256	4.8
Custody accounts	number	1,006,753	6.7	943,656	7.3
Current accounts	number	1,355,747	7.1	1,265,923	9.3
Total assets under custody	in € million	45,998	15.2	39,942	14.9
– of which: portfolio volume	in € million	27,777	15.1	24,143	17.9
– of which: deposit volume	in € million	18,221	15.3	15,799	10.7
Credit volume	in € million	326	8.7	300	60.4
Business-to-business (B2B) business line					
Customers	number	1,035,848	4.8	988,198	0.5
Custody accounts	number	860,410	2.1	842,512	0.6
Total assets under custody	in € million	29,751	16.4	25,556	5.7
– of which: portfolio volume	in € million	29,473	16.4	25,320	5.4
– of which: deposit volume	in € million	278	17.8	236	39.6
Orders and order volume		**2016**		**2015**	
Executed orders	number	24,782,588	5.2	23,566,088	15.9
– of which: B2C	number	14,235,875	–1.7	14,489,218	30.5
– of which: B2B	number	10,546,713	16.2	9,076,870	–1.8
Average order activity per custody account (B2C)	number	14.6	–8.2	15.9	23.3
Order volume per executed order (B2C)[1]	in €	4,456	–19.0	5,498	2.3
Earnings ratios		**2016**		**2015**	
Net commission income	in € thousand	215,412	–5.7	228,365	18.2
Net interest income before provisions for possible loan losses	in € thousand	117,812	–14.3	137,404	–5.8
Administrative expenses	in € thousand	260,960	–6.8	279,980	3.3
Pre-tax profit	in € thousand	120,664	33.2	90,608	9.9
Net profit	in € thousand	92,511	42.2	65,042	–1.7
Earnings per share	in €	0.66	43.5	0.46	–2.1
Return on equity before tax[2]	in %	21.4	–	16.7	–
Cost/income ratio	in %	68.6	–	75.0	–
Dividend per share	in €	0.25[3]	–37.5	0.40	0.0
Balance sheet key figures		**31.12.**		**31.12.**	
Balance sheet total	in € million	19,273	14.9	16,769	10.5
Equity	in € million	628	0.6	624	5.7
Equity ratio[4]	in %	3.0	–	3.3	–
Employees' figures		**31.12.**		**31.12.**	
Employees	number	1,332	1.4	1,314	2.1
Employees full-time basis	number	1,198.1	2.1	1,173.5	1.8

*) B2C: comdirect bank AG; B2B: ebase GmbH
1) excluding CFD trades
2) Pre-tax profit/average equity (excluding revaluation reserves) in the reporting period
3) Dividend proposal
4) Equity (excluding revaluation reserves)/balance sheet total

2014	Change in %	2013	Change in %	2012	Change in %	2011	Change in %
31.12.		**31.12.**		**31.12.**		**31.12.**	
2,892,003	2.4	2,825,067	2.5	2,755,257	4.7	2,630,525	14.6
1,717,088	1.2	1,697,006	–0.3	1,702,021	1.1	1,683,301	13.6
58,936	7.1	55,046	12.7	48,854	17.5	41,587	–2.2
44,500	7.0	41,579	12.0	37,134	20.2	30,882	–4.1
14,435	7.2	13,467	14.9	11,720	9.5	10,705	3.6
1,909,105	4.7	1,823,579	6.2	1,716,783	5.2	1,632,467	4.7
879,492	4.7	839,949	4.2	806,417	2.9	783,616	4.7
1,158,617	11.1	1,043,192	15.7	901,419	16.4	774,518	19.7
34,750	9.0	31,891	14.3	27,909	12.1	24,896	–5.4
20,483	10.3	18,564	14.0	16,286	13.7	14,324	–11.1
14,267	7.1	13,327	14.7	11,623	10.0	10,571	3.6
187	17.6	159	–8.1	173	–8.5	189	–4.5
982,898	–1.9	1,001,488	–3.6	1,038,474	4.0	998,058	35.4
837,596	–2.3	857,061	–4.3	895,604	–0.5	899,685	22.6
24,186	4.4	23,156	10.6	20,945	25.5	16,692	2.9
24,017	4.4	23,015	10.4	20,848	25.9	16,558	2.9
169	20.7	140	44.3	97	–27.6	134	2.3
2014		**2013**		**2012**		**2011**	
20,341,376	6.0	19,189,622	6.7	17,988,010	–3.7	18,677,910	22.0
11,099,421	11.1	9,989,086	17.9	8,472,017	–7.4	9,151,389	17.0
9,241,955	0.5	9,200,536	–3.3	9,515,993	–0.1	9,526,521	27.3
12.9	6.6	12.1	13.1	10.7	–10.1	11.9	11.2
5,377	–6.6	5,759	21.0	4,759	–10.3	5,308	3.9
2014		**2013**		**2012**		**2011**	
193,150	2.6	188,330	12.3	167,699	–8.2	182,585	5.7
145,803	5.2	138,641	–8.2	150,983	0.1	150,847	47.8
270,995	4.3	259,866	10.2	235,911	1.7	232,074	10.5
82,478	3.1	80,032	–14.4	93,542	–13.5	108,076	33.6
66,193	9.3	60,534	–18.5	74,280	–33.5	111,763	87.4
0.47	9.3	0.43	–18.9	0.53	–32.9	0.79	88.1
15.5	–	15.1	–	17.5	–	21.2	–
76.6	–	76.1	–	70.7	–	68.0	–
0.40	11.1	0.36		0.44	–21.4	0.56	33.3
31.12.		**31.12.**		**31.12.**		**31.12.**	
15,170	7.1	14,163	13.7	12,451	9.4	11,378	3.1
590	6.9	552	–5.8	586	7.1	547	6.4
3.5	–	3.7	–	4.3	–	4.7	–
31.12.		**31.12.**		**31.12.**		**31.12.**	
1,287	4.4	1,233	4.8	1,176	2.4	1,148	2.5
1,153.3	4.8	1,100.6	4.8	1,050.2	2.5	1,024.8	2.2

Financial calendar 2017

31 January	Press-/Analysts' conference in Frankfurt/Main
28 March	Annual report 2016
26 April	Quarterly Statement Q1
11 May	Annual General Meeting in Hamburg
1 August	Half-year report
2 November	Quarterly Statement Q3

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Translation
English Business AG, Hamburg

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