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comdirect

Annual report 2017

Key figures of comdirect group

Customers, Assets under Control and key products		2017 31.12.	2016 31.12.	Change in %
comdirect group*				
Customers	number	3,337,580	3,116,797	7.1
Custody accounts	number	2,076,195	1,867,163	11.2
Total Assets under Control	in €m	91,373	75,749	20.6
– of which: portfolio volume	in €m	69,118	57,249	20.7
– of which: deposit volume	in €m	22,254	18,500	20.3
Business-to-customer (B2C) business line				
Customers	number	2,286,182	2,080,949	9.9
Custody accounts	number	1,202,203	1,006,753	19.4
Current accounts	number	1,430,877	1,355,747	5.5
Total Assets under Control	in €m	59,019	45,998	28.3
– of which: portfolio volume	in €m	37,094	27,777	33.5
– of which: deposit volume	in €m	21,924	18,221	20.3
Credit volume	in €m	447	326	37.1
Business-to-business (B2B) business line				
Customers	number	1,051,398	1,035,848	1.5
Custody accounts	number	873,992	860,410	1.6
Total Assets under Control	in €m	32,354	29,751	8.7
– of which: portfolio volume	in €m	32,024	29,473	8.7
– of which: deposit volume	in €m	330	278	18.7

Orders and order volume		2017	2016	
Executed orders	number	29,551,541	24,782,588	19.2
– of which: B2C	number	17,176,784	14,235,875	20.7
– of which: B2B	number	12,374,757	10,546,713	17.3
Average order activity per custody account (B2C)	number	15.6	14.6	6.8
Order volume per executed order (B2C)[1]	in €	5,142	4,456	15.4

Earnings ratios		2017	2016	
Net commission income	in €k	251,928	215,412	17.0
Net interest income before provisions for possible loan losses	in €k	94,164	117,812	–20.1
Administrative expenses	in €k	284,527	260,960	9.0
Pre-tax profit	in €k	94,861	120,664	–21.4
Net profit	in €k	71,544	92,511	–22.7
Earnings per share	in €	0.51	0.66	–22.7
Return on equity before tax[2]	in %	15.8	21.4	–
Return on equity after tax[3]	in %	11.9	16.4	–
Cost/income ratio	in %	75.3	68.6	–

Balance sheet key figures		31.12.	31.12.	
Balance sheet total	in €m	23,033	19,273	19.5
Equity	in €m	639	628	1.8
Equity ratio[4]	in %	2.7	3.0	–

Regulatory indicators under CRR/CRD IV[5]		31.12.	31.12.	
Risk weighted assets[6]	in €m	994	923	7.7
Eligible amount for operational risks	in €m	12	17	–29.4
Core capital	in €m	470	438	7.3
Own funds for solvency purposes	in €m	470	438	7.3
Own funds ratio[7]	in %	40.9	38.8	–

Employees' figures		31.12.	31.12.	
Employees	number	1,443	1,332	8.3
Employees full-time basis	number	1,295.4	1,198.1	8.1

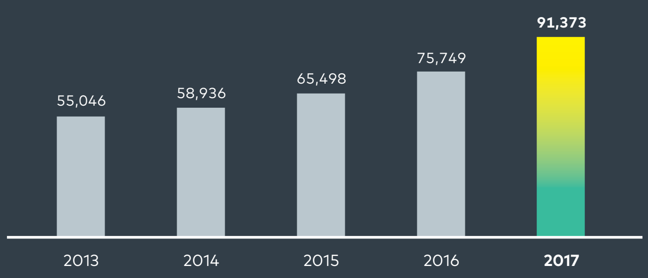
*) B2C: comdirect bank AG including former onvista group; B2B: ebase GmbH; contributions of onvista from the date of closing onwards (3 April 2017)
1) excluding CFD trades
2) Pre-tax profit/average equity (excluding revaluation reserves) in the reporting period
3) After-tax profit/average equity (excluding 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)

Smart. Digital. Growing fast.

2017 was the perfect year for growth company comdirect. More customers. More total Assets under Control (AuC). The direction is clear: a significant upward trajectory.

The figures speak for themselves: comdirect records growth of approximately 221k customers, approximately €16bn total AuC, 4.8m trades. And going from zero to over €200m of customer assets managed by cominvest, our new digital asset management system. Innovations that succeed and move the market stand behind the dynamic growth. They make comdirect a smart financial centre for very simple, intuitive and digital banking – as well as the top address for saving, investing and trading with securities. An attractive profile that we have further refined with the acquisition of the former onvista bank and the financial portal onvista.de. We will also be concentrating on growth in brokerage and banking in 2018. And on growth for our shareholders.

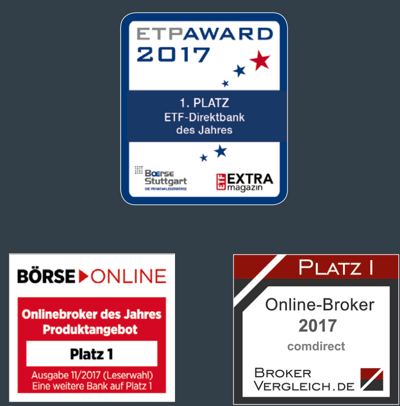
Strong growth
Total AuC (in €m)



Successful securities competence

comdirect has made big steps towards becoming the top address for saving, investing and trading with securities.

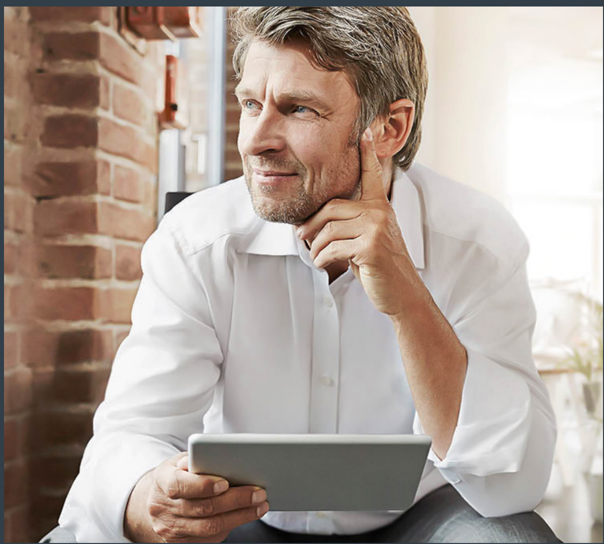
Whether digital asset management, optimised custody account overview, launching a trading offensive or maintaining contact to the trading community in the form of numerous events: comdirect has solidified its position as one of Germany's leading online brokers. And regarding market perception, we have again received many awards in 2017 – including Online Broker of the Year.



cominvest: Digitally managing assets

The future of investment is digital. With cominvest, we are again a pioneer bank.

Since May, comdirect has been offering comprehensive digital asset management for private customers – making it an influential pioneer of robo-advisory services in Germany. The investment process is very simple and intuitive. Customers only need to answer a few questions. They subsequently receive an investment proposal tailored precisely to their needs. Optimisation suggestions are generated by cominvest as part of the regular portfolio review. The customer can then decide whether they want to follow this advice or not. The optimisation suggestions generated are executed automatically by comdirect as part of the management model of user-friendly asset management. Overall, five different investment strategies are available. An individual portfolio is created from around 4,000 securities, including funds, ETFs (exchange-traded funds) and ETCs (exchange-traded commodities).



What's special about it: investors can join from as little as €3,000. cominvest therefore offers access to the world of professional investment to everyone. To include savings plans functionalities in the future, cominvest will be expanded and will be made more attractive for newcomers to securities. cominvest is taking exactly the right approach, because German customers urgently need to improve in the area of investment, as shown also by comdirect's Realzins-Radar study. According to the study, the interest loss in real terms due to investment in daily money, savings deposits and fixed-term deposits amounts to around €34.2bn a year. At a negative real interest rate of 1.6%, this amounts to €413 per person each year. As a result, we are convinced that smart, innovative tools for intelligent investment such as cominvest fulfil a central customer need and make the subject of investment easy and accessible.

onvista: the perfect complement

The purchase of onvista AG, successfully concluded in April 2017, has accelerated comdirect's growth.

Around €3bn total AuC were added in April at closing – as well as around 102k actively trading customers. Not only that: with its broad range in brokerage and excellent financial information on the very popular portal onvista.de, the acquired activities fit perfectly into the service range of Germany's leading online broker.

Innovation drives us

Innovation is progress. This is why comdirect relies so directly on innovation as part of its business model. We see it as a central task to identify trends as early as possible and to help shape them for the benefit of our customers. For example, we are developing voice-controlled applications for providing financial information. In order to exploit the full wealth of ideas and entrepreneurial spirit, we endeavour to give our employees space to be creative. The key term here is innovation culture. On the other hand, we also aim to generate ideas with customers and partners on an equal footing. For this, we also use our customers' feedback in the early phases of product development. comdirect also organises the Collabothon and sponsors selected projects in the start-up garage and also as part of the Entrepreneur in Residence programme. We monitor the newest developments on the market and trends very intensively – for example, with our innovation radar.

Smart financial companion gains stature

comdirect is the smart financial centre for all customers who expect more than just a "bank" for their finances.

Our mission is to free up our customers' lives with intelligent financial solutions, ensuring that, among other things, they have a comprehensive overview of their finances and can quickly and efficiently make decisions so they can make use of the time that they save in other ways. To this end, we make available to our customers intelligent tools for individual financial planning and decision-making, which are also fun to use. The new comdirect Academy in 2018 gradually communicates expertise to securities newcomers: from the basics of the securities business to investment strategy – simply and playfully. With our multi-banking service, smartPay App, with

digital archive for invoices and transfers, and the innovative app MoBox, which provides tailored financial management for young comdirect customers, we are already well positioned as a smart financial companion in our customers' day-to-day banking.

First mover for financial innovations

We are the industry leader in voice control for financial information: because, in combination with visual information, voice-control services offer enormous potential for users, making their day-to-day life easier.

comdirect is the first German bank with its own skill for Alexa by Amazon Echo. In addition, we are offering our own application for the Google Assistant app, Google's voice-controlled assistant. Faster and simpler access to financial information by voice command: real-time quotes, percentage changes, absolute price development and highest and lowest daily prices. Stock exchange news can also be retrieved. This information is also visualised with the extension for Echo Show.

A network of creative ideas

Re-envisioning banking: This is an ongoing task that comdirect has set itself with exceptional ambition. Innovation has always been the core of the business model. Holistic innovation management helps us to develop good ideas and turn them into products. For this purpose, we have set up a whole range of different formats that promote creativity, both internally and externally.

With the **Innovation Day,** an entire day is set aside at comdirect for innovation. Current trend topics, such as the use of block-chain and virtual reality, are discussed just as intensively as the innovative, strategic focus projects currently being implemented. All employees can test current developments and can also pitch their own ideas for implementation.

The **comdirect start-up garage** is aimed at creative financial firms that are already a step ahead. We support entrepreneurs in the financial scene whose ideas have the potential to change the future of banking. During the three-month project phase, we sponsor selected start-ups with the necessary infrastructure and initial financial help as well as expert advice. We see ourselves in the role of enabler and partner, facilitating promising projects.

The **comdirect Financial BarCamp** takes place during the Hamburg FinTech week. The event is the perfect opportunity to exchange ideas with industry experts and the investment community – always searching for new approaches and a fresh perspective.

At the cross-company **Collabothon,** which comdirect holds together with Commerz-bank, mBank and other partners, employees from start-ups and FinTechs, programmers and other creative minds develop fresh ideas into prototypes within just 48 hours.

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, Internal Audit as well as Treasury & Business Partners. He is also Chairman of the Supervisory Board of the European Bank for Financial Services GmbH (ebase) and CEO of the 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, Information Technology and the onvista bank division's back office activities. He is also Chairman of the Supervisory Board of onvista AG and a member of the Supervisory Board of the European Bank for Financial Services GmbH (ebase) as well as onvista media GmbH.

Matthias Hach
CMO

Matthias Hach, born in 1965, has been the Chief Marketing Officer at comdirect bank AG since January 2018. In addition to Marketing and User Interface, he is responsible for the areas of Banking and Brokerage, as well as the onvista bank market division and onvista media. He is also a member of the Supervisory Board of onvista AG and ebase GmbH, and the Chairman of the Supervisory Board of onvista media GmbH.

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. Martina Palte is also on the Supervisory Boards of the European Bank for Financial Services GmbH (ebase), onvista media GmbH and onvista AG, as well as deputy chair of the Rechnen foundation.

Letter to the shareholders

Dear Shareholders,
Dear Friends of comdirect,

In the future, strength and speed of innovation paired with strong implementation capacity will be crucial to a company's success. Innovation is part of our DNA, which we proved again in 2017. comdirect became one of the first banks in Germany to launch a comprehensive robo-advisor. cominvest provides our customers with a solution to the low- and zero-interest environment. We show that professional securities investment and custody account management are no longer reserved for major investors, but is open to practically anyone from €3,000. Until the end of 2017, we were able to gain over €200m Assets under Management (AuM) for cominvest. Confirmation of the strength of innovation of this service came in the form of the Silver Award at the internationally recognised Efma Accenture Innovation Awards.

This supports us in our claim to be the top address in saving, investing and trading with securities. comdirect is also an industry pioneer in the area of voice control. In 2017, we were the first bank in Germany to develop voice-controlled apps for speech assistants. The skills for Amazon Echo or Google Assistant can be used not only to hear but also to view news and real-time quotes on listed companies, derivatives and funds on demand. That's because we're certain: voice-control functionality will fundamentally change the way bank customers, too, get their information in the future. We will also be offering our customers further innovative solutions in the future that make banking and brokerage easier and that distinguish us as a smart financial companion.

To this end, we launched our trading offensive in 2017, including targeted price and product campaigns and making loans against securities flexible. And this will continue in 2018. The comdirect Academy will begin in the first quarter, which is a new interactive learning platform all about securities. We also introduced motif investing at the start of the year. This offers our customers an alternative way to access our products: not through a specific security but based on the actual investment motive, such as the desire to invest in companies with particularly strong dividends or that are particularly sustainable. Appropriate investment options are made available depending on the motive. Our aim is very clear: we will continue to strengthen our position in the German online brokerage market with our trading offensive.

Alongside traditional banking topics, we also committed to another project in 2017: comdirect has been an innovation partner of the German Volleyball Association (DVV), both for beach and indoor volleyball, since December 2017. We will be supporting the sport in the future with the use of new technologies and we look forward to many exciting games.

The successes of systematically implementing the strategy can be seen: despite the continuing challenging interest-rate environment, we have achieved a good pre-tax profit of around €95m. This is equivalent to pre-tax return on equity (RoE) of around 16%. We have therefore been able to even exceed our results target announced in the middle of 2017. The good success is based on the strong net commission income, which has continually increased despite lower market volatilities and has even significantly overcompensated for the lower net interest income in a year-on-year comparison. We have also used the market environment to realise valuation gains in financial investment. If the previous year's result is adjusted for the extraordinary income, we even slightly exceeded this.

The good result demonstrates that we have a sustainably profitable business model, which also stands up very well in a challenging market environment. We also started preparing for two major regulatory projects in 2017, which are to be applied as of 3 January 2018 and 25 May 2018, respectively: MiFID II and the EU General Data Protection Regulation.

The success is based on our continuing strong growth. At the end of 2017, we were managing over €90bn in AuC – that's over €15bn, and thus over 20% more than in the previous year. The customer numbers also showed growth. ebase GmbH also contributed to this with its growth and its best annual result since joining the comdirect group.

In addition to the strong organic growth, we were able to strengthen our current position inorganically. onvista bank and onvista media GmbH have been part of the comdirect group since the beginning of the second quarter and have accelerated its growth. We began to create simple and efficient structures and we generated initial synergies in June as a result of the merger of onvista bank GmbH with comdirect bank AG.

This proves that comdirect is, and continues to be, a growth company. We intend to back this growth appropriately with equity. On the basis of the good 2017 results, we will therefore propose a dividend of 25 cents per share at the annual general meeting. This means that the dividend is stable against the previous year and gives us a dividend yield of 2.2%. We intend to transfer €36.2m to retained earnings in order to underpin the growth, so as to achieve sustainable added value for our shareholders.

There's so much that's promising – great news can be expected from comdirect in 2018. For example, there is the further development of the custody account manager with a new risk analysis, the further development of cominvest and the continuation of our trading offensive.

We have proven our performance ability in 2017, and we will be continuing this into the future.

Best wishes – and stay at the cutting edge with comdirect!

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 2017, 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 ensured at all times 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 2017

The Supervisory Board met at four regularly convened meetings in the 2017 financial year; on 23 March, on 11 May before the annual general meeting, on 7 September and on 8 December 2017.

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 2017, such as the introduction of the digital asset management service cominvest.

They also reported on how the Alexa voice control functionality could be used to call up and display share prices visually on the integrated screen. The entirely paperless custody account switching service using the electronic signature was also presented.

The strategic alignment of the comdirect group, including the activities added from the former onvista group (consisting of onvista bank GmbH, onvista AG and onvista media GmbH), was also focused on. The Supervisory Board approved the merger of onvista bank GmbH with comdirect bank AG in its accounts meeting on 23 March 2017. After detailed discussion, we confirmed the strategy and the resulting measures, including the agenda for the subsequent year, presented by the Board of Managing Directors. We also discussed the state of the strategic development of ebase with the Board of Managing Directors. The Supervisory Board also conducted a strategy workshop together with the Board of Managing Directors on 3 August 2017.

Furthermore, the comdirect group's Board of Managing Directors kept us informed about the development of key performance indicators and their impact on the bank's net assets, financial position and results of operations. As part of our deliberations, we dealt with the market and competitive environment and the bank's development on the basis of the medium-term planning. Moreover, the Supervisory Board regularly examined the risk status of the bank. The focus was on the discussion of the overall risk strategy in line with the minimum requirements for risk management (MaRisk). Other issues dealt with by the Supervisory Board additionally included the draft agenda for the annual general meeting on 11 May 2017 and the proposals to the annual general meeting.

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 the financial year 2016,

- the stipulation of the target amount for the variable compensation component for the members of the Board of Managing Directors for the financial year 2017.

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 the financial year 2018. In an extraordinary teleconference on 7 November 2017, the Supervisory Board also discussed the resignations of Dr Sven Deglow and Martina Palte, as well as the respective appointment processes.

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 during four ordinary meetings on 23 March, on 11 May before the annual general meeting of comdirect bank AG, on 7 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 half-year financial report. At the meeting on 23 March 2017, the Risk and Audit Committee of the Supervisory Board dealt with the preliminary examination of the financial statements and the dependency report as well as the independence of the auditors of the annual and consolidated financial statements.

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 2017 and was informed about the overall audit report from Internal Audit for the financial year 2016. The Chairman of the Risk and Audit Committee obtained comprehensive information from the Head of Internal Audit prior to the meeting. In direct discussions with the Head of Internal Audit and the Head of Risk Management & Compliance, the Chairman of the Risk and Audit Committee verified the effectiveness of the internal control system. There were no new major findings in 2017. In the meeting of the Risk and Audit Committee on 11 May 2017, the Chairman of the Risk and Audit Committee was authorised to sign the contract commissioning the auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Hamburg branch, selected by the annual general meeting on the same date, to audit the annual and consolidated financial statements, including the management reports as of 31 December 2017. In its selection of auditor, the annual general meeting followed the recommendation of the Risk and Audit Committee adopted in December 2016. During the year, the Risk and Audit Committee obtained information at every meeting on the activities of Internal Audit and the Compliance function.

The Risk and Audit Committee monitored the independence of the newly selected auditor and also dealt with the services additionally rendered by the auditor on an ongoing basis. The Risk and Audit Committee of the Supervisory Board subsequently 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 2017 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 auditors and the Chief Financial Officer.

The Presiding Committee of the Supervisory Board adopted resolutions in the reporting year by means of the written circulation procedure as well as in four meetings on 23 March, on 11 May before the annual general meeting, on 7 September and on 8 December 2017. 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 the financial year 2016,

- the stipulation of the target amount for the variable compensation component for the members of the Board of Managing Directors for the financial year 2017 and

- the stipulation of the criteria for assessing the variable compensation component for the Board of Managing Directors for the financial year 2018.

Additional resolutions were passed relating to the adjustments to basic salary and variable remuneration for the members of the Board of Managing Directors and the identification of individuals whose activities have a material impact on the overall risk profile of comdirect bank AG for the financial year 2018 (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 23 March 2017. 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 HGB) and the consolidated financial statements and group management report (in accordance with IFRS), including the underlying bookkeeping for the financial year 2017, 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 auditor took part in the meeting of the Risk and Audit Committee on 22 March 2018 and the subsequent meeting of the Supervisory Board dealing with the approval of the annual accounts, among other meetings. 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 to approve the annual financial statements.

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 the completion of its examination. In its meeting on 22 March 2018, 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 the early detection of developments that are likely to threaten the continued existence of the company. Furthermore, the auditors confirmed the effectiveness of the accounting-related internal control system with a positive assessment.

Changes in the Board of Managing Directors

Dr Deglow stood down from his position with effect from the end of the financial year 2017. The Supervisory Board approved his resignation. On the recommendation of the Presiding Committee, the Supervisory Board appointed Mr Matthias Hach as a new member of the Board of Managing Directors for a period of three years with effect from 1 January 2018. Mr Hach's many years of experience make him a renowned market expert.

In the financial year 2017, Dr Deglow was responsible for the areas of Banking, Investing, Marketing, Trading, User Interface and was the Chairman of the Supervisory Board for onvista media GmbH. Mr Hach will assume responsibility for these areas and functions as the future Chief Marketing Officer.

Ms Palte also announced that she would not be available for reappointment following her current term of appointment. Ms Palte's function on the Board of Managing Directors of comdirect bank AG therefore terminates at the end of 30 June 2018. Martina Palte's successor will be determined during the financial year.

Ms Palte is responsible for Advisory Services, Information Security & Outsourcing Management, Customer Management and Human Resources as well as the Legal, Data Protection & Organisation departments.

The divisions of the other members of the Board of Managing Directors have been allocated as follows: Mr Walter is responsible for Business Development & Innovation Management, Corporate Strategy & Consulting, Internal Audit, Corporate Communications, Treasury & Business Partners and is also the Chairman of the Supervisory Board of ebase.

Mr von Blücher is responsible for the areas of Finance, Controlling & Investor Relations, Information Technology, Risk Management & Compliance and is also the Chairman of the Supervisory Board of onvista AG.

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

Thanks for excellent performance

We would like to thank the members of the Board of Managing Directors and all of the employees of the comdirect group for an excellent performance once again in the financial year 2017. We would like to thank the staff council for their constructive cooperation at all times.

Quickborn, 22 March 2018

The Supervisory Board

Group management report /

Foundations of comdirect group

Business model of comdirect group

The comdirect group is one of Germany's leading direct banks with the aspiration to support its customers as a smart financial companion for all banking transactions and to be the top address for saving, investing and trading in securities. comdirect offers its more than 3m customers (end of 2017) 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 brokerage and banking as well as in business with institutional partners. With over 2m custody accounts, Assets under Control (AuC) of around €91bn and almost 30m executed securities transactions as of the end of 2017, it is the market leader in the online securities business in Germany. comdirect consolidated its market position, bringing both customer numbers and total AuC to new record levels through organic growth and the acquisition of former onvista group (consisting of onvista bank GmbH, onvista AG and onvista media GmbH), which was concluded in April 2017.

Organisational structure, segments and locations
comdirect bank AG is the parent company of the comdirect group. It comprises European Bank for Financial Services GmbH (ebase), onvista media GmbH and onvista AG.

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

The B2C business segment comprises comdirect bank AG and its five special funds, as well as onvista media GmbH and onvista AG. This also includes the former onvista bank, which was merged with comdirect bank AG in June 2017 and is assigned to the B2C business segment as a business division. comdirect generates interest income in banking by reinvesting customer deposits in the money and capital market and from interest on consumer loans, credit lines and overdrafts. There is also commission income in conjunction with payment transaction cards issued. In brokerage, which combines the trading and investing activities, 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. These are supplemented by interest income, in particular from loans against securities and deposits to clearing accounts.

The B2B business segment includes ebase as a leading B2B direct bank on the German market and is in charge of business with institutional partners and their customers. The income 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.

comdirect bank AG has its registered office in Quickborn near Hamburg, and also has an office in Frankfurt am Main (business division onvista bank) and an IT centre in Rostock. onvista media GmbH and onvista AG have their registered offices in Frankfurt am Main, while onvista media GmbH relocates to Cologne in 2018. ebase is based in Aschheim, near Munich.

Management and control

The comdirect group is managed by the Board of Managing Directors of comdirect bank AG, whose composition remained unchanged from the previous year. However, the integration of the former onvista group led to adjustments in the area responsibilities of the members of the Board of Managing Directors. Responsibility for the organisational units (back office) of the business division onvista bank was assumed by Dietmar von Blücher (CFO), while the customer-oriented departments (market) of the business division onvista bank, as well as area responsibility for onvista media GmbH, rest with Dr Sven Deglow (CMO) until 31 December 2017.

As of the end of 2017, the responsibilities of the members of the Board of Managing Directors were as follows:

Arno Walter CEO	Corporate Strategy & Consulting Corporate Communications Internal Audit Business Development & Innovation Management Treasury & Business Partners ebase (Chairman of the Supervisory Board)
Dietmar von Blücher	Finance, Controlling & Investor Relations Risk Management & Compliance Information Technology business division onvista bank back office
Dr Sven Deglow	Marketing User Interface Brokerage Banking business division onvista bank market onvista media GmbH
Martina Palte	Customer Management Human Resources Legal, Data Protection & Organisation Information Security & Outsourcing Management Building Finance and Provisioning

The Supervisory Board appointed Matthias Hach as the new Chief Marketing Officer of comdirect bank AG for a period of three years. The appointment became effective upon the resolution of the European Central Bank relating to the appointment of Matthias Hach on 30 January 2018. He assumes all area responsibilities from Dr Sven Deglow, who resigned his mandate with effect as of 31 December 2017 and has left the comdirect group of his own accord. Matthias Hach was also appointed as a member of the Supervisory Board of onvista AG and ebase, and was elected Chairman of the Supervisory Board of onvista media GmbH.

After the expiry of her term of appointment as of 30 June 2018, Martina Palte will be leaving the Board of Managing Directors of comdirect bank AG to continue her career outside of the company. A successor will be decided upon shortly.

The Supervisory Board, which consists of six members, remains unchanged from the previous year. The Supervisory Board works closely with the Board of Managing Directors; monitoring and regularly advising the Board of Managing Directors in all material issues relating to the management of the company.

Corporate Governance Statement

The management and control of the comdirect group complies with generally accepted high standards. These are summarised in the Corporate Governance Statement pursuant to Section 289f and Section 315d of the German Commercial Code (HGB). This statement includes, among other items, the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act

(AktG) and is published alongside the Corporate Governance Report in accordance with Section 3.10 of the German Corporate Governance Code. The comdirect group also details its compliance standards in the Corporate Governance Report.

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

The main features of the compensation system of the Board of Managing Directors and the Supervisory Board as well as the breakdown by individual members are shown in the compensation report on pages 58 to 68.

Inclusion in the Commerzbank Group
comdirect bank AG is quoted on the Prime Standard (Regulated Market). Around 82% of the shares are held by Commerz Bankenholding Nova GmbH, a wholly-owned subsidiary of Commerzbank AG. Consequently, as of 31 December 2017, around 18% of the shares are in free float. Commerzbank AG provides services for comdirect bank AG, such as the processing of securities trading transactions as well as part of the payment transactions and the processes in risk management. In addition, the Treasury department of comdirect bank AG works closely with Commerzbank AG 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 93 to 96.

Strategy

Strategic objectives
The comdirect group stands for a new understanding of what a bank is. It pursues the overall aim of making it as easy as possible for bank customers in Germany to manage their finances day-to-day and to access attractive securities investments.

comdirect's customer-oriented performance promise can be divided into two main strands:

- On the one hand, comdirect supports its customers as a **smart financial companion** as they fully and easily manage their finances and maintain an overview across providers, carry out transactions conveniently and finance personal projects. To this end, comdirect is continuously improving means of access to financial services, developing intelligent, intuitive-to-use tools for payment transactions and keeping a financial overview, as well as expanding innovative functionalities such as voice-controlled services.

- On the other hand, comdirect offers customers simple solutions for **saving, investing and trading with securities** – available anywhere, at any time, relevant to their own situation and tailored to their personal needs and individual risk appetite. Whether they are beginners or professional investors, customers can use the broad solution portfolio – which extends from individual investments to digital asset management, from saving with securities to trading tools – to make use of opportunities and avoid real interest rate losses.

The strategic objectives of comdirect and ebase are oriented to this performance promise. Specifically, the comdirect group aims

- 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 investing and trading, and in doing so take the **lead in the online brokerage market** in Germany (measured in terms of trades),
- to be the preferred smart financial companion for modern and independent customers and to be perceived as the **innovation leader** in the market with its intelligent solutions,
- to be a **smart financial centre** for its customers with multi-banking solutions, facilitating a convenient and transparent overview of their personal finances across banks,
- to remain one of the **most profitable retail banks** in Germany in 2020, measured against return on equity.

Strategy implementation and product development

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

The following strategic topics are of particular note for 2017:

cominvest: The digital asset management service cominvest, one of our central focus projects, launched in May 2017 for comdirect customers. As of the end of 2017, the portfolio volume already stood at €200m. cominvest creates tailored investment proposals based on five different risk profiles and a portfolio of around 4,000 securities, consisting of managed funds, exchange-traded funds (ETFs) and exchange-traded commodities (ETCs). To implement the investment strategy, customers can choose between different management models. The cominvest portfolios are continuously optimised via an algorithm, which is permanently monitored by comdirect experts. This method allows professional asset management from an investment amount of just €3,000. The innovative investment solution won the Silver Award at the Efma Accenture Innovation Awards. cominvest was also named best online asset manager at the ETP Awards 2017. cominvest will be expanded to include savings plan functionality in 2018.

Trading offensive: Our positioning in brokerage was strengthened in the second half of the year by the introduction of a targeted trading offensive, which was initially primarily aimed at existing customers and will be expanded in 2018. Trading customers were further motivated to trade on the markets through targeted measures, products and communications. For example, the look and feel of the website was revised for actively trading customers and attractive product campaigns were launched in the area of brokerage. Redesigning loans against securities also made the product more flexible to use for our customers. Since May 2017, our customers have been able to transfer their custody account to us entirely electronically with a digital signature, using our new digital switching service.

onvista: The acquisition of the former onvista group and the merger of onvista bank GmbH with comdirect bank AG also contributed to the aim of consolidating our leading position in online brokerage in Germany. comdirect was able to further strengthen its market positioning with access to around 102k customers with an affinity for trading at closing. The new brand image of the business division onvista bank was well received on the market. The strong organic growth of the business division onvista bank also remained intact during the acquisition and merger phase.

Custody account manager: Another focus team is driving forward the evolution from a pure overview of custody accounts to an intelligent and intuitive custody account manager. The application is being continuously developed further across several custody account expansion steps for a better overview of securities investment anywhere and at any time. The first step was the introduction of a new smart custody account view in comdirect's Personal Area. Through this view, investors have been receiving all important information on the development of their custody account items at a glance since March 2017 – also in a clear card format, which displays each custody account item on its own separate card. The custody account manager will be supplemented with a new simple and intuitive risk analysis in the future.

Investing opener: comdirect intends to attract customers to saving and investing with securities using attractive introductory offers. The threshold for initial securities investments will be lowered by addressing customers in a targeted way and offering smart ideas such as bonus savings to help customers currently using classic interest savings products to make better financial decisions. The range of securities savings schemes was also further extended for new investors. In addition to the 41 German registered shares, the portfolio has included 25 US securities since June 2017.

B2B: ebase also aligned its strategic measures in the reporting year to the objective of being a leading digital financial service partner for its institutional partners and their customers. The focus here remains on the digitalisation of the service offering, the further development of robo-advisor solutions and strengthened collaboration with FinTechs in asset management. The digital transformation was continued via several strategic modules both internally and externally. One of ebase's successes was its robo-advisor fintego, which won several awards. At the end of 2017, fintego was also offered to corporate customers looking for alternative ways to invest company assets in the current low interest rate environment.

Smart financial companion

Voice control: comdirect also further developed its competencies as a smart financial companion in the 2017 financial year. Of particular note is the fact that comdirect has attained a pioneer role on the German market, with voice-controlled services in the financial market environment for the B2C business segment. Since May 2017, it has been possible to call up stock exchange prices in real-time via the comdirect skill for Amazon's Alexa voice service with the Amazon Echo. comdirect was therefore the first German bank to bring a skill onto the market suitable for users with an affinity for trading. Following an expansion in August 2017, news on listed companies, the prices of shares, funds, derivatives and ETFs, as well as important currencies, commodities and indices can be called up in real-time via a newly created interface with comdirect's Informer. The expansion for the Amazon Echo Show means that it is now also possible in Germany to display this information visually since November 2017. In addition to the services for Amazon, comdirect also developed equivalent solutions for Google's voice control as a launch partner. For example, all functions are also available with Google Home and the Google Assistant app.

Financial portal: With the acquisition of former onvista group, onvista media GmbH and its financial portal onvista.de have become part of the comdirect group. onvista.de is one of Germany's leading financial portals. In the future, efficiencies will be generated through the interaction of the comdirect Informer and onvista.de platforms. As a result, the positioning of both onvista.de as one of the leading financial portals, and of comdirect as a smart financial companion, can be strengthened.

Innovation management

Innovation management is a central driving force behind many developments in both business segments. comdirect sees innovations consistently from the perspective of their customers, also relying on the creativity of its employees just as much as on intensive collaboration and strategic partnerships with innovators.

The comdirect start-up garage for founders in the financial industry was continued with new members. comdirect also works with innovative minds on the Entrepreneurs in Residence programme, through which entrepreneurial ideas can be promoted in comdirect's environment.

ebase also intensified its collaboration with FinTechs and expanded its digital customer services. In 2017, ebase entered into a strategic partnership with the FinTech niiio finance group AG to speed up development and to further expand its digital product and service range for the associated partners.

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 objectives 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 2017 financial year.

comdirect group	Return on Equity (RoE) Total Assets under Control (AuC)
Business segment B2C	Return on Equity (RoE) Net fund inflows to custody accounts Number of custody accounts Total Assets under Control (AuC) Number of trades Net Promoter Score (NPS)
Business segment B2B	Return on Equity (RoE) Total Assets under Control (AuC)

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.

The key management parameter for the bank's growth is total AuC. These comprise both the portfolio and deposit volume. Their development depends on net fund inflows but also in part on market price effects that are outside of the comdirect group's control.

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

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 segment. 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 AG'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 continuously imposed and their development observed.

Market and economic review

Commercial and regulatory framework conditions

Overall assessment of the economic framework conditions
The market environment has changed only negligibly overall for comdirect since the 2016 financial year. In brokerage, the environment was characterised on the one hand by sinking volatility on the equity markets and overall declining trading volumes, and on the other hand by persistent share price increases and corresponding gains in customers' custody accounts. Interest of private investors in funds and savings plans has continued to strengthen due to real interest rate losses on classic savings products.

The general conditions in banking were again influenced throughout the year by the expansive money monetary policy of the European Central Bank (ECB). The low market interest rates and bond yields continued to put severe limits on generating interest income. On the other hand, high share price levels could be used for the disposal of securities.

The implementation of demanding regulatory projects, primarily MiFID II (Markets in Financial Instruments Directive II) including the accompanying regulation, the Markets in Financial Instruments Regulation (MiFIR), the Investment Tax Reform Act and the EU General Data Protection Regulation (GDPR), was associated with high use of internal resources.

The negotiations on the United Kingdom's approaching departure from the EU (Brexit) and the associated changes in the financial and corporate sector had no notable impact on the business of the comdirect group. The price surge on the equity markets – due also to the low interest rate environment and the ECB's relaxed monetary policy – demonstrated, as did investors' stronger tendency towards securities investment, that the markets have proved themselves to be generally robust in the reporting year with regard to political risks. Due to the largely stable development of the bond markets, no material effects could be seen from the reinvestment of customer deposits.

Economic environment
The global economy grew by 3.7% in 2017. Both the USA and Europe showed positive growth.

The economy in the eurozone showed itself to be robust. The driver of the economic development was the ECB's monetary policy. The low interest rates meant that high indebtedness of companies and private households was sustainable and allowed consumption and investments to rise. The inflation rate in the eurozone moved rather sidewards over the course of the year and did not reach the ECB's target level of 2% at any point.

The German economy is currently experiencing a strong upswing, which is also boosting the equity markets. For 2017 as a whole, growth stood at 2.2%, which was identical with the average for the eurozone (2.2%).

Framework conditions for banking
The ECB maintained its expansive monetary policy. The ECB has also been buying corporate securities denominated in euros in the eurozone since June 2016. In April 2017, its entire net bond purchases of €80bn per month were reduced to €60bn; it was announced in October 2017 that this amount would be halved to €30bn per month from January 2018 onwards. The main refinancing rate has been at 0.00% since March 2016, and the interest rate for deposits at the ECB remains unchanged at –0.40%. The announced expiry of the ECB bond purchases has so far not led to an increase in bond yields. The bond markets also experienced no significant effects from the increase in the key lending rate of

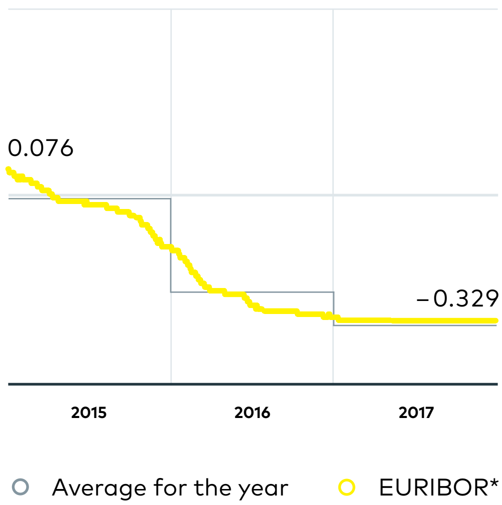
0.25 percentage points carried out by the US Federal Reserve in December.

Averaged out over the year, the three-month EURIBOR, which is the decisive rate for some of comdirect bank AG's investments, at – 0.33% was again below the previous year's figure (– 0.26%) and was quoted at – 0.33% as of year end.

The yields on government bonds of the European core markets showed a slight rise over the course of the year. Most government bond yields were therefore once again greater than zero as of the end of the year; ten-year German government bonds bore interest of 0.43%.

Issues of corporate bonds in the eurozone increased while yields decreased. Due to the ECB's expansive policy, the credit spreads narrowed sharply. The EURO STOXX 50 Corporate Bond Index showed positive performance.

Three-month EURIBOR 2015 – 2017
(in %)



Source: EURIBOR EBF

* Three-month money

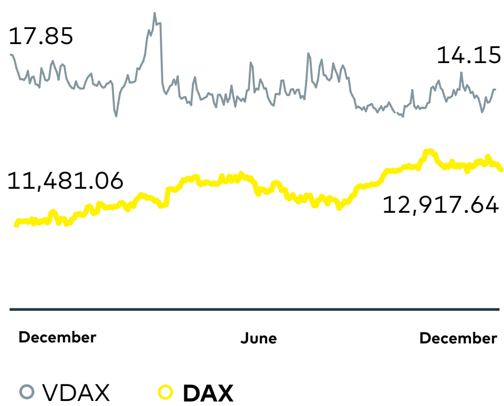
The average interest rate level in the new business with consumer loans has slightly fallen in comparison with the previous year. The demand for loans increased at the same time, which was reflected in a higher volume of new business.

Framework conditions for brokerage

The German DAX moved sidewards in the first trading weeks and reached its lowest point of the year at 11,509.84 points on 6 February 2017. It subsequently began to move upwards continuously and with low volatility; it accelerated markedly again from September after a moderate adjustment period in the summer months. Over the year as a whole, the DAX gained around 13%, reaching 12,918 points.

The trading volume in value terms on the German spot market (XETRA, Tradegate and the Frankfurt stock exchange) increased by 6.6% on the previous year's value. Equity order volumes increased by 9.9% and the order figures rose by 20.3%. The volume of traded index funds – ETFs as well as ETCs and exchange-traded notes (ETNs) – fell by over 20% in comparison with 2016, while trades were reduced by around 15%. In derivatives trading (Euwax and Frankfurt stock exchange), stock exchange turnover was a significant 2.0% below the previous year's value.

Development in the DAX and VDAX-NEW from 30.12.2016 to 30.12.2017 (in points)



Source: finanzen.net GmbH

Over the period from January to November 2017, retail funds recognised in the BVI investment statistics achieved a net average income of €66.6bn, compared with only €6.1bn in the previous year's period. Shares, fixed-income and mixed funds were particularly popular.

An increasing interest in sustainable investment was also apparent in the institutional customer segment. An analysis carried out among customers by ebase in September 2017 showed that alongside the general interest in sustainable investments, funds more strongly oriented to the environment were in particular demand.

Industry and competitive environment

Rising regulatory costs and the persistently low interest rate environment continued to put the banking industry under a lot of pressure. The branch closures and job losses in the banking sector continued across Germany in 2017. A not insignificant number of banks reacted to the margin pressure in the deposit business by increasing fees and also, in individual cases, with negative interest rates (custody fees). This gives comdirect's free current account an even more attractive positioning in the market.

Some banks launched digital portfolio management and investment advice solutions (robo-advisors) for securities investment, or announced their introduction, over the course of 2017. comdirect pioneered this development with its cominvest digital asset manager, creating a competitive advantage for itself. At the same time, innovative start-ups (FinTechs) continued to penetrate the market, also competing with traditional advisory offerings. As comdirect's 2017 FinTech study shows, the German FinTech scene continues to grow: 699 start-ups in the financial industry are currently based in the Federal Republic of Germany. That's a rise of 32% since 2015.

Regulatory issues also tied up a great deal of resources across all of ebase's institutional partners. The persistent low interest rate environment also impacted profitability particularly for insurance companies. Keen competition could also be seen on the market for asset management, with digital products gaining increasing importance. In the area of independent financial advisers (IFAs), in which ebase has a market share of over 20%, the number of intermediaries stabilised, following a significant decline in the past. Digital service modules were also in greater demand in this area. The period of low interest frequently led corporate customers to search for alternative ways to invest company assets. Furthermore, the statute on strengthening occupational pensions led to parity between insurance solutions and open capital solutions in company pensions, which will boost demand for investment funds.

The competitive environment in the B2B business segment was also characterised by the appearance of new providers with a FinTech background. The established providers also expanded their range of digital service modules in order to account for the advancing digitalisation.

Regulatory framework conditions

The comprehensive and timely implementation of new legal and supervisory requirements was associated with significant costs across the entire financial industry, and thus also for comdirect, in financial year 2017. These regulatory costs have increased tangibly since 2016.

As in the previous year, of particular importance were the preparations for the MiFID II and the accompanying MiFIR, which must be implemented nationally from 3 January 2018 under the second Financial Market Amendment Act. The Directive has a profound impact on the business of comdirect and ebase, as well as on their institutional partners. Among other issues, MiFID II extends regulatory requirements for investment advisory services and cost transparency. The MiFIR regulates, among other areas, OTC trading platforms with new pre-trade and post-trade transparency obligations and the duty to report transactions. Target markets for investment products must also be defined. For this purpose, minimum standards were defined by the Federal Financial Supervisory Authority (BaFin) in line with the Directives of the European Securities and Markets Authority (ESMA). All standards were implemented by comdirect within the time limit.

The Investment Taxation Reformation Act, which has been in force since 1 January 2018, was also implemented in full. Income from investment funds is now subject to flat-rate taxation at the level of private investors, although investors in property funds have been granted a transition period.

On 8 May 2017, the BaFin issued a general ruling that limits the marketing, distribution and sale of CFDs. Contracts with an obligation to put up further margin may no longer be offered to private customers. comdirect has implemented the requirements and limited CFD trade to contracts without obligation to put up further margin.

A further focus project in the reporting year was the implementation of the EU GDPR, which will come into force on 25 May 2018 and will regulate processing of personal data by private companies and public offices.

The revised Payment Services Directive (PSD2), which adapts the regulations for payment transactions to online and mobile payment systems, also puts in place demanding requirements for the adjustment of processes and systems. In particular, it provides for improvements in payment transactions, stricter security measures for electronic payment transactions and greater competition. Some regulations become effective mid-2018, but as things currently stand, significant parts of the Directive do not need to be implemented before the third quarter of 2019. Reforms to payment transactions have already been applicable since January 2018 and have been implemented by comdirect within the time limit.

In April 2017, the BaFin published standards relating to video identification procedures via a circular. In particular, these concern the customer information to be checked and the internal processes in customer service. The VideoIdent process used by comdirect meets all the supervisory authorities' requirements.

The statute implementing the fourth EU Money Laundering Directive, which executes the EU Funds Transfer Regulation and reorganises the central office for financial transaction investigations, came into force on 23 June 2017. Among other things, it demands the set-up of a transparency register and defines new requirements relating to economic beneficiaries and politically exposed persons.

The law to combat tax avoidance and for changing other tax regulations (Steuerumgehungsbekämpfungsgesetz) also came into force in June 2017. The law is intended to counter tax avoidance and evasion via offshore companies and requires financial institutions to provide more information to the financial authorities. For example, in the future they must provide information about business relationships they create or mediate between domestic taxpayers and foreign-domiciled companies, where the taxpayer can exercise a controlling influence or has a stake of over 10% in the foreign-based company. All requirements were implemented by the business segments of the comdirect group within the time limit.

The equity and liquidity management of financial institutions will be significantly affected by the further development of the Basel Accord (Basel IV). The focus here is partly on the introduction of higher risk weighting as part of the credit risk standard approach and the limitation of internal rating processes. Both are likely to lead to a rise in risk-weighted assets. With regard to the operational risks, the existing calculation approaches are expected to be replaced by a standardised measurement approach (SMA).

The European Banking Authority's guidelines for disclosing the liquidity coverage ratio (LCR), published in 2017 and applicable from 31 December 2017, are being implemented by the Commerzbank Group at group level. The banking supervisory authority has not yet made a final decision on publishing the mandatory long-term liquidity indicator (net stable funding ratio, NSFR). The first application of the second stage of the Capital Requirements Regulation (CRR) 2 is expected to be at the end of 2019. The comdirect group's business model ensures that both liquidity indicators are complied with.

In connection with IFRS 9, applicable from 1 January 2018 and which concerns the measurement of financial instruments, among other issues, the comdirect group anticipates in 2018 an increase in the volume of provisions for possible loan losses and a significant reduction in revaluation reserves shown under equity. The implementation of the requirements of IFRS 9 required extensive software adjustments and process changes. Further information on the effects of IFRS 9 on the comdirect group's consolidated financial statements can be found in the Notes.

In accordance with the requirements of the CSR regulation implementation act, effective from April 2017, certain companies are obliged to publish non-financial information about environmental, social and employee concerns, among other issues. comdirect is exempt from publishing a non-financial declaration, since this is submitted by Commerzbank AG for the Commerzbank Group.

Listed companies must also take consideration of diversity in appointments to the Supervisory Board and any other representative committees. The diversity concept is included in the Corporate Governance Statement published on the comdirect website.

Significant events

On 3 April 2017, comdirect bank AG successfully concluded the 100% acquisition of the former onvista group (consisting of onvista bank GmbH, onvista AG and onvista media GmbH) from Boursorama S.A. The purchase price amounted to around €40m. The growth acquisition means that comdirect has laid a good foundation for further growth and has strengthened its position in brokerage. As of 3 April 2017, onvista bank served around 102k customers, controlling assets of €3.0bn.

Both wholly-owned subsidiaries, onvista bank GmbH and onvista media GmbH, were subsequently sold by onvista AG to comdirect bank AG and onvista bank GmbH was merged with comdirect bank AG. Registration of the merger in the commercial register took place on 12 June 2017. This simplified the structure under corporate law, including the waiver of a banking licence, as well as the associated regulatory reporting.

onvista bank will be managed under the same brand, as a business division of comdirect.

As an operator of onvista.de (one of the leading financial platforms on the German market), onvista media GmbH will be further expanded as a wholly-owned subsidiary of comdirect bank AG.

The acquisition of the former onvista group and the merger of onvista bank have an impact on the net assets, financial position and results of operations of the comdirect group. The material effects are explained below. Additional information can be found in Note (55).

Overall assessment of the economic situation

The comdirect group generated strong organic growth in the 2017 financial year that was further accelerated by the contributions of the former onvista group. The record values achieved by the end of the year in customer numbers and AuC, as well as the strong growth in custody accounts and trades, also underline comdirect’s ambitions as a growth company.

The strong growth in income in 2017 on the previous year (adjusted for the non-recurrent effect from the VISA transaction) was accomplished with a disproportionately small increase in administrative expenses. Cost discipline at all levels of the bank has made it possible to almost offset the tangible rise in regulatory costs, including those arising from the implementation of MiFID II and those from the higher mandatory contributions to the deposit insurance scheme.

On the earnings side, the net interest income was significantly below the previous year’s level, as expected. It was, however, still possible to stabilise the result during the year. The decline was more than compensated for by the noticeable increase in net commission income, which resulted primarily from the organic and inorganic growth of total AuC and the increased trade numbers. Furthermore, securities sales by the special funds led to a high result from financial investments.

In total, pre-tax profit exceeded the earnings target of around €85m specified for mid-2017 and it also exceeded the previous year’s value (€79.6m) which was adjusted for the VISA non-recurring income (€41.1m). Compared with the pre-tax RoE adjusted in the previous year for the VISA non-recurring income (14.1%), this reached a good level at 15.8% in 2017.

The financial, liquidity and risk status of the comdirect group remains sound. The comdirect group is well positioned to meet future, including regulatory, challenges and to continue the development it has already begun towards becoming a smart financial companion and the top address for saving, investing and trading with securities.

Comparison between outlook report and actual performance
comdirect group achieved or exceeded all of the target values set in the 2016 outlook report, some of which were specified during the year, for central financial and non-financial management parameters, including at the level of business segments.

This made it possible to significantly increase total AuC across the group and in both segments, while generating even higher net fund inflows in the B2C business segment than in the successful previous year. The number of trades in the B2C business segment increased significantly by 20.7%, exceeding expectations ("moderate increase").

As planned, the results level of the previous year, which was impacted by the non-recurrent VISA effect, was not achieved. However, the target values for pre-tax RoE (around 14%) and pre-tax profit (around €85m) established on publication of the half-year report were markedly exceeded.

Performance indicator		Actual 2016	Outlook report 2016	Actual 2017	Change in % from 2016
comdirect group					
Pre-tax RoE	in %	21.4	Marked decrease	15.8	–5.5[1]
Pre-tax profit	in €m	120.7	Marked decrease	94.9	–21.4
Total AuC	in €bn	75.7	Noticeable increase	91.4	+20.6
Business segment B2C					
Pre-tax RoE	in %	20.1	(Marked decrease)	14.0	–6.1[1]
Pre-tax profit	in €m	110.6	(Marked decrease)	81.2	–26.5
Total AuC	in €bn	46.0	Increase	59.0	+28.3
Net fund inflows	in €bn	5.0	Increase	7.0	+42.3
Number of custody accounts	in k	1,007	Moderate increase	1,202	+19.4
Number of trades	in m	14.24	Moderate increase	17.18	+20.7
Net Promoter Score (NPS)	in %	55	Stable	56	+1[1]
Business segment B2B					
Pre-tax RoE	in %	26.0	–	31.4	+5.3[1]
Pre-tax profit	in €m	10.1	–	13.6	+34.9
Total AuC	in €bn	29.8	(Increase)	32.4	+8.7

1) in percentage points

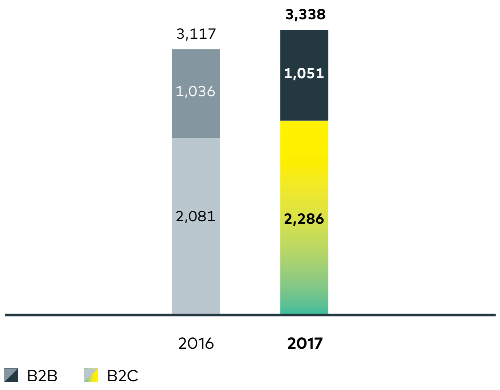
Business performance and earnings situation

comdirect group

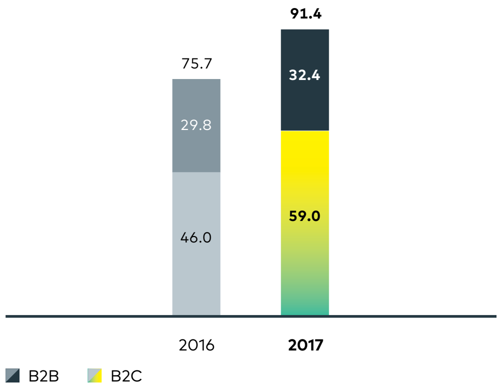
Growth
The comdirect group continued the strong momentum of previous years with strong organic growth in the 2017 financial year. This is in addition to the customers, total AuC and trades of the former onvista bank GmbH, so that overall strong growth rates significantly above that of comparative year 2016, as well as many new record figures, were achieved.

comdirect group's customer base increased by around 221k compared with the end of 2016 to a record 3,338k.

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



Total AuC of comdirect group as of 31.12.
(in €bn)

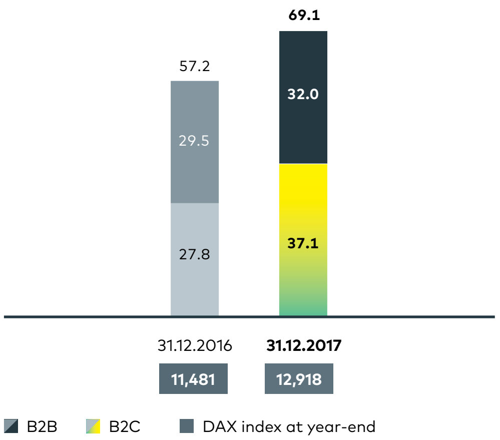


The growth in the B2C business segment, including organic new customer acquisition (amounting to around 103k new customers) and the addition of around 102k customers from onvista at the time of its acquisition, were crucial for this development. Since the acquisition, the organic customer growth has also clearly extended to comdirect bank AG's business division onvista bank. The number of customers and total AuC in the B2B business segment also increased.

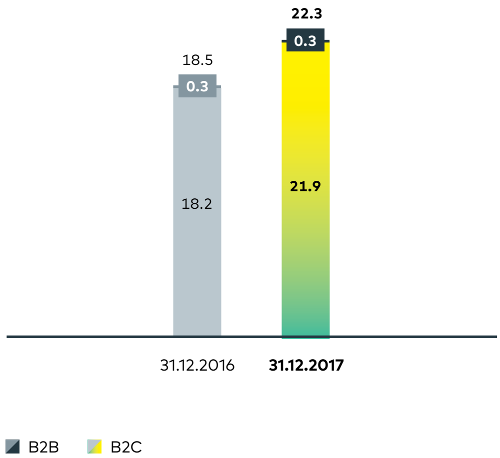
Total AuC climbed by €15.62bn to the record level of €91.37bn at the end of 2017. After accounting for the AuC of onvista bank of €3.0bn on acquisition, strong organic growth of 16.7% was reached. The organic growth by €9.57bn in portfolio volume came equally from net fund inflows (€4.78bn) and market value effects (€4.79bn) due to the higher index levels on the stock exchanges reached during the year. The volume was attributable to 2.08m custody accounts, equivalent to a rise of 11.2%.

Deposit volume increased compared with the end of 2016 by €3.75bn to €22.25bn. The additional volume on clearing accounts of the former onvista bank also contributed €0.7m to this.

Portfolio volume
(in €bn)



Deposit volume
(in €bn)

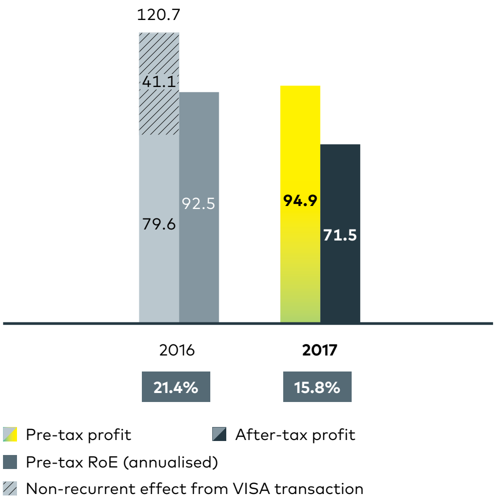


Development of profits

At around €95m, pre-tax profit significantly exceeded the results target of around €85m. Pre-tax RoE of around 16% was also above the target value of around 14% announced mid-2017. The previous year's values (pre-tax profit: €120.7m; RoE: 21.4%) had been impacted by the non-recurring income of €41.1m from the VISA transaction and could not be attained, as expected. Adjusted for the non-recurring income, comdirect generated a results increase of €15.3m, or 19.2%. This is primarily due to the rise in net commission income. Furthermore, the disposal of securities from the special funds led to a high result from financial investments (€21.9m). Overall, the former onvista group contributed, as planned, a balanced result. The cost/income ratio improved compared with the adjusted previous year's value (76.9%), as a result of income, to 75.3%.

Pre-tax and after-tax profit

(in €m)



Consolidated net profit amounted to €71.5m (previous year: €92.5m), which was equivalent to earnings per share of €0.51 (previous year: €0.66) and after-tax RoE of 11.9% (previous year: 16.4%). The income tax rate rose slightly compared with the previous year's level (23.3%) to 24.6%, which was influenced by the largely tax-free collection of the purchase price payment from the VISA transaction.

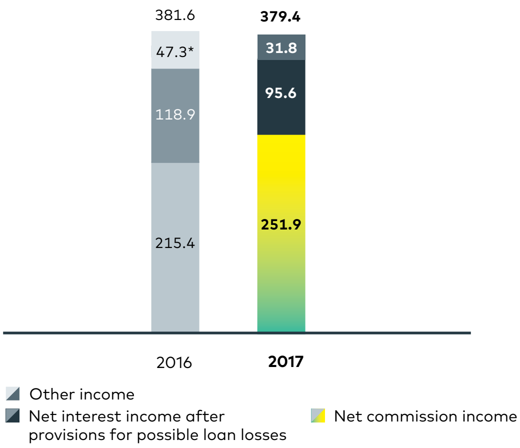
Earnings performance

Total income after provisions for possible loan losses increased in total by 11.4% to €379.4m (previous year without VISA non-recurring income: €340.6m).

At €94.2m, net interest income before provisions for possible loan losses fell short of the comparative value from 2016 (€117.8m) by 20.1%. On the earnings side, the fall in net interest income could be seen to bottom out in the course of 2017, which reflected the stabilisation of the short-term market interest rates at a very low level. The interest income came to around 84% (previous year: around 80%) from lending and money market transactions, while the proportion of income from fixed-income and variable yield securities (available for sale) narrowed due to a reallocation of bonds due in lending and money market instruments.

Income

(in €m)



* of which non-recurrent effect from VISA transaction of €41.1m

As in the previous year (€1.1m), provisions for possible loan losses showed a positive balance (€1.5m). The regular review of the parameters applied revealed a need for adjustment of the Visa performance rating model and the recovery rate, which led to a partial reversal of portfolio loan loss provisions. This was counteracted by a volume increase in the consumer loan business, among other factors. Net interest income after provisions for possible loan losses stood at €95.6m (previous year: €118.9m).

The net commission income increased to €251.9m (previous year: €215.4m). The increase by 17.0% was partly due to the inclusion of the former onvista group, which also contributed to the rise in trade numbers and total AuC in the B2C business segment. In addition, the net commission income also reflected the price-related rise in portfolio volume, which was accompanied by higher sales follow-up commission in the funds business. Net commission income from payment transactions rose from €13.3m in the previous year to a current €19.3m. Alongside the increasing card utilisation due to the increased number of current account customers, this was caused by a contractual redesign relating to a card provider.

The result from financial investments amounting to €21.9m resulted for the most part from the realisation of share price gains originating primarily from the disposal of mutual fund holdings in the special funds. In connection with the disposal and due to decreasing residual maturities of bonds, the revaluation reserves shown under equity reduced from €47.4m to €20.7m.

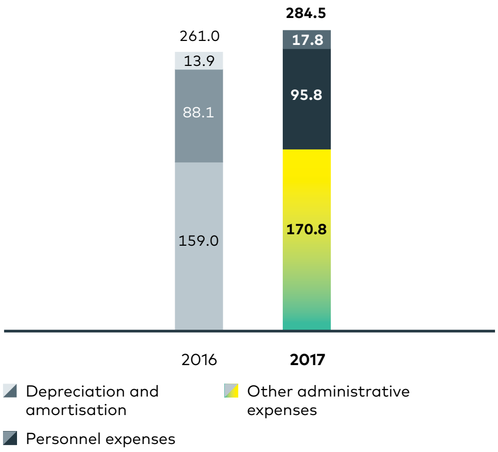
The other operating result of €10.6m (previous year: €5.5m), includes negative goodwill from the acquisition of the onvista group of €1.2m. This also included income from the reversal of individual provisions and non-recurrent income from the card business.

Development of expenses

The growth in total income after provisions for possible loan losses of 11.4% (without the VISA effect) was opposed by a disproportionally small rise in administrative expenses of 9.0% to €284.5m (previous year: €261.0m). This increase is predominantly due to the integration of the former onvista group, including the costs for the onboarding. Regulatory costs also had an impact.

Personnel expenses increased by 8.8% to €95.8m. In addition to the expenses-related effect resulting from the integration of over 80 employees (full-time or equivalent) of the former onvista group, the expansion of teams for the implementation of growth and regulatory projects had an impact. Moreover, the increase in expenses was to a small extent due to salary increases and greater subsidies for company pensions.

Administrative expenses
(in €m)



At €170.8m, other administrative expenses were 7.5% higher than the comparable 2016 value. The integration of the former onvista group contributed €8.8m to this. The mandatory contributions, which predominantly included contributions to the deposit insurance scheme of the Bundesverband deutscher Banken e.V. (Association of German Banks) and to the statutory deposit insurance scheme, rose by €7.9m to €19.6m. By contrast, sales expenses fell by €6.0m to €28.9m in 2017.

The 28.4% increase in amortisation to €17.8m is primarily due to the amortisation of intangible assets from the purchase of the former onvista group. The stock of internally generated software also increased, which also led to a greater amount of amortisation.

Proposal for appropriation of profit

The Board of Managing Directors and Supervisory Board will propose to the annual general meeting in Hamburg on 4 May 2018 that the distributable profit of comdirect bank AG of €113.4m calculated in accordance with the German Commercial Code (HGB) (previous year: €69.9m) be used for a dividend of €35.3m (€0.25 per share; previous year: €0.25) and that the remaining amount of €78.1m be transferred to retained earnings. This brings the payout ratio upon acceptance of the proposal for appropriation of profit to approximately 49% of the consolidated net profit in accordance with IFRS. With the partial transfer of the net income for 2017 to retained earnings, comdirect is securing suitable equity resources, while at the same time expanding its financial latitude for continued growth investment.

B2C business segment (including the former onvista group)

In brokerage, comdirect extended its leading market position with organic growth and the integration of the former onvista bank. The number of executed orders increased by 20.7% to 17.2m. Despite the difficult market environment characterised by low volatilities, organic growth stood at 3.9%. One contributor to this was the trading offensive with targeted existing and new customer campaigns launched in the third quarter.

comdirect was able to take a strong market position in CFD trading. The order activity of 15.6 (previous year: 14.6) trades per custody account underlined the continued high level of customer activity in trading, as did the high trading affinity of the customers gained from the acquisition of the former onvista bank.

The growth course could be continued equally successfully in both banking and brokerage. The portfolio volume climbed by 33.5% to the new record level of €37.09bn. The organic growth of 25.3% was substantially attributable to net fund inflows, which at €4.0bn exceeded the previous year's value (€2.5bn) significantly. Positive market value effects of €3.0bn also contributed to the growth.

The number of custody accounts rose by 19.4% to 1.20m (end of 2016: 1.01m). The successful cross-selling between banking and brokerage also contributed to this.

The volume of deposits increased over the course of the year by €3.70bn to €21.92bn. This includes the volume on clearing accounts brought in by the former onvista bank, which amounted to €0.7bn on the acquisition date. Particularly high levels of growth were seen with the current account, numbers of which rose by 5.5% to 1.43m, and the JuniorGiro, also bolstered by the strong demand for the MoBox app.

The volume of utilisation of loans by private customers amounted to €447m (end of 2016: €326m). The significant rise of around 37% was partly due to growth from the increased use of loans against securities. comdirect's consumer loan product, the volume of which – thanks also to the sliding scale interest rate based on loan amounts introduced during the year – more than trebled within the space of twelve months, also contributed to the growth. The utilisation of credit lines also climbed in comparison with the end of the previous year. In addition to the greater number of current accounts, the significantly more favourable conditions in the reporting year were the crucial factors here.

At €81.2m, the B2C business segment's result was 16.9% above the previous year's value (€69.5m), which was adjusted for the VISA non-recurring effect. As at the level of the comdirect group, the development of net commission income and the result from financial investments were crucial factors here. Pre-tax RoE increased to 14.0% (adjusted previous year's value: 12.6%).

Business segment B2B

ebase further consolidated its position as a leading B2B direct bank on the German market in the financial year 2017. At €32.35bn (end of 2016: €29.75bn), the managed volume (total AuC) reached a historic record level. The rise of 8.7% was primarily due to market price effects. In addition, net fund inflows to the customer base and to a small extent the increase in the number of customers by 1.5% had an impact.

ebase recorded vigorous business across all sales and product segments. ebase's assistance as an innovative service provider was also in demand, to actively accompany associated cooperation partners' digital transformation. ebase saw strong demand for investment fund-based savings plans, capital-forming investment in funds and ETFs among private customers managed through IFAs and banks. The volume in working hours custody accounts and custody accounts for company pensions increased among corporate customers. The portfolio volume with institutional investors also showed pleasing development. In addition, the interest in sustainable investment with investment funds increased across all customer groups.

Pre-tax profit of ebase rose significantly to €13.6m (previous year: €10.1m), which is equivalent to pre-tax RoE of 31.4% (previous year: 26.0%). The most important source of income remained net commission income, which accounted for around 98% of ebase's total income after provisions for possible loan losses. At the same time, the robust margins in sales follow-up commission also had an impact, as did a rise in income from custody account management fees.

Financial situation and assets of 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 at conditions in line with the market. Treasury investments with these companies are comprehensively collateralised – either directly (Pfandbriefe) or via general assignment agreements or collateralised via securities (pledged securities account) (see Note (21) on page 93).

Where required, derivative financial instruments are used to hedge interest rate risks from bonds, to manage the interest book in the Treasury portfolio and for currency hedging. Only currency risks arising from a lower US dollar foreign currency position were hedged in the reporting period. As of 31 December 2017, the foreign currency position to be hedged was already sold and the derivative hedging item (FX forward) released.

Balance sheet structure of comdirect group

The persistent deposit growth is reflected in the balance sheet extension to €23.03bn (end of 2016: €19.27bn). As in the previous year (around 96%), the financing side of the balance sheet comprised around 97% customer deposits, although the majority was due on demand and unlimited in time (see Note (49) on page 114).

The provisions declined over the course of the year to €33.5m (end of 2016: €39.6m). The decrease in provisions for pensions is particularly due to the further endowment of the plan assets (see Note (44) from page 107).

The off-balance sheet commitments rose during the reporting year by €1.27bn. These relate to credit lines for loans against securities categorised as irrevocable loan commitments resulting from the change in the product conditions as part of the trading offensive. The utilisation of loan commitments is possible within the quality level in the form of deposited securities.

Equity rose slightly to €638.9m (end of 2016: €628.2m). The crucial factor here was primarily the partial retention of the consolidated net profit from 2016. The consolidated net profit, which was lower in comparison with the previous year, and the decline in revaluation reserves had a counter effect.

The increases in deposit volume were predominantly invested in companies of the Commerzbank Group. In total, the claims on banks rose by €3.87bn to €17.31bn. By contrast, the volume of financial investments reduced from €3.27bn to €2.77bn. Predominantly the maturity of securities had an impact here. The financial investments mainly comprise bonds and Pfandbriefe as well as the preferred stocks held in VISA Inc. USA.

The rise in claims on customers of €120.1m to €495.2m is primarily due to the greater utilisation of loans against securities and the growing consumer loan business, and to a lesser extent the increased volume of credit lines.

The cash reserve of €2.36bn (end of 2016: €2.14bn) almost entirely comprised credit balances at the Deutsche Bundesbank.

Compared with the previous year (€24.3m), intangible assets approximately doubled and totalled €50.1m. This was primarily due to the addition of €24.0m to intangible assets from the purchase price allocation as part of the acquisition of the former onvista group. In addition, the growth in internally generated software from IT activities had an impact on both product innovation – such as cominvest – and the further development of the IT infrastructure in accordance with new regulatory requirements.

Even without accounting for the assets arising from the acquisition of the onvista group, the balance-sheet additions to fixed assets increased significantly compared with the previous year (€15.8m) to €22.2m, of which €14.6m was attributable to intangible assets and €7.6m was attributable to tangible assets.

Cash flow statement of comdirect group

Overall, 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. The business model of the comdirect group means that the operating cash flow (see page 76) is primarily influenced by trends in customer deposits and their reinvestment. The significant rise in cash flow from investment activities is due to the addition of cash and cash equivalents amounting to €420.9m from the acquisition of the onvista group. The payment of the purchase price of around €40m had a counteracting effect. The cash flow from financing activities corresponded to the dividend distribution by comdirect bank AG.

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 €100k 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 2017 reporting date, protection for comdirect and ebase customers amounts to €80.8m and €5.2m respectively per customer.

Human Resources

comdirect fully understands employer attractiveness and structures itself at all levels – its work environment, employer contributions, management, team and employee development and networking – in such a way that wins over and secures the long-term loyalty of the talented staff of today and of the future. Personnel management is therefore an important component of strategic development and a prerequisite for the bank's future growth.

The number of employees in the comdirect group increased over the reporting year by around 97 to around 1,295 full-time personnel. The growth exclusively concerned the B2C business segment and was predominantly due to the transfer of employees from the former onvista group. In addition, the core functions necessary for the growth and regulatory projects, in particular IT, user interface and brokerage, were expanded. The number of employees in the B2B business segment has changed only negligibly.

In the competition for suitable personnel resources, the activities in personnel marketing were further intensified. The employer brand revised during the reporting year was successfully positioned at recruitment fairs such as CodeCruise Hamburg and the IT Career Night in Rostock, in job advertisements and in employer profiles on social media. The new comdirect careers page was also launched with interesting features. Furthermore, new formats such as recruiting videos and virtual reality formats were tested and prepared for broader use in 2018.

The implementation of the new management concept, which was introduced at the end of 2016, including the measures building on this for training managers, is the focus of competence and talent management. Because the quality of leadership is so important for employee satisfaction and loyalty, productivity and employer attractiveness, the management staff were systematically supported in building and expanding their skills and continuously developing their own capacity for action. To this end, creative formats that focus on practical application, networking and dialogue were used more intensively. The set of instruments for all employees was further enhanced to include innovative learning and networking formats, such as input sessions and microtraining sessions, which will also be focussed on in the financial year 2018. At the same time, the "Financial Services Certification" in customer services has now been extended to over 200 graduates. At ebase, the focus was on qualification measures for managing the digital transformation.

The work environment was also further developed and now better supports the aim of more rapid, flexible and interdisciplinary collaboration and comdirect's innovation culture through the partial restructuring of workplaces. The comfit health programme was supplemented with new exercise and relaxation formats. In order to promote harmony between work and private life and/or family, part-time working arrangements for managers, a parent-child office, childcare for holidays and emergencies, as well as the opportunity to take sabbaticals, are just some of the benefits available. comdirect is a member of the corporate network Erfolgsfaktor Familie ("Success Factor: Family").

Providing targeted support to women in management positions remains a particular concern of comdirect. At least 25% of the leadership roles at the first management level below the Board of Managing Directors should be filled by women. This minimum quota had already been set in 2015 and was confirmed in the reporting year as a target for 30 June 2022. The target quota for the second management level was increased from 20% to 30%, taking effect on 30 June 2022. As of the end of 2017, the quota for women was 21.1% at the first level, and 28.3% at the second level below the Board of Managing Directors.

comdirect promotes equality between men and women, for example through tailored and flexible working time solutions, options for telecommuting and special seminar places for women seeking management positions. comdirect's compensation system is performance-related and meets all of the requirements for market conformity, fairness and transparency. In particular, the transparency and the clear structure of the compensation system ensure overall clarity, and thus gender-neutral treatment of all employees. A detailed report on equality and equal pay pursuant to Chapter 4 of the Equal Pay Act (Entgelttransparenzgesetz – Sections 21 and 22 EntgTranspG) will be prepared for the first time for the financial year 2017 and published together with the 2017 management report of comdirect bank AG in the Federal Gazette.

comdirect's holistic personnel management received several awards in 2017. For example, comdirect was awarded "Fair company 2017" for providing vocational training to university students (karriere.de) and was recognised by ABSOLVENTA for its career-enhancing and fair trainee programme. Employer rating website kununu counts comdirect among the "Top Companies" recommended by employees. Since 2016, comdirect has held the ELTERN-Siegel title "Best Company for Families", awarded by ELTERN magazine. ebase was recognised as "Top Employer" for the third consecutive time by the Top Employers Institute in its SME Germany category.

comdirect share

comdirect's good economic growth is also reflected in the performance of the comdirect share. Compared with the closing price in 2016 (€9.63), the price climbed during the course of the year by 18.9% to €11.46. The shares reached their highest price in 2017 on 16 October at €12.08. The closing price corresponded to a market capitalisation of €1.62bn, of which around €0.3bn was attributable to the free float. On average, 27.1k shares were traded via XETRA per trading day (previous year: 21.6k).

Following the annual general meeting on 11 May 2017, comdirect paid a dividend totalling €35.3m, or €0.25 per share. This corresponded to a dividend yield of 2.6% in 2017. Approximately €34.6m was transferred to retained earnings.

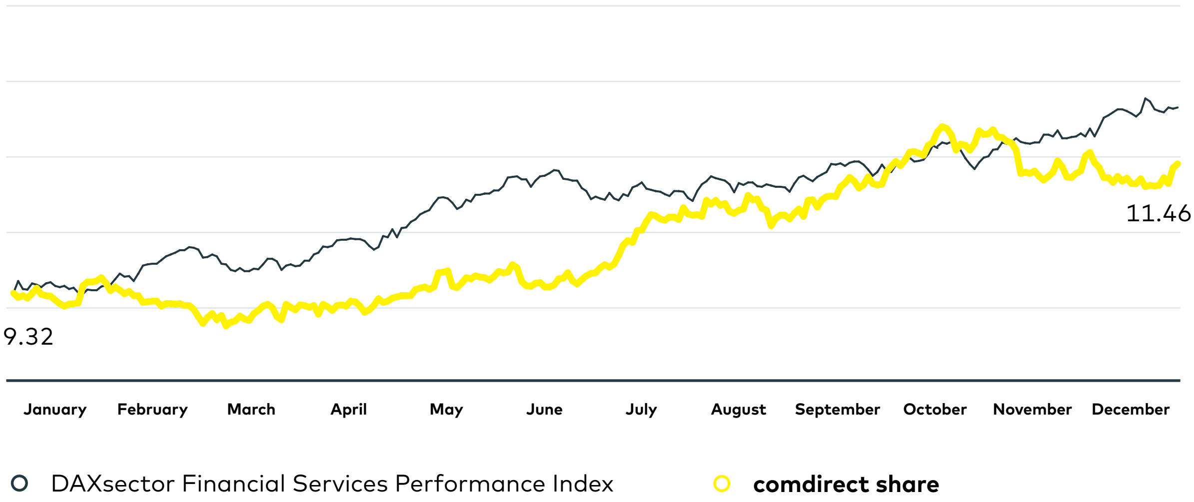
Data and key figures of the share 2017

Data	
German securities code number	542 800
ISIN Code	DE0005428007
Stock exchange code	COM Reuters: CDBG.DE Bloomberg: COM GR
Stock exchange segment	Prime Standard
Number of shares issued	141,220,815 no-par-value shares
Designated sponsor	Commerzbank AG
Shareholder structure	82.27% Commerzbank AG[1)] 17.73% free float

1) Indirectly

The share is currently being regularly evaluated by six research institutes. At the end of the year, three analysts recommended holding the share, two recommended selling and one recommended buying the comdirect share. The target price had a median of €10.30.

comdirect share price performance 30.12.2016 to 30.12.2017
(in €)



Source: Bloomberg; indices normalised to the comdirect share price as of year-end 2016

Non-financial declaration

In accordance with the requirements of the statute implementing the CSR regulation, certain companies are obliged to publish non-financial information about environmental, social and employee concerns, among other issues. According to Section 340a (1a) HGB, the comdirect group must produce non-financial reporting. Due to the inclusion of the comdirect group in the separate summary non-financial report of the Commerzbank Group and the parent company Commerzbank AG, the comdirect group makes use of the exemption option of Section 340a (1a) clause 3 in connection with Section 289b (2) HGB. The separate summary non-financial report is published in the online Federal Gazette and publicly available under the following link: www.sustainability.commerzbank.com/NFR2017. Furthermore, there is information regarding certain aspects, for example relating to the combatting of corruption and bribery, in the annually compiled Corporate Governance Statement of the comdirect group.

Supplementary report

No major events or developments of special significance have occurred since the 2017 reporting date.

Outlook report

Forward-looking statements

comdirect forecasts 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 of the bank can vary from the assumed trends. comdirect does not intend to update the forward-looking statements or to correct them in the case that development is different to that expected. The outlook is for the 2018 financial year.

Anticipated economic environment

comdirect anticipates a stable economic environment in 2018. According to the expectations of economists at Commerzbank, global growth is likely to be at the level of the previous year (3.7%). While it is likely to slow in China and Japan, it is likely to experience a moderate increase in the eurozone – driven in particular by Germany and France – as well as in the US.

The increase in core inflation there, coupled with full employment and an expansive fiscal policy, should give the US Federal Reserve latitude for further base rate increases, which will lead to an increase in the interest rate gap between the dollar and eurozone. Despite growing market speculation, a change in interest rate policy by the ECB in view of continued low core inflation in the eurozone is still not expected. The three-month EURIBOR, which is crucial for comdirect, will therefore presumably also be negative in 2018. There are no significant changes on the bond markets. A halving of bond purchases to a monthly volume of €30bn and the further reduction expected for October 2018 are likely to have only a limited impact. The ten-year Bund yield is expected to fluctuate around a level of 0.5%; at the same time further falling risk premiums are expected for the peripheral countries of the eurozone. Overall, the money and bond markets relevant for the Treasury are expected to persist at around the low level of 2017.

After the share price gains of 2017, a volatile sidewards movement may result on the equity markets. The upward drivers will be strengthened here by the rise in inflation expectations and the positive effects of the US tax reform, while the still moderately valued DAX could react partly to falling profit forecasts in connection with the strength of the euro. Greater volatility would favour the trading activity on the stock exchanges, which is why comdirect anticipates a favourable securities market environment overall. The demand for funds and savings plans based on these is likely to remain at a high level in the persistently low interest rate environment.

The market environment also remains challenging in 2018 in the partner segments of ebase. Looking at the regulatory environment, some further adjustments and clarifications on the part of the regulatory authorities and lawmakers are to be expected, as a consequence of which clearer market standards will develop, for example on the part of insurers and asset managers. Customers and partners also intend to make use of digital services already established in other industries in the area of finance and especially in asset management.

The regulatory environment remains challenging in 2018. After MiFID II and MiFIR came into force at the beginning of January 2018, the focus is now partly on the implementation of the requirements of the EU General Data Protection Regulation and the Payment Services Directive PSD II.

Expected business performance and earnings situation

In the 2018 financial year, comdirect will also continue to systematically implement its strategy adopted at the end of 2015 and pursued in 2016 and 2017 (see pages 17 to 20) and establish itself as a smart financial companion for its customers and offer the right solutions for saving, investing and trading with securities.

Specifically, comdirect intends to attain a leading position as a digital asset manager, to assert market leadership in online brokerage and develop an image as an innovation leader on the market.

The aim with these initiatives is to increase the number of custody accounts and AuC, and as a result increase the number of executed securities orders.

Assuming that the capital markets will move at least sidewards, AuC will increase moderately in 2018. The growth will mainly be the result of net fund inflows in the B2C segment. Net fund inflows will however overall be significantly below the extraordinarily high level of 2017, which reached €10.8bn. We expect that the net fund inflows will be attributable to a large extent to the portfolio volume. The deposit volume will also increase tangibly and contribute to an increase in the balance sheet total.

As expected, net interest income bottomed out in the financial year. We are therefore expecting the net interest income to significantly exceed the 2017 level also as a consequence of the quantity effect described above.

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. We are nevertheless confident of exceeding the general market development again in 2018. This confidence is based on the ongoing trading offensive launched in the second half of 2017, which both motivates trading customers to trade on the markets and also addresses new customers. This will also tangibly increase the number of custody accounts in the B2C segment. As long as the equities markets are not negatively influenced by the ECB's interest-rate policy, and in particular if market volatility remains at a high level, the trading activity of our customers may significantly exceed that of the reporting year. On the basis then of higher order figures and persistently high sales follow-up commission from the funds business as a result of similarly high index values and slightly increasing portfolios, we anticipate a net commission income noticeably above that of 2017.

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

While we are expecting a tangible increase compared with the previous year in administrative expenses, the increase will remain at the level of 2017. This expectation is due to persistently high regulatory costs, the ongoing growth of comdirect and the former onvista group's inclusion in comdirect's entire annual period. The contributions to administrative expenses in the reporting year were included only from April and thus nine months. 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 2017, other income consisting of the other operating result, the trading result and the result from financial investments, was characterised by gains on disposal from financial investments of €21.9m. In the future there will be less of this kind of effect in the income statement due among other things to the introduction of new accounting standards for financial instruments as possible price gains will no longer be recognised in profit and loss for a large part of the investments. The level of other income in 2017 will therefore be substantially lower.

Overall, we are looking at a challenging year ahead, for which we believe we are well positioned as a result of our numerous strategic initiatives. We are expecting pre-tax profit for the comdirect group in 2018 to be in the same range as that of 2017. The same prediction applies to pre-tax RoE. The B2C business segment will make virtually the same level of contribution to the comdirect group's result as in the reporting year. Pre-tax RoE will therefore also be in the same range as in the 2017 financial year. We also expect pre-tax profit and pre-tax RoE for the B2B business segment to be at the same level as 2017.

Expected financial situation

The comdirect group is not expecting any material change in its financial situation compared with the position at year-end 2017.

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 brokerage and banking. The associated risks are transparent and limits are set for risks that can be quantified, and utilisation and compliance with these limits is monitored on a continual basis.

We do not assess risks 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 while taking external and internal influencing factors into consideration, allowing for comdirect's risk-bearing capacity as well as regulatory requirements.

A consistent risk strategy is developed on the basis of 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. Separate risk 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. The requirements of the new MaRisk published in October 2017 were analysed and structured with reference to action needed and accordingly transferred to the persons responsible for implementation. The progress of implementation is controlled centrally by risk management.

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.

comdirect bank AG's 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. The former onvista group was integrated into comdirect's risk management systems. Its smaller size compared to comdirect means there are no significant changes to the risk parameters and risk situation.

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, comdirect is exempt from applying the regulations of sections 2–5, 7 and 8 CRR (complying with and reporting own funds/equity resources, major loans of more than 10% of the liable capital, the leverage ratio and compliance with disclosure requirements).

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. The LCR is calculated daily at comdirect for internal control purposes. The NSFR and monitoring metrics are calculated monthly.

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 that 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 or 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 can arise as a result of having a qualitatively and quantitatively inadequate workforce due to insufficient recruitment capabilities, are also classified as operational risks. Risks arising from outsourcing services to third parties are also monitored in the context of operational risk.

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

Business risk encompasses 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 hand, 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 the 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 2017

At the end of 2017, comdirect's overall risk position stood at €189.1m (end of 2016: €187.2m) 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 close-out and business risks.

Breakdown of economically required capital 2017 (in €m)

	As of 31.12.2017
Market risk	15.0
Credit risk	126.8
Operational risk	11.2
Business risk	15.7
Close-out risk	20.5
Economically required capital	189.1

The limit utilisation level was non-critical with respect to the aggregate risk throughout the whole of the year. At the end of 2017, the utilisation level of the overall limit was 37.8% (end of 2016: 40.7%). Even under stress conditions, the economic risk-bearing capacity remained consistent throughout the year. With an overall risk of €323.0m under stress, the utilisation level of the economic capital was 64.6%.

The economic capital required for market risks was below the previous year, amounting to €15.0m at the end of 2017 (end of 2016: €30.2m). The overall risk of the comdirect group included credit risks with a total Credit Value at Risk (CVaR) of €126.8m (end of 2016: €122.9m).

For operational risks, the economic capital required declined slightly over the course of the year and was therefore 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 2017, it amounted to €11.2m (previous year: €14.5m).

As of the balance sheet date, the risk-weighted assets calculated in accordance with the requirements of the CRR totalled €994.4m.

In preparation for the requirements of "Basel III", in principle banks have had to calculate the leverage ratio since the financial year 2010. The leverage ratio is the ratio of Tier 1 capital (Tier 1 capital of €469.9m; see Note (48) starting on page 113) to total assets (non-risk-weighted) plus off-balance sheet items. The leverage ratio is currently a monitoring indicator; the final design and mandatory introduction of a target quota of 3.0% is expected at the European level on the basis of the final Basel III framework in 2018.

As a result of the existing waiver regulation for solvency purposes (see pages 41 to 42), 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 (51) starting on page 116.

Current risk situation
As of 31 December 2017, the VaR for market risk was €0.7m (end of 2016: €1.3m), having fluctuated in the course of the year between €0.5m and €1.3m. At €89.1m, the overall stress value was slightly above the previous year's level (€79.8m). The limits for all types of market risk were complied with consistently.

Market risks (in €k)

	As of the end of previous year	As of the end of year	Year high	Year low	2017 median	2016 median
Total VaR 97.5% 1 day holding period*	1,340	713	1,344	486	662	1,796
Stress test – overall result	79,803	89,123	102,897	76,191	87,776	91,695

* Model see Note (51) starting on page 116.

The majority of the market risk in this year comprised credit spread risk, followed by equity price risk. The proportion of general market risk attributable to interest rate risk remains at a low level. Given the low level of exposure, fund price risk and currency risk continued to play 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 money and capital market transactions. In addition, retail lending involves credit risks.

The aim of the separate risk 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 separate risk 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. Risk controlling for the retail lending business is anchored in the Credit Risk Management department and the Finance department is responsible for processing the Treasury's transactions.

Treasury investments are carried out within the limits approved by the Board of Managing Directors of comdirect bank AG as well the Group-wide requirements of Commerzbank. These limits are defined for both the respective counterparties and issuers as well as the underlying transactions. In the capital market, 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 of 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. 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 lending business that allows for necessary adjustments or the termination of credit lines.

Credit risks are quantified on a monthly basis by calculating the CVaR for trading transactions (excluding intragroup receivables) and retail lending. The method is described in detail in Note (51) starting on page 116.

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 utilisations, the level of the expected probability of default, as well as consideration of existing collateral and the recovery rate, are crucial for the respective level of valuation allowance.

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 2017, the total CVaR for credit risks amounted to €126.8m (previous year: €122.9m). As in the previous year, the average rating in the Treasury portfolio outside of 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 2017, 15.8% (previous year: 18.7%) of the banking book portfolio was invested short term in the money market. The relative share of capital market investments increased accordingly, with the investment focus on promissory notes/fixed-term deposit investments as in the previous year. Of the capital market investments, €0.61bn (previous year: €0.61bn) was attributable to five special funds, a substantial portion of which were invested in fixed-income securities.

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

In comdirect's securities credit business, the average total utilisation of loans against securities was above that of the previous year (€166.1m) at €182.3m. At €2.52bn, the credit facility for loans against securities increased slightly on the level at the end of 2016 (€2.48bn). 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 €960.1m to €1,150.3m 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 17.4% (previous year: 18.1%). As of year-end, the volume of loans against securities amounted to €215.9m (previous year: €156.8m). The overdraft volume was marginal and stood at 0.5% (€0.98m) 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 €44.0m and €57.6m and stood at €51.9m as of 31 December 2017; this equated to 5.4% of the overdraft facilities amounting to €952.7m made available (end of 2016: €873.1m). At 6.8%, the share of overdrafts relative to the number of current accounts with an overdraft facility in the financial year 2017 was virtually unchanged on the previous year.

The credit volume utilised in the Visa card portfolio at the end of the year amounted to €120.7m, corresponding to 7.4% of the total limit granted of €1,641.1m.

The number of consumer loans granted has risen continuously since their introduction in April 2016. As of the end of the year, 4,968 consumer loans were paid out with a net loan volume totalling €55.3m.

At the end of 2017, total receivables in retail lending including ebase amounted to €450.2m and were therefore significantly higher than in the previous year (€329.3m). Portfolio loan loss provisions and provisions for possible loan losses amounted to €3.5m as of the reporting date (end of 2016: €6.2m). Allocations stood at €1.8m, while reversals amounted to €4.3m and utilisation was €0.26m. Reversals of provisions for possible loan losses, which had increased, resulted from two parameter adjustments. The regular review of the parameters applied revealed a need for adjustment of the Visa performance rating model 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 according to the Capital Requirements Regulation (CRR). The reporting pursuant to the Liquidity Regulation was to be carried out for the last time on 31 December 2017. The LCR is calculated daily. The NSFR is calculated monthly. It is likely that the banks will have to comply with the NSFR as of 2019. 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 €53.2m as of the balance sheet date (end of 2016: €251.6m) and €190.0m on average for the year (previous year: €124.8m). 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 2.41 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 liquidity indicator LCR was significantly above the minimum limit at all times during the reporting year, standing at 3.8 at the end of the year. The liquidity indicator NSFR, which is to be observed in the future, stood at 1.3 at the end of the year and was therefore also higher than the future minimum requirements.

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. Scenario analyses carried out on a regular basis are one instrument used to measure operational risk. All operational risks are continually monitored and loss incidents must 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 section Human Resources on pages 34 to 35).

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 damage. Furthermore, the insurability of risks is regularly reviewed and rated economically.

Current risk situation

The VaR for operational risks (OpVaR) stood at €11.2m at the end of 2017, compared with €14.5m as of 31 December 2016. There were fewer cases of misuse in online banking than in the previous year, while misuse connected with cards is increasing.

In addition to the continued improvement of fraud prevention related to card transactions and tackling cybercrime, the central 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. System availability averaged 99.96% for the year, which was on par with the previous year's level. Personnel risks in terms of ensuring the quality and quantity of the personnel available were reduced 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, Information Security & Outsourcing Management and Legal, Data Protection & Organisation and examines and assesses potential reputation risks and discusses targeted measures. The reputation working group reports on reputation-relevant incidents to the Board of Managing Directors. In addition, this information is included in the content of the regular report on operational risks to the management.

Current risk situation
There were isolated incidents during the reporting year with a potentially reputation-relevant background. Two of these were incidents involving the use of cards at ATMs, which were due to external factors. The website and web applications also became unavailable for a short period of time. An external technical error also led to isolated cases of erroneous allocation of documents in the closed area. None of these cases led ultimately to financial or reputation damage, since in all cases, measures required for analysis, issue resolution and future prevention were immediately undertaken and followed up. 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 income 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 the approval of the Supervisory Board.

Current risk situation
At €15.7m, the VaR at the end of 2017 (previous year: €7.3m) 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 income 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 income 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 €20.5m at the end of the year (previous year: €12.3m).

General model risk

Risk quantification, management and reporting
For the respective types of risk, comdirect's risk management necessitates the use of quantitative risk models that 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 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 – the comdirect group tracks 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 income targets and the defined risk limits.

Current opportunities

The following developments in particular may give rise to positive planning deviations in 2018:

The trends in the capital market environment for trading may be better than assumed in the planning. For instance, an extraordinary rise in volatilities would have an advantageous effect on the trade figures and thus on the commission income.

A significant rise in the share price level on the equity markets would 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 securities become more important than expected for the financial asset 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.

Conversely, the market interest rates may rise more quickly than supposed in the basic planning despite the ECB's continued expansive monetary policy, contrary to expectations. This would have a positive impact on the interest margin and in some circumstances also on the volume of the deposit business, although a negative development in brokerage could be opposed to these effects.

Demanding expectations, already accounted for in the planning, are associated with the strategic measures scheduled for 2018. Nevertheless, there is the possibility that the expectations will be exceeded. For example, the trading offensive – combined with the optimisation of the custody account view and custody account management and the technically revised financial portal onvista.de – could lead to greater net fund inflows than planned. This refers both to new customers as well as to the expanded base of existing customers due to organic and inorganic growth in 2017. It could also be possible to position comdirect more visibly as an innovation leader with the enhancement of its voice services, including the Alexa Echo Spot launched in 2018, invigorating the new customer business. In the B2B business, ebase may be able to benefit more than expected in the partner segments from the new regulatory requirements and the demand for digital services especially in asset management.

With regard to the industry environment, positive effects may arise from the continued reduction in branch networks nationwide. This could lead to a more rapid acceptance of direct bank models and the use of smart solutions for banking and investment transactions than previously expected. Combined with this, the market penetration of robo-advisory solutions such as cominvest could increase more quickly than expected. Furthermore, opportunities may arise from the development of new solutions on the basis of technological innovations such as chat bots for example.

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

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

The details in the management report/group management report of comdirect bank AG in accordance with Sections 289a (1) and 315a (1) of the German Commercial Code (HGB) 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 82.27% 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 12 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 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 and consolidation 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 AG examined – in the context of Germany's Remuneration Regulation for Institutions (IVV) – 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 the 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. A multi-year assessment basis will also apply when determining the overall volume of variable compensation for the Board of Managing Directors. In the 2016 financial year comdirect bank AG was categorised for the first time as an important institution pursuant to Section 17 (1) IVV. Subsequently, comdirect bank AG is also obligated to meet the IVV's special requirements for important institutions. As a result, the share of the long-term incentive (LTI) relating to the variable compensation of the members of the Board of Managing Directors was increased from 40% to 60% from 2016 onwards, which is the same level as has been applicable to the CEO since 2011. The third version of the IVV came into force on 4 August 2017. In this context, the compensation system for the members of the Board of Managing Directors is currently being examined together with compensation experts from the Commerzbank Group to see whether it needs further amendment and to adjust it where necessary to comply with legal requirements.

In this, comdirect bank AG further 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 AG 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 four occasions in the financial year 2017, 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 AG. The compensation components are specified in the contracts of employment of the respective members of the Board of Managing Directors.

The compensation of the Board of Managing Directors is based on the duties of the individual members of the Board of Managing Directors and the current economic position and future prospects of the bank, as well as the level of compensation paid in 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

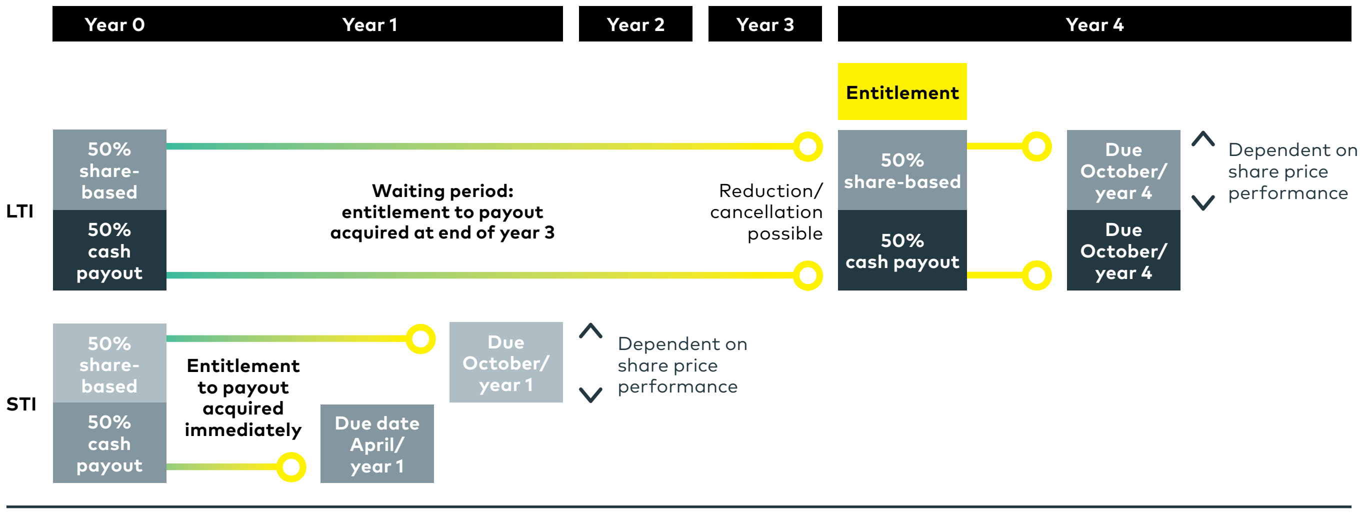
The non-performance-related fixed compensation comprises an annual fixed salary plus fringe benefits. Without prejudice to the possibility of a review by the Supervisory Board, the annual fixed salary for members of the Board of Managing Directors is set for the entire term of their respective contract 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 AG.

Performance-related variable compensation

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

The volume of performance-related variable compensation depends on the achievement of corporate targets of comdirect bank AG and the Commerzbank Group and also of individual goals in the financial year to be assessed, 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. A multi-year assessment basis is necessary for determining the volume of the variable compensation. The target attainments of the last three financial years are taken into account, although the individual financial years are 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).

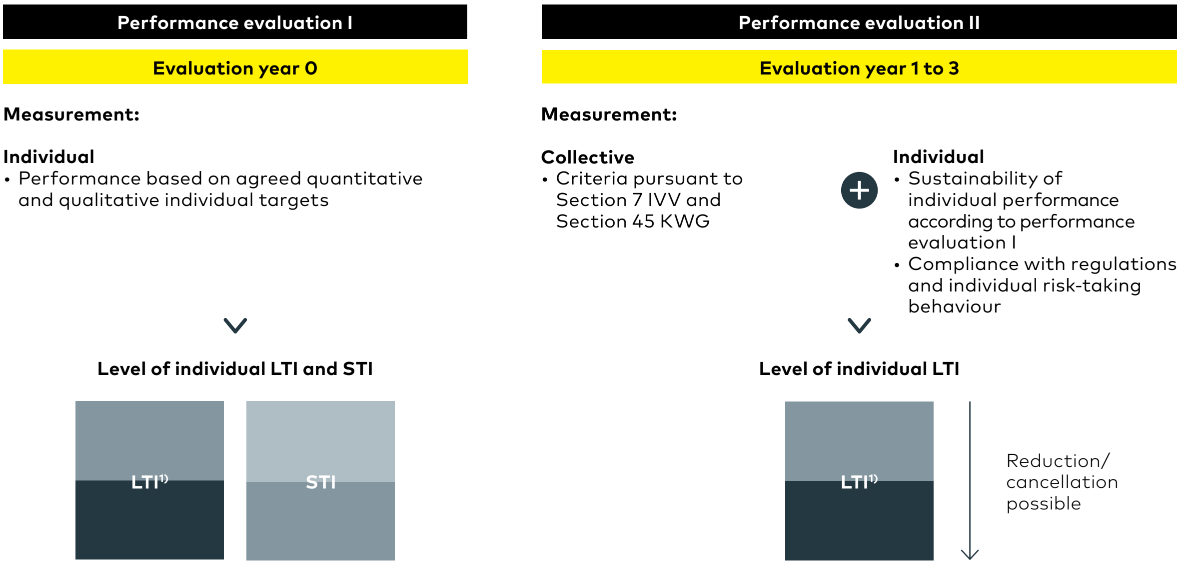
The individual variable compensation of the members of the Board of Managing Directors is split into two parts: a long-term incentive (LTI), which comprises 60% of the variable compensation and is paid out at the earliest three and a half years after the end of the financial year, and a short-term incentive (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 2017, the STI will therefore fall due in financial year 2018 (year 1) and the LTI will fall due in 2021 (year 4) subject to a reduction or cancellation of the entitlement. If the variable compensation granted for the 2017 financial year is less than €50k, payment is made in full in April 2018 (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 that restrict or rescind the risk orientation of the variable compensation are contractually excluded. The current LTI components do not apply if, based on defined criteria, the respective member of the Board of Managing Directors leaves the bank as a "bad leaver". In the event of extraordinary developments, the Supervisory Board can, at its reasonable discretion, adjust the targets and parameters for the STI and LTI and appropriately limit the level of individual variable compensation. The payout of the variable compensation components is cancelled if the payment is prohibited or restricted by the Federal Financial Supervisory Authority (BaFin).

Pensions
For their work at comdirect bank AG, the members of the Board of Managing Directors receive a pension entitlement, whereby the active members of the Board of Managing Directors acquire a claim to an annual pension element amounting to a fixed percentage of their respective basic annual salary. The level of the pension thus depends solely on the length of time they have been a member of the Board of Managing Directors. The rights to a pension are non-forfeitable after five years of service in the Commerzbank Group. The company has recognised pension provisions for these future claims on the basis of the International Financial Reporting Standards (IFRS), the level of which depends on the number of service years, the pensionable salary and the current actuarial interest rate. These are calculated according to the project unit credit method on the basis of actuarial opinions by an independent actuary (see Note (65) from page 135).

Premature termination benefits
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. 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 2017 amounted to €1,656k (previous year: €1,690k). In accordance with Section 314 of the German Commercial Code (HGB) – in addition to the non-performance-related fixed compensation,

the performance-related variable compensation due in the short term granted for 2017 and the share-based portion of the performance-related variable compensation with long-term incentive effect granted for 2017 – the cash payment portion of the performance-related variable compensation with long-term incentive effect granted for 2013 and paid out in 2017 must also be reported in the 2017 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 2017 reporting date as well as the payouts made in 2017 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)

€k	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 2017 for respective reporting year[3]	Cumulative compensation paid for respective reporting year as of 31.12.2017	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				
2017	**410**	**30**	**46**	**46**		**70**		**70**		**440**	**440**	**672**	**602**
2016	410	33	54	54	77	81		81[4]		131	574	713	632
From 15.3.2015	287	46	34	34	26	51		51[5]			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, in financial year 2020 for tranche 2016 and in financial year 2021 for tranche 2017. The amount can be reduced or cancelled depending on results of performance evaluation II and payout is due in financial year 2019 (tranche 2015), in financial year 2020 (tranche 2016) and in financial year 2021 (tranche 2017) 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 2017 the STI component granted for 2016 was also paid in 2017.
4) Valuation of LTI component granted for 2016 as of 31.12.2017: share-based LTI €133k.
5) Valuation of LTI component granted for 2015 as of 31.12.2017: share-based LTI €77k.

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

€k	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 2017 for respective reporting year[3]	Cumulative compensation paid for respective reporting year as of 31.12.2017	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				
2017	**180**	**35**	**19**	**19**		**28**		**28**		**215**	**215**	**309**	**281**
From 18.7.2016	82	14	10	10	14	15		15[4]		24	120	146	131

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 2020 for tranche 2016 and in financial year 2021 for tranche 2017. The amount can be reduced or cancelled depending on the results of performance evaluation II and payout is due in financial year 2020 (tranche 2016) and in financial year 2021 (tranche 2017) respectively at the earliest. The actual value of the payout also varies depending on share price performance up until the date of payout or the date of issue respectively.
3) In addition to non-performance-related fixed compensation for 2017, the STI component granted for 2016 was also paid in 2017.
4) Valuation of LTI component granted for 2016 as of 31.12.2017: share-based LTI €25k.

Mr von Blücher also received a payment in the amount of €2k from the STI component, which was granted to him in his capacity as Chief Representative in financial year 2016.

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

€k	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 2017 for respective reporting year[3]	Cumulative compensation paid for respective reporting year as of 31.12.2017	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				
2017	**270**	**12**	**26**	**26**		**39**		**39**		**282**	**282**	**412**	**394[4]**
2016	250	12	30	30	43	45		45[6]		73	335	412	378[5]
2015	205	11	35	35	27	23		23[7]			278	332	309
2014	180	11	32	32	28	21		21[8]			251	297	276
2013	180	9	28	28	28	19	21	19	18	39	284	283	264

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, i.e. in financial year 2017 for tranche 2013, in financial year 2018 for tranche 2014, in financial year 2019 for tranche 2015, in financial year 2020 for tranche 2016 and in financial year 2021 for tranche 2017. 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), in financial year 2019 (tranche 2015), in financial year 2020 (tranche 2016) and in financial year 2021 (tranche 2017) 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 2017, the STI component granted for 2016 and the LTI component granted for 2013 were also paid in 2017.
4) In addition to the non-performance related fixed compensation, the STI component granted and the share-based LTI granted for the 2017 financial year, the 2013 LTI cash payout made in the 2017 financial year is also a component of the remuneration package to be reported for the 2017 financial year pursuant to Section 314 of the German Commercial Code (HGB).
5) In addition to the non-performance related fixed compensation, the STI component granted and the share-based LTI granted for the 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).
6) Valuation of LTI component granted for 2016 as of 31.12.2017: share-based LTI €74k.
7) Valuation of LTI component granted for 2015 as of 31.12.2017: share-based LTI €35k.
8) Valuation of LTI component granted for 2014 as of 31.12.2017: share-based LTI €24k.

Dr Sven Deglow stood down from his position on the Board of Managing Directors with effect from the end of 31 December 2017. The contract of employment with Dr Deglow was terminated on 31 March 2018 by mutual agreement. All the entitlements acquired up to the end of financial year 2017 remain in place and are presented in the following table. Payouts may be effected on the basis of the ongoing STI and LTI components as scheduled up to financial year 2021.

Dr Sven Deglow (Member of the Board of Managing Directors until 31 December 2017)

€k	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 2017 for respective reporting year[3]	Cumulative compensation paid for respective reporting year as of 31.12.2017	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				
2017	**270**	**18**	**26**	**26**		**39**		**39**		**288**	**288**	**418**	**379**
2016	250	10	30	30	43	45		45[4]		73	333	410	365
From 1.9.2015	77	1	12	12	9	8		8[5]			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, in financial year 2020 for tranche 2016 and in financial year 2021 for tranche 2017. The amount can be reduced or cancelled depending on the results of performance evaluation II and payout is due in financial year 2019 (tranche 2015), in financial year 2020 (tranche 2016) and in financial year 2021 (tranche 2017) 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 2017, the STI component granted for 2016 was also paid in 2017.
4) Valuation of LTI component granted for 2016 as of 31.12.2017: share-based LTI €74k.
5) Valuation of LTI component granted for 2015 as of 31.12.2017: share-based LTI €12k.

Details regarding pensions for the active members of the Board of Managing Directors in 2017 are shown individually in the following table.

€k	Pension obligation (DBO) under IFRS as of 31.12.2017	Vested rights as of 31.12.2017
Arno Walter	1,119	63
Dietmar von Blücher	408	15
Martina Palte	97	117
Dr Sven Deglow	0	0
Total	**1,624**	**195**

The amounts reported for Mr Walter and Mr von Blücher include the entitlements acquired in the course of their work at Commerzbank AG. The amounts reported for Mr von Blücher include the entitlements acquired during his time as Chief Representative of comdirect bank AG. Dr Deglow's pension entitlements expire as a consequence of his resignation. 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.

Benefits granted

€k	Arno Walter CEO (from 15 March 2015)				Dietmar von Blücher CFO (from 18 July 2016)			
	2016	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)
Fixed compensation[1]	410	410	410	410	82	180	180	180
Fringe benefits[1]	33	30	30	30	14	35	35	35
Total	**443**	**440**	**440**	**440**	**96**	**215**	**215**	**215**
One-year variable compensation[2]	54	54	0	82	10	22	0	36
Multi-year variable compensation	216	216	0	328	40	88	0	144
Share-based STI for 2016 or 2017[3]	54	54	0	82	10	22	0	36
LTI cash payout for 2016 or 2017[4]	81	81	0	123	15	33	0	54
Share-based LTI for 2016 or 2017[5]	81	81	0	123	15	33	0	54
Total	**713**	**710**	**440**	**850**	**146**	**325**	**215**	**395**
Benefit expense[6]	69	90	90	90	11	58	58	58
Overall compensation awarded according to GCGC	**782**	**800**	**530**	**940**	**157**	**383**	**273**	**453**

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

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

The insurance premium for the group-wide D&O insurance for Managing Directors and supervisory bodies of comdirect bank AG is paid by the company. The company incurred expenses of €35k 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 (GCGC) are shown below.

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

	Martina Palte COO and HR Director (from 1 July 2012)				**Dr Sven Deglow CMO (until 31 December 2017)**			
	2016	**2017**	**2017 (min.)**	**2017 (max.)**	**2016**	**2017**	**2017 (min.)**	**2017 (max.)**
	250	270	270	270	250	270	270	270
	12	12	12	12	10	18	18	18
	262	**282**	**282**	**282**	**260**	**288**	**288**	**288**
	30	30	0	54	30	30	0	54
	120	120	0	216	120	120	0	216
	30	30	0	54	30	30	0	54
	45	45	0	81	45	45	0	81
	45	45	0	81	45	45	0	81
	412	**432**	**282**	**552**	**410**	**438**	**288**	**558**
	19	25	25	25	17	20	20	20
	431	**457**	**307**	**577**	**427**	**458**	**308**	**578**

In accordance with the GCGC, 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.

Allocation

€k	Arno Walter CEO (from 15 March 2015)		Dietmar von Blücher CFO (from 18 July 2016)	
	2017	**2016**	**2017**	**2016**
Fixed salary[1]	410	410	180	82
Fringe benefits[1]	30	33	35	14
Total	**440**	**443**	**215**	**96**
One-year variable compensation[2]	46	54	19	10
Multi-year variable compensation	77	26	14	n/a
Share-based STI for 2016 and 2015[3]	77	26	14	n/a
LTI cash payout for 2013 and 2012	n/a	n/a	n/a	n/a
Share-based LTI for 2013 and 2012	n/a	n/a	n/a	n/a
Other	0	0	0	0
Total	**563**	**523**	**248**	**106**
Pension expenses[4]	90	69	58	11
Overall compensation granted according to GCGC	**653**	**592**	**306**	**117**

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 April 2018 or April 2017 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 (October 2017 or October 2016).
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 €343k in the financial year (previous year: €346k). In 2017, a payout of €98k was made (previous year: €102k) for the LTI component for former members of the Board of Managing Directors granted in 2013 (2012) financial year. As of the reporting date, pension obligations to former members of the Board of Managing Directors pursuant to IFRS totalled €4,959k (previous year: €5,105k).

	Martina Palte COO and HR Director (from 1 July 2012)		Dr Sven Deglow CMO (until 31 December 2017)	
	2017	**2016**	**2017**	**2016**
	270	250	270	250
	12	12	18	10
	282	**262**	**288**	**260**
	26	30	26	30
	82	44	43	9
	43	27	43	9
	21	11	n/a	n/a
	18	6	n/a	n/a
	0	0	0	0
	390	**336**	**357**	**299**
	25	19	20	17
	415	**355**	**377**	**316**

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 €20k after the end of the financial year, with the Chairman of the Supervisory Board receiving €60k and his Deputy €30k.

Members of the Risk and Audit Committee additionally receive fixed compensation amounting to €10k. Compensation of €5k 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.

€k	**Fixed compensation**		**Compensation for committee activities**		**Total**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
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 bank AG received adequate consideration for each legal transaction and ultimately suffered no disadvantage from measures either being effected or omitted.

Reportable measures were neither effected nor omitted.

Consolidated financial statements /

Income statement

Income statement of comdirect group according to IFRS

€k		1.1. to 31.12.	
	Notes	2017	2016
Interest income		111,837	135,041
Interest expenses		17,673	17,229
Net interest income before provisions for possible loan losses	(22)	**94,164**	**117,812**
Provisions for possible loan losses	(8), (23)	1,460	1,074
Net interest income after provisions for possible loan losses		**95,624**	**118,886**
Commission income		452,626	368,952
Commission expenses		200,698	153,540
Net commission income	(24)	**251,928**	**215,412**
Trading result and result from hedge accounting	(25), (26)	–692	–1,351
Result from financial investments	(27)	21,933	43,172
Administrative expenses	(28)	**284,527**	**260,960**
Other operating result	(29)	10,595	5,505
Pre-tax profit		**94,861**	**120,664**
Taxes on income	(16), (30)	23,317	28,153
Net profit[1]	(3), (17)	**71,544**	**92,511**

1) Presentation of appropriation of profits was adjusted (compare note (3)).

Undiluted/diluted earnings per share

		1.1. to 31.12.	
	Notes	2017	2016
Net profit (in €k)		71,544	92,511
Average number of ordinary shares (number)	(47)	141,220,815	141,220,815
Undiluted/diluted earnings per share (in €)	(18)	**0.51**	**0.66**

No shares were issued in the financial year. The average number of ordinary shares therefore corresponds to the number of ordinary shares outstanding as of 31 December 2017.

Statement of comprehensive income

Statement of comprehensive income of comdirect group according to IFRS

€k	Notes	1.1. to 31.12. 2017	2016
Net profit		**71,544**	**92,511**
Items which cannot be reclassified to the income statement			
– Change in actuarial gains/losses recognised in equity	(47)	1,103	–3,669
Items which can be reclassified to the income statement			
– Change in the revaluation reserves after tax	(47)		
Change in value recognised in equity		–5,463	8,583
Reclassification to the income statement		–21,157	–37,005
Other comprehensive income for the period		**–25,517**	**–32,091**
Comprehensive income		**46,027**	**60,420**

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

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

Other comprehensive income for the period

€k	Before tax	Tax	After tax
1 January to 31 December 2017			
Actuarial gains and losses	1,245	–142	1,103
Change in the revaluation reserves	–35,188	8,568	–26,620
Other comprehensive income for the period	**–33,943**	**8,426**	**–25,517**
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**

Balance sheet

Balance sheet of comdirect group according to IFRS

€k			
Assets	Notes	**as of 31.12.2017**	**as of 31.12.2016**
Cash reserve	(7), (31)	2,362,901	2,138,165
Claims on banks	(7), (32), (34)	17,306,695	13,432,413
Claims on customers	(7), (33), (34)	495,214	375,114
Financial investments	(7), (9), (35)	2,770,145	3,268,287
Intangible assets	(9), (36), (38)	50,098	24,255
Fixed assets	(12), (37), (38)	18,596	15,546
Current income tax assets	(16), (39)	4,352	198
Deferred income tax assets	(16), (39)	0	3,591
Other assets	(40)	24,533	15,886
Total assets		**23,032,534**	**19,273,455**

Liabilities and equity	Notes	**as of 31.12.2017**	**as of 31.12.2016**
Liabilities to banks	(14), (41)	9,288	15,577
Liabilities to customers	(14), (42)	22,274,039	18,518,937
Negative fair values from derivative hedging instruments	(7), (43)	0	1,447
Provisions	(15), (44)	33,501	39,583
Current income tax liabilities	(16), (45)	234	2,429
Deferred income tax liabilities	(16), (45)	74	0
Other liabilities	(46)	76,514	67,320
Equity	(47)	**638,884**	**628,162**
– Subscribed capital		141,221	141,221
– Capital reserve		223,296	223,296
– Retained earnings[1]		182,078	123,769
– Revaluation reserves		20,745	47,365
– Net profit[1]		71,544	92,511
Total liabilities and equity		**23,032,534**	**19,273,455**

1) Values were adjusted retrospectively due to the revised reporting of appropriation of profits (compare note (3)).

Statement of changes in equity

€k	Notes	Sub-scribed capital	Capital reserve	Retained earnings[1]	Revalu-ation reserves[2]	Group result[1]	Total
Equity as of 1.1.2016	(47)	141,221	223,296	118,884	75,787	65,042	624,230
Net profit from 1.1. to 31.12.2016		–	–	–	–	92,511	92,511
Change in actuarial gains/losses recognised in equity	(44)	–	–	−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	(17)	–	–	–	–	−56,488	−56,488
Allocation to/transfer from retained earnings[1]		–	–	8,554	–	−8,554	0
Equity as of 31.12.2016/1.1.2017		**141,221**	**223,296**	**123,769**	**47,365**	**92,511**	**628,162**
Net profit from 1.1. to 31.12.2017		–	–	–	–	71,544	71,544
Change in actuarial gains/losses recognised in equity	(44)	–	–	1,103	–	–	1,103
Change in the revaluation reserves	(17)	–	–	–	−26,620	–	−26,620
Comprehensive income 2017		**–**	**–**	**1,103**	**−26,620**	**71,544**	**46,027**
Profit distributions		–	–	–	–	−35,305	−35,305
Allocation to/transfer from retained earnings		–	–	57,206	–	−57,206	0
Equity as of 31.12.2017		**141,221**	**223,296**	**182,078**	**20,745**	**71,544**	**638,884**

1) Values were adjusted retrospectively due to the revised reporting of appropriation of profits (compare note (3)).
2) Pursuant to IAS 39

In financial year 2017, dividend payments totalling €35,305k (2016: €56,488k) were distributed to shareholders of comdirect bank AG. This equates to a payment of €0.25 per share (2016: €0.40).

In financial year 2017, comdirect bank AG did not make use of either the existing authorisations of the annual general meeting to purchase own shares for the purpose of securities trading pursuant to Section 71 (1) No. 7 German Stock Corporation Act (AktG) or of the resolutions of the annual general meeting authorising the purchase of own shares pursuant to Section 71 (1) No. 8 German Stock Corporation Act (AktG) for purposes other than securities trading.

Cash flow statement

€k	Notes	1.1. to 31.12. 2017	2016
Net profit		**71,544**	**92,511**
Non-cash items contained in net profit and transfer to cash flow from operating activities			
– Depreciation, loan loss provisions, additions to assets, change in provisions and net changes due to hedge accounting and trading	(23), (25), (26), (28), (29), (38), (44), (54)	32,576	27,747
– Result from the sale of assets	(27), (54)	–21,911	–43,532
– Other adjustments	(22), (24), (29), (30)	–31,966	–47,240
Sub-total		**50,243**	**29,486**
Changes in assets and liabilities from operating activities after adjustments for non-cash items			
– Claims			
on banks	(32)	–3,722,406	–1,743,627
on customers	(33)	–39,964	–31,714
– Positive/negative fair values from derivative hedging instruments and trading assets	(43)	–87	0
– Securities	(35)	569,087	194,052
– Other assets from operating activities	(40)	947	–3,850
– Liabilities			
to banks	(41)	–6,289	9,195
to customers	(42)	3,025,430	2,452,327
– Other liabilities and equity from operating activities	(44),(46)	–50,662	–23,699
Interest and dividends received	(22),(54)	118,273	147,595
Interest paid	(22),(54)	–18,562	–18,821
Income tax payments	(30), (39), (45)	–24,949	–28,729
Cash flow from operating activities		**–98,939**	**982,215**
Cash inflows from the disposal of fixed assets and intangible assets	(37), (38)	–22	–24
Cash outflows for the acquisition of fixed assets and intangible assets	(36), (37), (38)	–22,125	–15,744
Payout for the acquisition of company holdings	(55)	381,127	0
Cash flow from investing activities		**358,980**	**–15,768**
Dividend payment		–35,305	–56,488
Cash flow from financing activities		**–35,305**	**–56,488**
Cash and cash equivalents as of the end of the previous year		**2,138,165**	**1,228,206**
Cash flow from operating activities		–98,939	982,215
Cash flow from investing activities		358,980	–15,768
Cash flow from financing activities		–35,305	–56,488
Cash and cash equivalents as of the end of the period	(31)	**2,362,901**	**2,138,165**

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

The sharp rise in cash flow from investing activities is due to the addition of cash amounting to €420,850k as well as the purchase price payment amounting to €39,723k as part of the acquisition of the onvista group. More information on the acquisition can be found in note (55) "Business combinations". The cash flow from investing activities also results from the acquisition and disposal of tangible and intangible assets.

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 2017 were prepared in accordance with Section 315e (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 315e (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 2016 were published in the online Federal Gazette on 3 May 2017.

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 22 February 2018.

Accounting and measurement methods

1 Basic principles and estimation uncertainties
The consolidated financial statements are based on the going concern principle.

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

An asset is recognised in the balance sheet if it is probable that there will be future economic benefits for the company and if the cost or another value can be reliably measured. A liability is recognised in the balance sheet if it is probable that fulfilment of a current obligation will result in a direct outflow of resources with economic benefits and the amount to be paid can be 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, determining the fair value of financial instruments, determining pension obligations and in measuring intangible assets as part of the purchase price allocation.

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

2 Standards to be applied for the first time, revised and new standards
In the consolidated financial statements of the comdirect group, all the standards and interpretations to be compulsorily applied in the EU in financial year 2017 were taken into account.

Amendments to IAS 7 and IAS 12 are to be applied for the first time in 2017. The amendments to IAS 7 demand additional information on a company's financing activities. The amendments to IAS 12 aim to provide clarity in accounting deferred tax assets for unrealised losses relating to assets recognised at fair value. Unrealised losses, for which no corresponding valuation adjustments are made for tax purposes, lead to deductible temporary differences. The amendments to both standards have no impact on comdirect's consolidated financial statements.

Additional standards and interpretations to be applied in future:

Standard	Title	Date of application
IFRS 10/IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	indefinite
IFRS 4 (amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 15 (clarifications)	Revenue from Contracts with Customers	1 January 2018
	Annual improvements to IFRS (2014–2016 cycle)	1 January 2018
IAS 40 (amendments)	Transfers of Investment Property	1 January 2018*
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018*
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018*
IFRS 16	Leases	1 January 2019
	Annual improvements to IFRS (2015–2017 cycle)	1 January 2019*
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019*
IFRS 9 (amendments)	Prepayment Features with Negative Compensation	1 January 2019*
IAS 28 (amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019*
IAS 19 (amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019*
IFRS 17	Insurance Contracts	1 January 2021*

* 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 2018 financial year or later.

IFRS 9 "Financial Instruments" includes requirements for recognition and measurement, impairment and accounting of hedging relationships. 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.

IFRS 9 provides for new regulations for classifying and measuring financial instruments. In many cases, financial assets must be measured at fair value, and the measurement effects reported in the income statement.

A contractual instrument on the assets side is accounted for differently if it has been allocated to a portfolio of the "Hold" or "Hold and Sell" business model and the relevant financial instrument only shows cash flows that are typical for a standard loan agreement (SPPI criterion). Measurement is then carried out at amortised cost in the "Hold" business model. In the "Hold and Sell" business model the measurement is recognised directly in equity at fair value; the revaluation reserves accrued up to this date are recycled into the income statement in the case of disposal of instruments concerned.

The International Accounting Standards Board (IASB) also published an amendment to IFRS 9 regarding certain financial assets with early repayment regulations in October 2017. It allows an early repayment of the lender to the borrower, in the event of the early termination of the loan agreement, to be compatible with the cash flow criterion in exceptional cases.

Equity instruments may be recognised directly in equity at fair value by exercising an option. In this case, the instrument is not recycled into the income statement on disposal, but reclassified within equity.

The classification and measurement of financial liabilities remains virtually unchanged from the current provisions of IAS 39. The fair value option for financial liabilities is not exercised.

With regard to the measurement categories of IFRS 9, fewer financial instruments will be measured at fair value in the comdirect group's consolidated financial statements than is the case today. This is primarily due to bond portfolios under the financial investments balance sheet item being allocated to the "Hold" business model. These portfolios are currently allocated to the "Available for Sale" category. The book value allocable as of 31 December 2017 to these securities is adjusted on the first application of IFRS 9 from fair value to amortised cost. The revaluation reserves from these financial instruments shown under equity are written off taking into account deferred taxes. This results in a balance sheet contraction at the date of first application of €17.7m.

For the balance sheet items cash reserve, claims on banks and claims on customers, all financial instruments also continue to be recognised under IFRS 9 at amortised cost. They are all managed in the "Hold" business model; all instruments in question also meet the SPPI criterion.

Financial instruments measured at fair value through profit or loss are used only to a limited extent. The fair value amounted to €15.1m as of the reporting date. Existing price reserves of €0.1m are reclassified from the revaluation reserves to retained earnings taking into account deferred taxes.

For equity instruments with a fair value totalling €43.0m the option under IFRS 9 to recognise them directly in equity at fair value is exercised. Under IAS 39, these are allocated to the "Available for Sale" category; consequently, their recognition in the balance sheet remains unchanged under IFRS 9.

In the area of impairments, IFRS 9 calls for a transition from an incurred loss model to an expected credit loss model. In the case of financial assets of significantly deteriorated credit quality compared with their addition, the losses expected over the instruments' remaining lifetime must additionally be taken into account.

Contrary to IAS 39, it is not necessary to wait for the occurrence of a concrete loss to recognise provisions for possible loan losses. Instead, the expected loss over one year (12 month expected credit loss) must be recognised on addition as provisions for possible loan losses for each loan instrument measured at amortised cost or directly in equity at fair value. If the debtor's credit worthiness significantly worsens and there is no default reason, the provisions for possible loan losses must be recognised in the amount of the expected losses across the entire remaining contractual term (lifetime expected credit loss). If there is a default reason, the net present value of provisions for possible loan losses must be determined based on the cash flows still expected.

In connection with IFRS 9 coming into force as of 1 January 2018, there is a rise in the volume of provisions for possible loan losses in the retail loan business of €0.35m, in particular as a result of applying the lifetime expected credit loss. Expanding the scope to other financial instruments, in particular securities not recognised at fair value in profit or loss, leads to another rise in the volume of provisions for possible loan losses on the date of first application of €0.75m.

Overall, the transition effects from classification and measurement, as well as impairment, mentioned above result in a reduction in equity in the opening balance of €13.0m compared with the consolidated financial statements as of 31 December 2017.

With regard to hedge accounting, no significant implications arise for the comdirect group's consolidated financial statements. There were no hedge relationships as of the reporting date. For future circumstances, comdirect has decided to continue applying the regulations of IAS 39 for hedge accounting.

IFRS 15 "Revenue from Contracts with Customers" introduces a principle-based five-stage model that regulates the nature, amount and timing of collection of income and replaces the standards IAS 11 and 18, IFRIC interpretations 13, 15 and 18, as well as SIC-31. This standard additionally calls for the disclosure of a substantial amount of qualitative and quantitative information regarding contractual agreements, performance obligations and significant discretionary decisions and assessments. The clarification of IFRS 15 published in 2016 addresses three issues (identification of payment obligations, principal/agent considerations and licences) and aims to facilitate transition for modified contracts and concluded contracts. IFRS 15 is applied retrospectively by comdirect in a modified form. IFRS 15 does not result in any significant 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. This will replace the IAS 17 standard and associated interpretations IFRIC 4, SIC-15 and SIC-27.

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

According to IFRS 16, lessees have to recognise an obligation to make future lease payments and an asset for the right to use a lease asset for almost all lease contracts. If necessary, the lessee can also opt to refrain from this reporting in the case of leased assets of small value or short contractual life. The recognition of rights of use and corresponding lease obligations will likely lead to a slight balance sheet extension in the lower two-digit million range. Due to the moderate volume, no significant impact is expected on comdirect group's income statement.

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

3 Amendments to accounting policies and estimates

A voluntary amendment to the accounting policies was made with regard to the presentation of the appropriation of net income. Previously, transfers to and from reserves were until now reported in the reporting year in as far as the Board of Managing Directors and Supervisory Board were authorised to do this according to the Articles of Association or in as far as they were due to accounting differences between HGB and IFRS accounts. In the future, allocation to retained earnings will be made only following resolution of the annual general meeting. As a result, consolidated balance sheet profit is not shown. The corresponding item in equity was renamed net profit. The retained earnings were reduced for the 2016 financial year in the amount of allocation to retained earnings of €22,625k (in 2016 for 2015: €8,554k). The item net profit was increased by the appropriate amount. These adjustments had an equal effect on the statement of changes in equity. Further information on this is provided in notes (46) and (47).

The current volume of reserves means that the rights of the Board of Managing Directors and Supervisory Board according to the Articles of Association have reached their limit. Further transfers are possible exclusively with a resolution of the annual general meeting. The change in method takes account of this circumstance. The transition also achieves better comparability with other banks that prepare their accounts in accordance with international standards.

Validation of parameters applied in the risk models result in a reduction in the volume of provisions for possible loan losses and a reduction in provisions for risks in the lending business totalling €2,961k in the 2017 financial year. The effect of the change in estimates on future periods depends on the development of the lending volumes and open lines as well as the credit qualities of existing and future involvements. The coming into force of IFRS 9 also results in other effects on the provisions for possible loan losses and provisions volume.

4 Consolidated companies

In addition to the parent company comdirect bank AG, Quickborn, the scope of consolidation as of the 2017 reporting date comprises the following companies:

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

The scope of consolidation of the comdirect group expanded in the first half of 2017. This is the result of the acquisition of the onvista group, consisting of onvista AG, onvista bank GmbH and onvista media GmbH, closing as of 3 April 2017. onvista bank GmbH was merged with comdirect bank AG on 12 June 2017.

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 2017. 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.

5 Principles of consolidation

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

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

In the consolidation of the capital accounts, the historical cost of the holding in the subsidiary is set off against the proportion of the subsidiary's equity 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.

6 Disclosures on accounting methods relating to business combinations

Business combinations are reported according to the acquisition method as soon as the group has obtained control. This took place in the case of the former onvista group at closing of the transaction on 3 April 2017. Prior to this date, there had been no possibility of influencing business activity. The comdirect group is entitled to the economic success generated by the onvista group only from the date of closing onwards.

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

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

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

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

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

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

Furthermore, financial instruments had to be measured at their fair value as of the closing date. In the course of this, deviations from the values previously reported by the onvista group arose in particular in the case of promissory notes, since the promissory notes were recognised at amortised cost as receivables in the "loans and receivables" category. For further details on this see note (55).

7 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, meaning 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 (34).

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, 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 and they are measured at amortised cost. Premiums and discounts are recognised in the income statement in net interest income throughout the term of the instrument using the effective interest method.

Financial assets or financial liabilities 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 category. 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. Its prospective effectiveness is evidenced using a critical term match. Its effectiveness is evidenced retrospectively using the dollar-offset method, where the ratio of changes in value of hedged items and hedging instruments must always lie in a range of between 0.8 and 1.25.

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

comdirect uses interest rate swaps and foreign currency forwards as hedging instruments. In the case of interest rate swaps, a hedging relationship 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. 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 (52) and (53).

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.

8 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.

9 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 (>20%) or lastingly (at least nine months) below the historical cost.

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

10 Currency translation

Monetary assets and liabilities carried in the balance sheet which are 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 "Trading result and result from hedge accounting" item.

11 Intangible assets

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

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

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.

Further information relating to intangible assets recognised during the business year as part of the acquisition of the onvista group can be found in note (6).

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 costs of disposal.

12 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 three 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 depreciation 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.

13 Leases
In accounting for 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.

Leases are identified by regularly reviewing a database listing concluded contracts, accounting for the criteria of IFRIC 4. Essentially, the companies of the comdirect group appear as lessees in operating leases (bank building, office furniture and equipment). Resulting expenses are always recorded across the term of the leasing agreement and reported in the administrative expenses.

14 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.

15 Provisions

Basic principles
A provision must be recognised if on the balance sheet date, as the result of a past event, a present legal or constructive obligation has arisen, an outflow of resources to meet this obligation is probable and it is possible to make a reliable estimate of the amount of this obligation. Provisions are made accordingly for liabilities of uncertain 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 (44) regarding the effects of changes in parameters).

The trustee required for a bilateral trust was established by Commerzbank AG in the form of the Commerzbank Pension-Trust e.V. 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 (44) and (65).

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).

16 Income taxes

Current income tax assets and liabilities are calculated in accordance with tax provisions by applying the current valid tax rates at which a refund from or a payment to the relevant tax authorities is expected. Deferred tax assets and liabilities are formed for differences arising between the IFRS book values of assets or liabilities and their tax value, provided that future tax-reducing or taxburdening 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 2017 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.

17 Appropriation of profits

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

For the 2017 financial year, comdirect bank AG reported a distributable profit in accordance with the German Commercial Code (HGB) of €113,443,239.79.

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 €78,138,036.04 to the other retained earnings.

18 Earnings per share

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

19 Conditional and authorised capital

The Board of Managing Directors of comdirect bank AG is, 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 bearer bonds with convertible bonds or 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.

The above-mentioned circumstances may lead to the earnings per share being diluted in the future in the case that they are exercised. However, currently they are not to be included in their calculation.

20 Share-based compensation

Variable compensation of the Board of Managing Directors
The Compensation report, which is part of the management report, includes a detailed presentation of the compensation system for the Board of Managing Directors. The accounting method for share-based compensation components for the Board of Managing Directors is based on IFRS 2. comdirect bank AG is responsible for paying the remuneration and can choose to fulfil this obligation either in shares in Commerzbank AG or in money. As the current assumption is that the obligation will be met in money, 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 unrelated to share price 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 sharebased 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 tranches over a vesting period of four years, as the suspensive conditions lapse only at the end of this 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 recognition of the provision over the vesting period of four years, every change in the obligation resulting from share price fluctuations up until the final obligation is met is thus to be taken into account through profit or loss.

21 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 2017 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, MiFID II/MiFIR
- Other services

In total, the expenses for the above services amounted to €31.5m in the financial year (2016: €31.5m).

In the year under review, the income generated from these agreements totalled €8.4m (2016: €8.5m).

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 €0.8m in this respect in 2017 (2016: €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 €3.7m due to this assignment agreement (2016: €2.9m).

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

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

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 €16,896m (2016: €13,066m). During the year under review, the comdirect group companies generated total interest income of €77.0m from these transactions with Commerzbank AG (2016: €90.8m). 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 €653m (2016: €956m). The interest income on this item amounted to €7.9m for the financial year as a whole (2016: €13.0m).

Bonds with a nominal volume of €76.0m were purchased from the portfolios of affiliated companies during the reporting year (2016: €70.6m). No bonds were sold to affiliated companies (2016: €0m). Furthermore, equity instruments from the portfolios of affiliated companies with a fair value of €12.6m were purchased (2016: €5.9m). Equity instruments with a fair value of €23.1m were sold to affiliated companies (2016: €2.0m).

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. No securities were lent in the reporting year (average portfolio of lent securities in 2016: €24m; income in 2016: less than €0.1m).

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 €0.3m (2016: €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 (including onvista bank GmbH) 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 2017, 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 2017 (2016: €8.6m).

As part of its processing and management services for custody accounts, ebase procures support and services from Commerzbank AG. In the year under review, Commerzbank AG received payment totalling €0.9m for these services (2016: €1.5m).

ebase purchased other services from Commerzbank AG in the amount of €0.7m over the financial year (2016: €0.3m). onvista media GmbH used other Commerzbank services amounting to €0.3m.

In addition to Commerzbank AG, there were service relationships with other affiliated companies. This resulted in expenses for comdirect bank AG of €0.5m (2016: €0.1m) 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 2017, the market value of the trust assets in this trust totalled €28.9m (2016: €23.1m).

The Board of Managing Directors reports separately on the scope and appropriateness of the intragroup 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 (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 €60.8m (prior-year reporting date: €82.9m). The comdirect group companies generated interest income of €0.6m from these bonds during the reporting year (2016: €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 (65)). 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

22 Net interest income

€k	2017	2016	Change in %
Interest income from fixed-income securities held in the "available for sale" portfolio	17,655	25,666	−31.2
Interest income from credit and money market transactions	93,810	108,132	−13.2
Operating income from investments, shares and other variable-yield securities	372	1,243	−70.1
Interest income and similar income	**111,837**	**135,041**	−17.2
Interest expenses for deposits	9,493	12,561	−24.4
Negative interest from active financial instruments	7,871	4,140	90.1
Other interest expenses	309	528	−41.5
Interest expenses	**17,673**	**17,229**	2.6
Total	**94,164**	**117,812**	−20.1

Other interest expenses primarily include net interest expenses for pensions.

23 Provisions for possible loan losses

€k	Allowance	Reversals	Direct write-downs	Income received on written-down claims	Total 2017
Provisions for possible loan losses for on-balance sheet lending transactions	**1,153**	**1,464**	**1,035**	**61**	**−663**
Claims on customers	1,153	1,464	1,035	61	−663
– Significant lending business	0	0	0	0	0
– Non-significant lending business	1,153	1,464	1,035	61	−663
Provisions for credit risks	**684**	**2,807**	**0**	**0**	**2,123**
Total	**1,837**	**4,271**	**1,035**	**61**	**1,460**

€k	Allowance	Reversals	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**

24 Net commission income

€k	2017	2016	Change in %
Commission income	**452,626**	**368,952**	22.7
Securities transactions	412,215	337,666	22.1
Payment transactions	24,174	20,795	16.2
Placement business	8,141	7,719	5.5
Other commission	8,096	2,772	192.1
Commission expenses	**200,698**	**153,540**	30.7
Securities transactions	187,284	143,116	30.9
Payment transactions	4,856	7,484	−35.1
Other commission	8,558	2,940	191.1
Net commission income			
Securities transactions	224,931	194,550	15.6
Payment transactions	19,318	13,311	45.1
Placement business	8,141	7,719	5.5
Other commission	−462	−168	175.0
Total	**251,928**	**215,412**	17.0

25 Result from hedge accounting

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

€k	2017	2016	Change in %
Results from hedging instruments	1,627	−138	–
Results from hedged items	−1,628	137	–
Total	**−1**	**−1**	0.0

Hedge accounting was applied in accordance with the provisions of IAS 39. In the business year, groups of retail funds (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).

The hedge adjustments from the hedged items were written off on disposal.

26 Trading result

€k	2017	2016	Change in %
Result from interest rate related transactions	0	−41	−100.0
Result from foreign currency transactions	−691	−1,309	−47.2
Total	**−691**	**−1,350**	−48.8

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".

27 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.

€k	2017	2016	Change in %
Disposal gains	24,090	44,305	–45.6
Disposal losses	–2,157	–750	187.6
Impairment	0	–383	–100.0
Total	**21,933**	**43,172**	–49.2

The vast majority of the gains and losses on disposal are attributable to retail funds and shares.

At €41m the disposal of the VISA shares dominated the financial investments result in the previous year. The impairments reported in 2016 were attributable exclusively to equity instruments.

28 Administrative expenses

€k	2017	2016	Change in %
Personnel expenses	95,841	88,072	8.8
Other administrative expenses	170,840	158,991	7.5
Depreciation of office furniture and equipment and intangible assets	17,846	13,897	28.4
Total	**284,527**	**260,960**	9.0

Personnel expenses

€k	2017	2016	Change in %
Wages and salaries	80,942	74,764	8.3
Compulsory social security contributions	13,432	12,266	9.5
Expenses for pensions and other employee benefits	1,467	1,042	40.8
Total	**95,841**	**88,072**	8.8

The wages and salaries item includes an expense of €684k (2016: €220k) from share-based payment transactions (IFRS 2).

Breakdown of expenses for pensions and other employee benefits

€k	2017	2016	Change in %
Company pension scheme	1,078	878	22.8
Expenses for early retirement	192	127	51.2
Contributions to Versicherungsverein des Bankengewerbes a.G. (BVV)	197	37	432.4
Total	**1,467**	**1,042**	40.8

Other administrative expenses €k	2017	2016	Change in %
Sales	28,887	34,898	–17.2
External services	47,771	44,240	8.0
Business operations	41,083	36,749	11.8
IT expenses	31,872	29,569	7.8
Mandatory contributions	19,596	11,693	67.6
Others	1,631	1,842	–11.5
Total	**170,840**	**158,991**	7.5

The administrative expenses in the year under review include minimum lease payments totalling €7,368k (2016: €6,498k), which are recognised as expenses for operating leases.

Depreciation of office furniture and equipment and intangible assets €k	2017	2016	Change in %
Office furniture and equipment	5,128	4,597	11.6
Intangible assets	12,718	9,300	36.8
Total	**17,846**	**13,897**	28.4

29 Other operating result

€k	2017	2016	Change in %
Other operating income	**14,326**	**11,312**	26.6
Income from writing-back of provisions and accruals	4,746	3,684	28.8
Income from service level agreements	1,040	1,832	–43.2
Insurance payments	12	59	–79.7
Income and sales rebates not related to the accounting period	4,213	2,904	45.1
Licence fees and royalties	803	1,085	–26.0
Income from recoverable input taxes	653	398	64.1
Sundry income items	2,859	1,350	111.8
Other operating expenses	**3,731**	**5,807**	–35.7
Goodwill payments and price differences in security transactions	1,350	1,729	–21.9
Non-income-related taxes including interest from previous years	397	286	38.8
Other taxes	97	1,029	–90.6
Expenses from service level agreements	576	1,180	–51.2
Expense from legal proceedings and recourse	377	390	–3.3
Losses on the disposal of fixed assets	62	24	158.3
Loan loss provisions and write-downs outside retail lending	85	36	136.1
Regulatory expenses for losses	604	868	–30.4
Sundry expense items	183	265	–30.9
Total	**10,595**	**5,505**	92.5

The sundry income items include the difference from the first-time consolidation of €1,232k.

30 Taxes on income

€k	2017	2016	Change in %
Current taxes on income in the current year	18,957	27,244	–30.4
Current taxes on income from previous years	–235	1,827	–
Deferred taxes	4,595	–918	–
Total	**23,317**	**28,153**	–17.2

Reconciliation of taxes on income €k	2017	2016
Profit from ordinary activities of comdirect bank AG and ebase GmbH	**94,861**	**120,664**
Multiplied by the respective income tax rate for the company		
= Calculated income tax paid in financial year	27,380	32,994
Effect of tax-free income from financial investments	–3,160	–6,059
Effect of losses from financial investments; not tax deductible	0	165
Effect of taxes from previous years recognised in the financial year	–235	1,827
Impact of changes to the applicable tax rate	–848	37
Impact of different tax rates of subsidiaries outside the scope of consolidation	323	0
Other effects	–143	–811
Total	**23,317**	**28,153**

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

This results in an income tax rate for 2017 of around 28.86% (2016: 27.34%).

The change to the applicable tax rate is the result of the increase in the trade tax rate of the municipality of Quickborn from 11.66% to 13.30% and from the higher trade tax rate of the onvista bank division (Frankfurt am Main branch) of 16.10%.

Notes to the balance sheet

31 Cash reserve

€k	31.12.2017	31.12.2016	Change in %
Cash on hand	412	597	–31.0
Balances held with central banks	2,362,489	2,137,568	10.5
Total	**2,362,901**	**2,138,165**	10.5

The minimun reserve requirement to be met at the end of December 2017 totalled €326,060k (31.12.2016: €170,670k).

32 Claims on banks

€k	Total			Due on demand		Other claims	
	31.12.2017	31.12.2016	Change in %	31.12.2017	31.12.2016	31.12.2017	31.12.2016
German banks	17,294,993	13,431,315	28.8	301,831	272,565	16,993,162	13,158,750
Foreign banks	11,702	1,098	965.8	11,702	1,098	0	0
Total	**17,306,695**	**13,432,413**	28.8	**313,533**	**273,663**	**16,993,162**	**13,158,750**

Claims on banks include foreign currency amounts of €260,007k (2016: €250,054k).

Claims on banks primarily comprise promissory notes in the amount of €6,881,326k (2016: €8,746,524k) as well as overnight money and fixed-term deposits totalling €10,111,836k (2016: €4,412,226k).

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 €37,067k (2016: €32,773k).

33 Claims on customers

€k	Total			Due on demand		Other claims	
	31.12.2017	31.12.2016	Change in %	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Claims on German customers	**477,597**	**356,763**	33.9	**377,602**	**305,679**	**99,995**	**51,084**
Companies and financial institutions	45,099	34,293	31.5	1,262	103	43,837	34,190
Private customers	432,498	322,470	34.1	376,340	305,576	56,158	16,894
Claims on foreign customers	**19,544**	**20,659**	–5.4	**16,459**	**12,556**	**3,085**	**8,103**
Companies and financial institutions	3,190	8,095	–60.6	174	0	3,016	8,095
Private customers	16,354	12,564	30.2	16,285	12,556	69	8
Total claims before provisions for possible loan losses	**497,141**	**377,422**	31.7	**394,061**	**318,235**	**103,080**	**59,187**
Portfolio loan loss provisions	–1,927	–2,308	–16.5	–1,591	–2,208	–336	–100
Total claims after provisions for possible loan losses	**495,214**	**375,114**	32.0	**392,470**	**316,027**	**102,744**	**59,087**

Claims on customers include €216,535k (2016: €156,764k) from loans against securities. These claims are secured by securities. The claims on customers include amounts in foreign currency totalling €2.9k (2016: €27.7k).

34 Provisions for possible loan losses

Provisions for possible loan losses by class of receivables

€k

	As of 1.1.2017	Utilised	Reversal	Allowance	Changes to the scope of consoli-dation	As of 31.12.2017
Provisions for possible loan losses for on-balance sheet lending transactions	**2,308**	**247**	**1,464**	**1,153**	**177**	**1,927**
Claims on customers	2,308	247	1,464	1,153	177	1,927
– Significant lending business	0	0	0	0	0	0
– Non-significant lending business	2,308	247	1,464	1,153	177	1,927
related to transactional accounts	1,988	233	1,272	779	0	1,262
related to securities accounts and other accounts	320	14	192	374	177	665
Claims on banks	0	0	0	0	0	0
Provisions for credit risks	**4,000**	**12**	**2,807**	**684**	**0**	**1,865**
Total	**6,308**	**259**	**4,271**	**1,837**	**177**	**3,792**

Provisions for possible loan losses by class of receivables

€k

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

The provisions for credit risk are attributable exclusively to payment transaction products. The decrease in provisions for possible loan losses and provisions in the 2017 financial year is primarily due to changes in estimates arising from the validation of parameters for provisions for possible loan losses. Further details on this can be found in note (3). The growth in credit products in the previous financial year had a counter effect.

Provisions for possible loan losses by individual and portfolio risks							
€k	**Total**			**Single loan loss provisions**		**Portfolio loan loss provisions**	
	2017	**2016**	Change in %	**2017**	**2016**	**2017**	**2016**
Balance as of 1 January	**2,308**	**2,626**	–12.1	**0**	**0**	**2,308**	**2,626**
Changes to the scope of consolidation	177	0	–	0	0	177	0
Appropriations	1,153	1,636	–29.5	0	0	1,153	1,636
Deductions	1,711	1,954	–12.4	0	0	1,711	1,954
– of which utilised	247	290	–14.8	0	0	247	290
– of which reversals	1,464	1,664	–12.0	0	0	1,464	1,664
Portfolio for possible loan losses as of 31 December	**1,927**	**2,308**	–16.5	**0**	**0**	**1,927**	**2,308**

As in the previous year there were no losses or defaults to report with regard to significant commitment.

35 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".

€k	**31.12.2017**	**31.12.2016**	Change in %
Bonds and other fixed-income securities of the "available-for-sale" portfolio	2,712,077	3,148,930	–13.9
– issued by public sector borrowers	240,848	318,096	–24.3
– issued by other borrowers	2,471,229	2,830,834	–12.7
Equities and other variable-yield securities of the "available-for-sale" portfolio[1]	58,068	119,357	–51.3
Total	**2,770,145**	**3,268,287**	–15.2

1) Including preferred stocks of VISA Inc. USA. These holdings were reported under the "Investments" item in the 2016 annual report. The previous year's values have been adjusted.

Financial investments include amounts in foreign currency totalling €56,719k (2016: €56,420k).

The item "bonds and other fixed-income securities of the 'available-for-sale' portfolio" includes accrued interest totalling €19,460k (2016: €29,692k).

36 Intangible assets

€k	**31.12.2017**	**31.12.2016**	Change in %
Internally generated software	21,444	17,322	23.8
Software purchased	9,425	6,933	35.9
Customer base	12,458	0	–
Other	6,771	0	–
Total	**50,098**	**24,255**	106.5

Changes in the intangible assets are shown in the schedule of assets (Note (38)).

37 Fixed assets

€k	31.12.2017	31.12.2016	Change in %
Office furniture and equipment	18,596	15,546	19.6
Total	**18,596**	**15,546**	19.6

Changes in fixed assets are shown in the schedule of assets (Note (38)).

38 Schedule of assets

Intangible assets €k	**Internally generated software**		**Software purchased**		**Acquired customer relationships**		**Other intangible assets**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Book value as of 1 January	**17,322**	**15,511**	**6,933**	**7,540**	**0**	**0**	**0**	**0**
Cost of acquisition/ manufacture as of 1 January	101,249	94,312	60,485	58,066	11,592	11,592	0	0
– Additions	9,871	6,937	4,741	3,567	0	0	0	0
– Disposals	0	0	2,667	1,148	0	0	0	0
– Contributions from business acquisitions	207	0	3,306	0	13,590	0	6,876	0
Cost of acquisition/ manufacture as of 31 December	111,327	101,249	65,865	60,485	25,182	11,592	6,876	0
Cumulative write-downs as of 1 January	83,927	78,801	53,552	50,526	11,592	11,592	0	0
– Additions	5,956	5,126	5,519	4,174	1,132	0	105	0
– Impairments	0	0	6	0	0	0	0	0
– Disposals	0	0	2,637	1,148	0	0	0	0
Cumulative write-downs as of 31 December	89,883	83,927	56,440	53,552	12,724	11,592	105	0
Book value as of 31 December	**21,444**	**17,322**	**9,425**	**6,933**	**12,458**	**0**	**6,771**	**0**

Office furniture and equipment €k	**2017**	**2016**
Book value as of 1 January	**15,546**	**14,903**
Cost of acquisition/manufacture as of 1 January	68,853	65,958
– Additions	7,574	5,273
– Disposals	1,186	2,378
– Contributions from business acquisitions	635	0
Cost of acquisition/manufacture as of 31 December	75,876	68,853
Cumulative write-downs as of 1 January	53,307	51,055
– Additions	5,128	4,597
– Impairments	0	0
– Disposals	1,155	2,345
Cumulative write-downs as of 31 December	57,280	53,307
Book value as of 31 December	**18,596**	**15,546**

39 Income tax assets

€k	31.12.2017	31.12.2016	Change in %
Current income tax assets	4,352	198	2,098.0
Deferred income tax assets	0	3,591	–100.0
Total	**4,352**	**3,789**	14.9

Current income tax assets contain claims from the current financial year.

Deferred income tax assets and liabilities are netted out where they relate to the same tax authorities. In financial year 2017 the offsetting of deferred income tax assets and liabilities produces an income tax obligation. A breakdown is given in note (45).

40 Other assets

€k	31.12.2017	31.12.2016	Change in %
Deferred items	1,825	2,080	–12.3
Claims on product providers	2,820	2,026	39.2
Claims on group companies	2,684	479	460.3
Claims from the securities business	1,779	1,734	2.6
Trade receivables	8,597	2,879	198.6
Pay advances	857	819	4.6
ECB collateral	2,997	2,997	0.0
Other	2,974	2,872	3.6
Total	**24,533**	**15,886**	54.4

41 Liabilities to banks

€k	31.12.2017	31.12.2016	Change in %
German banks	7,806	14,427	–45.9
Foreign banks	1,482	1,150	28.9
Total	**9,288**	**15,577**	–40.4

42 Liabilities to customers

€k	Total			Due on demand		With agreed maturity or withdrawal notice	
	31.12.2017	31.12.2016	Change in %	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Liabilities to German customers	**21,656,527**	**18,001,704**	20.3	**21,156,053**	**17,474,706**	**500,474**	**526,998**
Private customers	21,505,685	17,915,184	20.0	21,005,550	17,388,591	500,135	526,593
Corporate customers and self-employed private individuals	150,842	86,520	74.3	150,503	86,115	339	405
Liabilities to foreign customers	**617,512**	**517,233**	19.4	**594,110**	**492,917**	**23,402**	**24,316**
Private customers	605,888	495,510	22.3	582,486	471,194	23,402	24,316
Corporate customers and self-employed private individuals	11,624	21,723	–46.5	11,624	21,723	0	0
Total	**22,274,039**	**18,518,937**	20.3	**21,750,163**	**17,967,623**	**523,876**	**551,314**

Liabilities to customers include foreign currency amounts of €289,513k (2016: €294,696k).

Deposits of up to €100k 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 €80.8m (comdirect bank AG customers) or €5.2m (ebase GmbH customers).

43 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:

€k	31.12.2017	31.12.2016	Change in %
Negative fair values from allocated effective fair value hedges	**0**	**1,447**	–100.0

In the previous year only foreign currency forwards were used for hedging purposes. They were carried at fair value. The nominal volume of the financial instruments amounted to USD 30m.

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.

44 Provisions

€k	31.12.2017	31.12.2016	Change in %
Provisions for pensions and similar commitments	13,480	18,756	–28.1
Other provisions	20,021	20,827	–3.9
Total	**33,501**	**39,583**	–15.4

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 €322k (2016: €340k).

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

€k	Pension obligations	Plan assets	Net liabilities
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
Income/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
Allocation to plan assets	0	–12,000	–12,000
As of 31.12.2016	**41,213**	**–22,457**	**18,756**
As of 1.1.2017	**41,213**	**–22,457**	**18,756**
Contributions from business acquisitions	370	0	370
Current service costs	1,074	0	1,074
Contributions from employees from salary sacrifice	29	–29	0
Interest expenses/income	735	–450	285
Pension payments	–726	0	–726
Income/loss in the plan assets excluding amounts already recognised in the net interest expenses/income	0	–205	–205
Experience gains and losses	–221	0	–221
Gains and losses from changes in financial assumptions	–819	0	–819
Allocation to plan assets	0	–5,035	–5,035
As of 31.12.2017	**41,655**	**–28,176**	**13,479**
– of which provisions for pensions	41,655	–28,176	13,479
– 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 €207k (2016: €127k), for pension insolvency insurance in the amount of €22k (2016: €11k) and for costs for Versicherungsverein des Bankgewerbes a.G. (BVV) in the amount of €197k (2016: €37k). The actual gains from plan assets amounted to €654k (2016: €1,501k).

The weighted duration of the obligations amounts to 19.7 years (31.12.2016: 20.4 years). The expected due dates of the pension payments are as follows:

€k	2018	2019	2020	2021	2022	2023–2027
Expected pension payment	738	784	822	946	930	5,866

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.

€k	DBO as of 31.12.2017	DBO as of 31.12.2016
Interest-rate sensitivity		
– Discount rate +50 basis points	–3,746	–3,829
– Discount rate –50 basis points	4,351	4,463
Salary progression sensitivity		
– Salary progression +50 basis points	1,140	1,198
– Salary progression –50 basis points	–1,014	–1,061
Pension-adjustment sensitivity		
– Pension-adjustment +50 basis points	1,973	1,965
– Pension-adjustment –50 basis points	–1,753	–1,741
Mortality rate (life expectancy) adjustment sensitivity		
– Reduction in probability of death by 10%[1]	1,196	1,194

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, €375k (31.12.2016: €335k), relates to reinsurance cover. The assets held in the pension trust to meet pension claims are as follows:

Market value of plan assets in %	31.12.2017		31.12.2016	
	Active market	**Inactive market**	**Active market**	**Inactive market**
Fixed-income securities/bond funds	40.9	22.6	42.3	20.5
Equities/equity funds	11.3	1.9	7.6	3.2
Other financial instruments	18.1	2.3	19.3	4.4
Liquidity	2.9	0.0	2.7	0.0
Total	**73.2**	**26.8**	**71.9**	**28.1**

The geographical breakdown of the plan assets is as follows: Germany 17.4% (2016: 21.4%), other EU countries 57.0% (2016: 53.2%), US 12.3% (2016: €12.9%), others 13.3% (2016: 12.9%).

For the majority of the pension commitments, endowments of the plan assets are determined annually depending on the ratio of pension obligation to plan assets to ensure sufficient coverage if necessary. Beneficiaries joining or leaving the companies of the comdirect group may cause other additions or deductions from the plan assets.

Pension obligations are calculated using the Heubeck RT2005G (modified) mortality tables. Furthermore the following parameters are included in the actuarial calculations:

in %	31.12.2017	31.12.2016
Parameters for determining the pension obligations at year-end		
Discount rate	1.9	1.8
Salary progression	2.5	2.5
Pension adjustment	1.6	1.6
Parameters for determining pension expenses in financial year		
Discount rate	1.8	2.6
Salary progression	2.5	2.5
Pension adjustment	1.6	1.5

Changes in other provisions:

€k	As of 1.1.2017	Utilised	Reversal	Allowance	Changes to the scope of consoli-dation	As of 31.12.2017
Provisions for non-income-related taxes and interest due to tax claims	399	125	72	80	28	310
Provisions for staff	12,293	10,550	713	11,030	730	12,790
Provisions for credit risk	4,000	12	2,807	684	0	1,865
Sundry provisions	4,135	4,131	1,046	5,071	1,027	5,056
Total	**20,827**	**14,818**	**4,638**	**16,865**	**1,785**	**20,021**

The provisions for staff mainly relate to provisions for variable compensation components, which are scheduled to be used in financial year 2018. This item also includes provisions for anniversary expenses of €1,134k (2016: €1,074k).

Contingent liabilities

As of the reporting date, there are contingent liabilities of €1,266m from loan commitments in the form of private customers' credit lines against securities. Due to an adjustment of the contractual conditions in the financial year, these must now be categorised as irrevocable. Customers can use the credit lines if their availability is collateralised with securities portfolios of the corresponding custody account, taking into account the contractually agreed lending limits. Utilisations lead to claims due at call that bear interest at the contractually agreed rates.

There are also contingent liabilities of €3.0m (31 December 2016: €3.0m) to the Compensation Scheme of German Private Banks. This is the result of the contribution of an irrevocable payment obligation in the previous year to cover a portion of the contribution obligations. In future periods, the Compensation Scheme of German Private Banks can call on the member institutes from the current payment obligations to cover compensation cases. The contingent liability is covered by cash collateral in the same amount held at the Bundesbank.

The "other provisions" item includes an amount of €3.6m (31.12.2016: €2.7m) for contribution obligations arising from the contribution year of the German Banks' Compensation Fund begun in the financial year.

45 Income tax liabilities

€k	31.12.2017	31.12.2016	Change in %
Current income tax liabilities	234	2,429	−90.4
Deferred income tax liabilities	74	0	–
Total	**308**	**2,429**	−87.3

Actual income tax liabilities include liabilities for the previous reporting years.

Deferred income tax assets and liabilities are offset as they relate to the same tax authorities.

Deferred income tax assets breakdown as follows:

€k	Income tax asset	Income tax liabilities	31.12.2017 balance	Income tax asset	Income tax liabilities	31.12.2016 balance
Negative fair values from derivative hedging instruments	0	0	0	590	0	590
Claims on customers (provisions for possible loan losses)	56	–30	26	290	–14	276
Financial investments						
– recognised in profit and loss	8,471	0	8,471	13,595	0	13,595
– recognised directly in equity	0	–7,234	–7,234	0	–15,698	–15,698
Intangible assets	0	–10,263	–10,263	0	–4,237	–4,237
Property, plant and equipment	795	0	795	705	0	705
Provisions						
– recognised in profit and loss	4,115	0	4,115	3,896	0	3,896
– recognised directly in equity	3,779	0	3,779	3,921	0	3,921
Other liabilities	237	0	237	543	0	543
Total	**17,453**	**–17,527**	**–74**	**23,540**	**–19,949**	**3,591**

As at 31 December 2017, deferred income tax assets and liabilities were measured as in the previous year at the currently valid tax rates.

46 Other liabilities

€k	31.12.2017	31.12.2016	Change in %
Liabilities from final withholding tax	23,020	18,028	27.7
Trade accounts payable	34,823	30,099	15.7
Liabilities to affiliated companies	12,689	14,721	–13.8
Other	5,982	4,472	33.8
Total	**76,514**	**67,320**	13.7

47 Equity

€k	31.12.2017	31.12.2016[1]	Change in %
Subscribed capital	141,221	141,221	0.0
Capital reserve	223,296	223,296	0.0
Retained earnings	182,078	123,769	47.1
Revaluation reserves	20,745	47,365	–56.2
Consolidated profit	71,544	92,511	–22.7
Equity	**638,884**	**628,162**	1.7

1) Values were adjusted retrospectively due to the revised reporting of appropriation of profits (compare note (3)).

Subscribed capital

Subscribed capital comprises no-par-value shares.

	Number
Number of shares held as of 1.1.2017	**141,220,815**
Issue of new shares	0
Number of shares held as of 31.12.2017	**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 realisation of price gains within the special fund.

Additional information

48 Equity management

Through equity management, comdirect aims to meet regulatory capital requirements, to maintain adequate capital levels at all times to ensure that the bank has the capacity to act, and to achieve an appropriate return on equity.

Risk-bearing capacity analysis

The risk-bearing capacity analysis, i.e. the 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 the following:

€m	31.12.2017	31.12.2016
Profit after tax[1]	70.5	91.5
Subscibed capital	141.2	141.2
Revaluation reserves	20.7	47.4
General reserves[2]	413.6	353.6
Other intangible assets	–50.1	–24.3
Deferred tax assets and liabilities	–8.6	–20.1
Economic capital	**587.5**	**589.3**
Reserve for fluctuation in economic capital	–87.5	–129.3
Risk cover potential	**500.0**	**460.0**

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's overall risk position as of year-end was €189.1m (2016: €187.2m). As of the end of the financial year, utilisation of risk cover potential was thus 37.8% (2016: 40.7%). 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, European Bank for Financial Services GmbH (ebase), onvista AG and onvista media GmbH 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 40.87% (in accordance with Article 92 CRR, previous year: 38.79%).

€k	**31.12.2017**	**31.12.2016**	Change in %
Subscribed capital	141,221	141,221	0.0
General reserves	355,385	263,952	34.6
Addition/reduction	–26,704	33,195	–
Core capital	**469,902**	**438,368**	7.2
Liable equity	**469,902**	**438,368**	7.2
Own funds for SolvV	**469,902**	**438,368**	7.2
Risk-weighted assets	994,398	923,043	7.7
Eligible amount for operational and other risks, multiplied by 12.5	155,346	206,974	–24.9
Total	**1,149,744**	**1,130,017**	1.7

49 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.

€k	**as of 31.12.2017**		**as of 31.12.2016**	
	Short-term	**Long-term**	**Short-term**	**Long-term**
Cash reserve	2,362,901	0	2,138,165	0
Claims on banks	3,965,881	13,340,814	3,351,804	10,080,609
Claims on customers	440,993	54,221	358,943	16,171
Financial investments	809,207	1,902,870	807,295	2,341,635
Intangible assets	0	50,098	0	24,255
Fixed assets	0	18,596	0	15,546
Current income tax assets	4,352	0	198	0
Deferred income tax assets	0	0	–1,522	5,113
Other assets	24,533	0	15,886	0
Total	**7,607,867**	**15,366,599**	**6,670,769**	**12,483,329**
Liabilities to banks	9,288	0	15,577	0
Liabilities to customers	22,052,707	221,332	18,293,406	225,531
Negative fair values from derivative hedging instruments	0	0	1,447	0
Provisions	18,875	14,626	20,156	19,427
Current income tax liabilities	234	0	2,429	0
Deferred income tax liabilities	2,488	–2,414	0	0
Other liabilities	76,514	0	67,320	0
Total	**22,160,106**	**233,544**	**18,400,335**	**244,958**

The maturities for financial instruments for which there are contractual terms are shown under "Maturities, by remaining lifetime". Time remaining to maturity is considered as the period between the balance sheet date and the contractual maturity of the claim or obligation.

Remaining lifetimes as of 31.12.2017
€k

	Total	Due on demand and unlimited in time	Up to three months	More than three months to one year	More than one to five years	More than five years
Claims on banks	17,306,695	313,533	1,176,559	2,475,789	10,018,161	3,322,653
Claims on customers	495,214	392,470	46,961	1,562	27,809	26,412
Bonds and notes in the "available for sale" portfolio	2,712,077	0	208,731	600,476	1,755,262	147,608
Total	**20,513,986**	**706,003**	**1,432,251**	**3,077,827**	**11,801,232**	**3,496,673**
Liabilities to banks	9,288	9,288	0	0	0	0
Liabilities to customers	22,274,039	21,750,163	292,640	9,904	187,087	34,245
Negative fair values from derivative financial instruments	0	0	0	0	0	0
Total	**22,283,327**	**21,759,451**	**292,640**	**9,904**	**187,087**	**34,245**

Remaining lifetimes as of 31.12.2016
€k

	Total	Due on demand and unlimited in time	Up to three months	More than three months to one year	More than one to five years	More than five years
Claims on banks	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**

50 Claims on/liabilities to affiliated companies

€k	31.12.2017	31.12.2016	Change in %
Assets			
Claims on banks	17,197,440	13,353,152	28.8
Financial investments	653,139	955,803	–31.7
Other assets	2,684	479	460.3
Total	**17,853,263**	**14,309,434**	24.8
Liabilities			
Liabilities to banks	0	0	–
Other liabilities	12,689	14,721	–13.8
Total	**12,689**	**14,721**	–13.8

Money and capital market investments with companies in the Commerzbank Group are collateralised within the scope of a general assignment agreement.

51 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, 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 instruments 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 €17,853m (2016: €14,309m). 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 €497.1m (2016: €377.4m) in claims on customers before provisions for possible loan losses, default risks from loans against securities in the amount of €216.5m (2016: €156.8m) are covered by securities pledged as collateral by customers.

Credit quality of assets

The table below classifies financial assets into grades, with the investment grade area covering the "very good", "good" and "satisfactory" classes.

€k	Claims on customers	Claims on banks	Financial investments	Other
31.12.2017				
Very good	388,386	17,288,666	1,949,021	2,362,901
Good	6,137	17,628	433,788	0
Satisfactory	12,531	0	287,180	0
Adequate	10,699	0	42,264	0
Heightened risk	17,277	0	0	0
High risk	9,472	0	0	0
Default	1,950	0	0	0
No allocation	50,689	402	57,892	0
Total	**497,141**	**17,306,695**	**2,770,145**	**2,362,901**
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**

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 retail funds and participations. The structure of the grades used was slightly adjusted in the reporting year, with financial instruments with the same credit quality being classified in a lower grade than in the previous year.

As of the reporting date, there are contingent liabilities of €1,266m from loan commitments in the form of private customers' credit lines against securities. Due to an adjustment of the contractual conditions in the financial year, these must now be categorised as irrevocable. Customers can use the credit lines if their availability is collateralised with securities portfolios of the corresponding custody account, taking into account the contractually agreed lending limits. Utilisations lead to claims due at call that bear interest at the contractually agreed rates. The conservative collateralisation means that there are extremely few credit losses arising from loans against securities. In the theoretical case that all borrowers default simultaneously and at the same time all collateralisations are lost, the maximum credit risk is given by the overall amount of the irrevocable commitments.

Overdue, but as yet unimpaired financial assets

Claims on customers €k	31.12.2017	31.12.2016	Change in %
Age structure			
1 to 29 days	18,923	14,757	28.2
30 to 59 days	986	1,610	–38.8
60 to 89 days	205	1,618	–87.3
90 to 179 days	464	243	90.9
180 days and more	1,483	1,632	–9.1
Total	**22,061**	**19,860**	11.1

For the claims on customers which are overdue but not yet impaired, there are provisions for possible loan losses of €542k (31.12.2016: €935k).

Individually impaired financial assets

Claims on customers €k	31.12.2017	31.12.2016	Change in %
Volume of claims individually impaired	1,950	2,034	–4.1
Impairment	–590	–734	–19.6
Book value	**1,360**	**1,300**	4.6

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 management report.

Payment claims under financial assets in accordance with contractually agreed maturities

Remaining lifetimes as of 31.12.2017 €k	Book value	Due on demand	Up to one year	More than one year to five years	More than five years
Non-derivative financial assets					
Cash reserve	2,362,901	2,362,901	0	0	0
Claims on banks	17,306,695	313,533	3,708,236	10,243,272	3,407,124
Claims on customers	495,214	394,063	50,633	31,776	27,338
Bonds and notes	2,712,076	0	816,826	1,752,423	148,371
Total	**22,876,886**	**3,070,497**	**4,575,695**	**12,027,471**	**3,582,833**

Remaining lifetimes as of 31.12.2016 €k	Book value	Due on demand	Up to one year	More than one year to five years	More than five years
Non-derivative financial assets					
Cash reserve	2,138,165	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**

Payment obligations under financial liabilities in accordance with contractually agreed maturities

Remaining lifetimes as of 31.12.2017 €k	**Book value**	**Due on demand**	**Up to one year**	**More than one year to five years**	**More than five years**
Non-derivative financial liabilities					
Liabilities to banks	9,288	9,288	0	0	0
Liabilities to customers	22,274,039	21,750,163	310,512	209,692	34,245
Derivative financial liabilities					
Negative fair values from derivative hedging instruments	0	0	0	0	0
Credit obligations					
Private customers	0	4,727,879	0	0	0
of which from loans against securities	0	2,305,803	0	0	0
Total	**22,283,327**	**26,487,330**	**310,512**	**209,692**	**34,245**

Remaining lifetimes as of 31.12.2016 €k	**Book value**	**Due on demand**	**Up to one year**	**More than one year to five years**	**More than five years**
Non-derivative financial liabilities					
Liabilities to banks	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**

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

€k	As of 31.12.2016	As of 31.12.2017	Year high	Year low	Median 2017	Median 2016
Total VaR 97.5% Holding period 1 day	1,340	713	1,344	486	662	1,796
Stress test – overall result	**79,803**	**89,123**	**102,897**	**76,191**	**87,776**	**91,695**

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.

52 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.

€k	Fair value		Book value	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
Loans and receivables				
Cash reserve	2,362,901	2,138,165	2,362,901	2,138,165
Claims on banks	17,430,089	13,534,510	17,306,695	13,432,413
Claims on customers	496,772	375,358	495,214	375,114
Total	**20,289,762**	**16,048,033**	**20,164,810**	**15,945,692**
Available-for-sale financial assets				
Financial investments[1]	2,770,145	3,268,287	2,770,145	3,268,287
Total	**2,770,145**	**3,268,287**	**2,770,145**	**3,268,287**
Liabilities measured at amortised cost				
Liabilities to banks	9,288	15,577	9,288	15,577
Liabilities to customers	22,274,063	18,551,148	22,274,039	18,518,937
Total	**22,283,351**	**18,566,725**	**22,283,327**	**18,534,514**
Financial assets and liabilities at fair value through profit or loss				
Negative fair values from derivative hedging instruments	0	1,447	0	1,447
Total	**0**	**1,447**	**0**	**1,447**

1) Including preferred stocks of VISA Inc. USA. These holdings were reported under the "Investments" item in the 2016 annual report. The previous year's values have been adjusted.

For financial instruments due at call and financial instruments with short maturities, the nominal value 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 €313,533k (2016: €273,662k), "claims on customers" in the amount of €439,431k (2016: €358,383k), "liabilities to banks" in the amount of €9,288k (2016: €15,577k) and "liabilities to customers" in the amount of €21,750,163k (2016: €17,974,328k).

Allocation of fair values is presented in the note "fair value hierarchy" (Note (53)).

53 Fair value hierarchy

The table below shows how the individual financial instruments are allocated to the appropriate level of the fair value hierarchy and to the corresponding measurement category in accordance with 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).

€k	31.12.2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Loans and receivables				
Cash reserve	2,362,901	0	2,362,901	0
Claims on banks	17,430,089	0	17,430,089	0
Claims on customers	496,772	0	439,870	56,902
Available for sale				
Financial investments[1]	2,770,145	1,809,704	947,911	12,530
Total assets	**23,059,907**	**1,809,704**	**21,180,771**	**69,432**
Liabilities				
Liabilities measured at amortised cost				
Liabilities to banks	9,288	0	9,288	0
Liabilities to customers	22,274,063	0	22,274,063	0
Fair value through profit or loss				
Negative fair values from derivative hedging instruments	0	0	0	0
Total liabilities	**22,283,351**	**0**	**22,283,351**	**0**

1) Including preferred stocks of VISA Inc. USA. These holdings were reported under the "Investments" item in the 2016 annual report. The previous year's values have been adjusted.

€k	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[1)]	3,268,287	2,306,289	952,253	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**

1) Including preferred stocks of VISA Inc. USA. These holdings were reported under the “Investments” item in the 2016 annual report. The previous year’s values have been adjusted.

In the reporting period, securities with a fair value of €46m were reclassified from level 2 to level 1, as an active market was available due to increased market activity. There were no other reclassifications as of 31 December 2017.

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

In the case of consumer loans the allocation to level 3 is the result in particular of individual customer behaviour not observable on the market, which is expressed as individual default risk. This leads to an adjustment of the discounting interest rate as part of determining fair value with the discounted cash flow method. In addition to interest, credit and liquidity risks, the discount curve applied also takes into account administrative expenses and a profit margin. Compared with the other influencing factors of the fair values, in particular interest rate risk, the default risk relating to the overall portfolio largely recedes into the background.

The value of preferred stocks of VISA Inc. USA can be derived from their stock exchange price due to the later exchange to common stocks of VISA Inc. USA. Because they are listed in US dollars, the exchange rate to euros has an effect on the fair value. There is uncertainty regarding the later exchange ratio. This is affected by possible losses of VISA Inc. USA from legal risks in connection with the transaction. The probability of a loss occurring and its expected amount are estimated for pricing. In both cases, they are non-observable parameters with future effects. They have low sensitivities. Discounts to be accounted for arising from the illiquidity of the preferred stocks are also non-observable. An increase in the liquidity discount of 10% (2016: 10%) of 1 percentage point would result in the fair value of the preferred stocks being reduced by €139k (previous year: €108k).

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

During the reporting period, a contribution to other comprehensive income of €2,744k arose from the preferred stocks of VISA Inc. USA (previous year: €782k) as value change with neutral effect on profit within the items that can be reclassified in the income statement.

54 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.

€k	2017	2016	Change in %
Loans and receivables			
Interest income	93,810	108,132	–13.2
Provisions for possible loan losses	–663	–734	–9.7
Net result	**93,147**	**107,398**	–13.3
Available-for-sale financial assets			
Fair value changes (recognised in equity)	–13,255	15,365	–
Valuation results reposted from the revaluation reserves to the income statement	0	383	–100.0
Results of sales reposted from the revaluation reserves to the income statement	–21,933	–43,556	–49.6
Sub-total: change in revaluation reserves before tax	**–35,188**	**–27,808**	26.5
Interest income	17,655	25,666	–31.2
Dividends and similar income	372	1,243	–70.1
Results from financial investments	21,933	43,173	–49.2
Change in hedged fair value from hedging instruments	–1,628	137	–
Net result	**3,144**	**42,411**	–92.6
Liabilities measured at amortised cost			
Interest expenses	–17,364	–16,721	3.8
Net result	**–17,364**	**–16,721**	3.8
At fair value through profit or loss: held for trading			
Trading result	–691	–1,350	–48.8
Net result	**–691**	**–1,350**	–48.8
At fair value through profit or loss: derivative hedging instruments			
Change in hedged fair value from hedging instruments	1,627	–138	–
Net result	**1,627**	**–138**	–

Interest income for financial instruments not recognised at fair value in profit or loss amounts to €111.8m (2016: €135.0m), interest expenses amount to €17.4m (2016: €16.7m).

Interest income from loans and receivables in the year under review still do not include any significant interest income from impaired receivables.

There is an assignment agreement between comdirect bank AG and Commerzbank AG for a customer loan portfolio. Claims are assigned from Commerzbank AG to comdirect bank AG as security for all existing, future and conditional claims by comdirect bank AG against Commerzbank AG and/or its group companies arising from financial transactions or other loans. Commerzbank AG was paid a fee of €3.7m due to this assignment agreement (2016: €2.9m).

55 Business combinations

Acquisition of the onvista group
At closing on 3 April 2017, comdirect bank AG successfully concluded its acquisition of onvista AG from Boursorama S.A. onvista AG includes online broker onvista bank GmbH and onvista media GmbH.

In Germany, the onvista group operates an established online platform for brokerage transactions and the financial information portal www.onvista.de. At closing, onvista bank GmbH had total Assets under Control (AuC) of approximately €3.0bn and a total of around 102k customers, who are offered the full range of products in securities trading.

The acquisition of the onvista group supports comdirect's growth ambitions in the German online brokerage market. With onvista media GmbH, comdirect is acquiring one of Germany's leading financial portals, with the aim of offering a larger platform for financial information, marketing and new customer acquisition.

Financial effects of the acquisition of the onvista group
The consideration transferred for the acquisition amounted to €39,723k. It comprises a basic sum of €42,000k and a purchase price adjustment of €2,277k. The adjustment of the consideration was derived according to the agreement from the available equity of the onvista group at closing. To this end, consolidated financial statements for the onvista group (closing accounts) were prepared according to the German Commercial Code (HGB) in accordance with the agreements between comdirect bank AG and Boursorama S.A. relating to the acquisition of onvista AG as of 31 March 2017. The consideration was paid in full in cash. With the onvista group, €420.9m in cash was acquired.

Since 3 April 2017, the former onvista group has generated income of €18.1m and a balanced profit contribution before income taxes of €0.0m. The majority of the income is due to commission from the securities business.

If onvista AG had already been consolidated as of 1 January 2017, it would have contributed income of €22.9m and a result of €–1.1m for the reporting period. These figures have been determined solely for comparison purposes and on the basis of additional estimates. They are not a reliable indication of actual operating results or future results.

Due to the merger of onvista bank GmbH as of 12 June 2016 and the integration of the Treasury activities from 3 April 2017 into the comdirect group, the determination of the profit contribution includes internally allocated interest contributions.

The profit contributions include, as income, the negative difference (negative goodwill) from the first consolidation, which amounts to €1,232k.

The assets reported and liabilities assumed at the date of acquisition can be seen in the table below.

€k	
Cash reserve	420,850
Claims on banks	147,044
Claims on customers	72,666
Financial investments	96,534
Intangible assets	23,979
Fixed assets	635
Other assets	2,740
Total assets	**764,448**
Liabilities to banks	4,530
Liabilities to customers	699,649
Provisions	2,155
Income tax liabilities	7,374
Other liabilities	9,785
Total liabilities	**723,493**
Net assets at current market value	**40,955**
Consideration	**39,723**
Negative difference (negative goodwill)	**1,232**

After assessing all available information, there is negative goodwill of €1,232k, which has been recognised in these financial statements as part of the "other operating result", increasing results. This is primarily due to the cautious valuations of companies in the financial industry that are prevailing in the market environment, at the date of acquisition.

The table below shows the valuation of the acquired claims at the date of acquisition:

€k	**Cash reserve**	**Claims on customers**	**Claims on banks**	**Trade receivables**
Gross receivable	420,850	72,146	147,044	697
Loan losses	0	−132	0	−45
Balance sheet	**420,850**	**72,014**	**147,044**	**652**

All receivables were categorised as profitable at the date of acquisition.

Changes to the presentation in the 2017 half-year report

Due to further review and processing of available data, some amounts have changed since the presentation of 30 June 2017.

As a result of accounting for an identifiable liability for VAT adjustments, for which in turn an other asset was recognised in the same amount for compensation payments to the vendor, the volumes of both acquired assets and liabilities have increased by €1,810k since their presentation as of 30 June 2017.

Apart from this, there were only small adjustments arising from other findings that lead, after accounting for deferred taxes, to the onvista group's net assets being €21k lower as of the acquisition date than in the half-year report.

With an increase of €60k, the consideration calculated remained virtually constant compared with the half-year report. Together with the similarly low change in the net assets, this resulted in a change to the negative difference from the first-time consolidation of €−39k.

56 Average number of employees during the financial year

	2017			2016			Change (total) in %
	Total	Female	Male	Total	Female	Male	
At comdirect bank AG	**1,162**	**555**	**607**	**1,066**	**524**	**542**	9.0
in customer management	489	294	195	507	311	196	−3.6
in other areas[1]	673	261	412	559	213	346	20.4
At ebase GmbH	**262**	**151**	**111**	**260**	**157**	**103**	0.8
At onvista media GmbH[2]	**13**	**7**	**6**	**–**	**–**	**–**	–
Average number of employees during the reporting period	**1,437**	**713**	**724**	**1,326**	**681**	**645**	8.4

1) Comprised of employees of the former onvista bank GmbH from the point in time of the merger onwards.
2) Average number of employees from the merger onwards.

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 2017.

	2017			2016			Change (total) in %
Apprentices and trainees	**Total**	**Female**	**Male**	**Total**	**Female**	**Male**	
At comdirect bank AG	**31**	**9**	**22**	**32**	**13**	**19**	−3.1

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

€k	1.1. to 31.12.2017	1.1. to 31.12.2016	1.1. to 31.12.2015	1.1. to 31.12.2014	1.1. to 31.12.2013
Interest income	111,837	135,041	165,300	194,006	214,815
Interest expenses	17,673	17,229	27,896	48,203	76,174
Net interest income before provisions for possible loan losses	**94,164**	**117,812**	**137,404**	**145,803**	**138,641**
Provisions for possible loan losses	1,460	1,074	–2,895	–279	–1,429
Net interest income after provisions for possible loan losses	**95,624**	**118,886**	**134,509**	**145,524**	**137,212**
Commission income	452,626	368,952	383,395	333,946	323,348
Commission expenses	200,698	153,540	155,030	140,796	135,018
Net commission income	**251,928**	**215,412**	**228,365**	**193,150**	**188,330**
Trading result and result from hedge accounting	–692	–1,351	219	145	287
Result from financial investments	21,933	43,172	4,212	4,829	9,243
Administrative expenses	**284,527**	**260,960**	**279,980**	**270,995**	**259,866**
Personnel expenses	95,841	88,072	83,153	77,650	73,402
Other administrative expenses	170,840	158,991	180,310	173,696	168,662
Sales	28,887	34,898	53,582	52,229	50,523
External services	47,771	44,240	44,533	40,986	36,585
Business operations	41,083	36,749	39,183	36,924	41,015
IT expenses	31,872	29,569	32,053	31,581	28,229
Mandatory contributions	19,596	11,693	8,796	10,615	10,581
Others	1,631	1,842	2,163	1,361	1,729
Depreciation of office furniture and equipment and amortisation of intangible assets	17,846	13,897	16,517	19,649	17,802
Other operating result	10,595	5,505	3,283	9,825	4,826
Pre-tax profit	**94,861**	**120,664**	**90,608**	**82,478**	**80,032**
Taxes on income	23,317	28,153	25,566	16,285	19,498
Net profit	**71,544**	**92,511**	**65,042**	**66,193**	**60,534**

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

€k	1.1. to 31.12.2017	1.1. to 31.12.2016	1.1. to 31.12.2015	1.1. to 31.12.2014	1.1. to 31.12.2013
Net profit	**71,544**	**92,511**	**65,042**	**66,193**	**60,534**
Items which cannot be reclassified to the income statement					
– Change in actuarial gains/losses recognised in equity	1,103	–3,669	2,951	–6,252	708
Items which can be reclassified to the income statement					
– Change in the revaluation reserves after tax					
Change in value recognised in equity	–5,463	8,583	26,499	35,204	–25,988
Reclassification to the income statement	–21,157	–37,005	–4,014	–4,139	–7,294
Other comprehensive income for the period	**–25,517**	**–32,091**	**25,436**	**24,813**	**–32,574**
Comprehensive income	**46,027**	**60,420**	**90,478**	**91,006**	**27,960**

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

€k	2017			
	Q1	Q2	Q3	Q4
Interest income	28,948	27,866	27,566	27,457
Interest expenses	4,147	4,849	4,552	4,125
Net interest income before provisions for possible loan losses	**24,801**	**23,017**	**23,014**	**23,332**
Provisions for possible loan losses	–288	376	1,755	–383
Net interest income after provisions for possible loan losses	**24,513**	**23,393**	**24,769**	**22,949**
Commission income	105,044	112,909	112,417	122,256
Commission expenses	45,896	51,859	50,838	52,105
Net commission income	**59,148**	**61,050**	**61,579**	**70,151**
Trading result and result from hedge accounting	–231	–297	–99	–65
Result from financial investments	5,112	6,568	3,835	6,418
Administrative expenses	**62,707**	**70,743**	**71,392**	**79,685**
Personnel expenses	21,586	23,900	24,906	25,449
Other administrative expenses	37,449	42,418	41,807	49,166
Sales	4,894	10,703	5,096	8,194
External services	11,380	11,722	12,416	12,253
Business operations	8,773	8,900	9,925	13,485
IT expenses	7,949	7,129	8,704	8,090
Mandatory contributions	4,348	3,608	4,983	6,657
Others	105	356	683	487
Depreciation of office furniture and equipment and amortisation of intangible assets	3,672	4,425	4,679	5,070
Other operating result	1,592	3,514	2,849	2,640
Pre-tax profit	**27,427**	**23,485**	**21,541**	**22,408**
Taxes on income	7,055	3,145	6,065	7,052
Net profit	**20,372**	**20,340**	**15,476**	**15,356**

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

€k	2017			
	Q1	Q2	Q3	Q4
Net profit	**20,372**	**20,340**	**15,476**	**15,356**
Items which cannot be reclassified to the income statement				
– Change in actuarial gains/losses recognised in equity	–178	1,580	–347	48
Items which can be reclassified to the income statement				
– Change in the revaluation reserves after tax				
Change in value recognised in equity	–1,889	–4,178	1,607	–1,003
Reclassification to the income statement	–4,916	–6,406	–3,110	–6,725
Other comprehensive income for the period	**–6,983**	**–9,004**	**–1,850**	**–7,680**
Comprehensive income	**13,389**	**11,336**	**13,626**	**7,676**

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

€k	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 amortisation of 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 in a quarterly comparison

€k	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**

59 Segment reporting by business line

€k	B2C	B2B	Consoli-dation	comdirect group total
	1.1. to 31.12.2017			
Interest income	111,693	298	–154	111,837
Interest expenses	16,869	958	–154	17,673
Net interest income before provisions for possible loan losses	94,824	–660		94,164
Provisions for possible loan losses	1,449	11		1,460
Net interest income after provisions for possible loan losses	96,273	–649		95,624
Commission income	223,775	229,176	–325	452,626
Commission expenses	29,540	171,311	–153	200,698
Net commission income	194,235	57,865	–172	251,928
Trading result and result from hedge accounting	–692	0		–692
Result from financial investments	21,463	470		21,933
Administrative expenses	239,324	45,455	–252	284,527
Other operating result	9,285	1,390	–80	10,595
Pre-tax profit	**81,240**	**13,621**		**94,861**
Segment investments	17,468	4,718		22,186
Segment depreciation	12,952	4,894		17,846
Cost/income ratio	75.0%	77.0%		75.3%
Segment income	372,784	232,115		
– of which external income	372,454	231,882		
– of which inter-segmental income	330	233		
Segment expenses	291,544	218,494		

The management manages the comdirect group via two business lines: business-to-customer (B2C) and business-to-business (B2B).

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.

The B2C business segment comprises the activities of comdirect bank AG and its five special funds. These relate to services in brokerage, banking and advice in direct business with modern investors. After the acquisition of the onvista group, this also includes business with the custody account customers of the onvista bank division, which was merged with comdirect bank AG during the reporting year. onvista media GmbH, which operates the associated onvista.de portal, and onvista AG are also allocated to the B2C business.

The activities in the B2B business segment are carried out via ebase GmbH. Through its B2B partners, ebase offers comprehensive and tailored solutions for asset accumulation and investments.

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.

Segment reporting by business line

€k	1.1. to 31.12.2016			
	B2C	**B2B**	**Consoli-dation**	**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		

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 (21)). The interest income from money and capital market transactions in the amount of €83.7m exceeds 10% of the total income for the segments. This was earned almost exclusively in the B2C business segment.

As part of Treasury investments, the B2B business segment makes money market transactions with the B2C business segment. This generated interest income of €61k (previous year: €18k) and interest expenses of €3k (previous year: €11k) in the B2B business segment. The corresponding level of interest expenses and interest income 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 services and other commission, e.g. from advisory services. In the B2C business segment no impairments on equity instruments were necessary (2016: €335k). There was an impairment of €6k on intangible assets (2016: no impairment).

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. No impairments on financial investments were taken into account (2016: €49k).

The segment income and expenses reported relate to IFRS values and therefore correspond to the values stated in the consolidated income statement.

60 Other liabilities

€k	31.12.2017 Up to one year	31.12.2016 Up to one year	31.12.2017 More than one year up to five years	31.12.2016 More than one year up to five years	31.12.2017 More than five years	31.12.2016 More than five years
Rental payments	4,532	5,262	13,885	13,269	758	0
Lease payments	766	538	617	500	0	0
Total	**5,298**	**5,800**	**14,502**	**13,769**	**758**	**0**

The above table contains minimum lease payments under non-cancellable operating leases.

61 Fees for auditors

€k	2017	2016	Change in %
Annual audits	530	583	–9.1
Other certification services	44	0	–
Tax advisory services	0	201	–100.0
Other services	23	59	–61.0
Total	**597**	**843**	–29.2

The expenses shown in the table for services provided by auditors Ernst & Young GmbH are stated net of VAT. The previous year's figures relate to the previous auditor, PricewaterhouseCoopers AG.

The other services in the financial year include the procurement of regular information on regulatory changes.

Non-audit services as defined by Section 10 (2) g of the EU Audit Regulation during the financial year included the audit review of the half-year report, the audit pursuant to Section 36 of the German Securities Trading Act (WpHG) (old version), the execution of audit activities relating to the IFRS Reporting Package and the gathering of regular information on regulatory changes. Audit activities relating to the IFRS reporting package were rendered for a controlled company.

62 Corporate Governance Code

comdirect bank AG has submitted its Declaration of Compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG), making it accessible to its shareholders permanently at www.comdirect.de.

63 The company's Boards

Supervisory Board

Michael Mandel
Chairman
Member of the Board of Managing Directors of Commerzbank AG,
Frankfurt/Main

Frank Annuscheit
Deputy Chairman
Member of the Board of Managing Directors of Commerzbank AG,
Frankfurt/Main

Sandra Persiehl
Chairwoman of the works council of comdirect bank AG,
Quickborn

Georg Rönnberg
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

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

Dr Sven Deglow
Member of the Board of Managing Directors, CMO
(until 31 December 2017)

Matthias Hach
Member of the Board of Managing Directors, CMO
(from 30 January 2018)

Martina Palte
Member of the Board of Managing Directors, COO

64 Seats on supervisory boards and other executive bodies

Members of the Supervisory Board of comdirect bank AG

Michael Mandel
Seats on statutory supervisory boards:
- Commerz Real AG, Eschborn
  Deputy Chairman
- SCHUFA Holding AG, Wiesbaden
  (until 19 June 2017)

Seats on comparable supervisory boards:
- Commerz Real Investmentgesellschaft mbH, Wiesbaden
  Deputy Chairman
- CommerzVentures GmbH, Frankfurt/Main
  (from 20 September 2017)
- 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 e.V., 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
- Main Incubator GmbH, Frankfurt/Main
  (from 16 January 2017)

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
Seats on statutory supervisory boards:
- onvista AG, Frankfurt/Main
  Chairman
  (from 3 April 2017)

Seats on comparable supervisory boards:
- European Bank for Financial Services GmbH (ebase), Aschheim
- onvista bank GmbH, Frankfurt/Main
  Chairman
  (from 3 April 2017 until 12 Juni 2017)
- onvista media GmbH, Frankfurt/Main
  (from 19 Juni 2017)

Dr Sven Deglow (until 31 December 2017)
Seats on statutory supervisory boards:
- onvista AG, Frankfurt/Main
  (from 3 April 2017)

Seats on comparable supervisory boards:
- European Bank for Financial Services GmbH (ebase), Aschheim
- onvista bank GmbH, Frankfurt/Main
  (from 3 April 2017 until 12 June 2017)
- onvista media GmbH, Frankfurt/Main
  Chairman
  (from 19 June 2017)

Matthias Hach (from 30 January 2018)
Seats on statutory supervisory boards:
- onvista AG, Frankfurt/Main
  (from 9 January 2018)

Seats on comparable supervisory boards:
- European Bank for Financial Services GmbH (ebase), Aschheim
  (from 1 January 2018)
- onvista bank GmbH, Frankfurt/Main
  (from 3 April 2017 until 12 June 2017)
- onvista media GmbH, Frankfurt/Main
  Chairman
  (from 1 January 2018)

Martina Palte
Seats on statutory supervisory boards:
- onvista AG, Frankfurt/Main
  (from 3 April 2017)

Seats on comparable supervisory boards:
- European Bank for Financial Services GmbH (ebase), Aschheim
- onvista bank GmbH, Frankfurt/Main
  (from 3 April 2017 until 12 June 2017)
- onvista media GmbH, Frankfurt/Main
  (from 19 June 2017)

65 Remuneration and loans to Board members

Compensation of the Board of Managing Directors

The remuneration of the Board of Managing Directors consists of non-performance-related fixed compensation and performance-related variable compensation. This comprises a short-term component (short-term incentive (STI)) and a component with 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. Further information relating to the remuneration of the Board of Managing Directors and of individual Board members can be found in the compensation report.

Pursuant to IAS 24.17 and DRS 17, the overall compensation of the Board of Managing Directors is structured as shown in the table below:

€k	**2017**	**2016**
Short-term benefits	1,356	1,321
Post-employment benefits	193	126
Other long-term benefits	130	93
Termination benefits	11	109
Share-based payment	418	165
Overall compensation pursuant to IAS 24.17	**2,108**	**1,814**
minus		
Post-employment benefits	193	126
Termination benefits	11	109
Measurement and other differences	248	–111
Overall compensation pursuant to Section 314 (1) no. 6a clause 1 of the German Commercial Code	**1,656**	**1,690**

In accordance with commercial law regulations, the overall remuneration for financial year 2017 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 2013 to be settled as cash payout must also be reported as part of the remuneration for the 2017 financial year. In accordance with commercial law regulations, the corresponding component granted in 2017 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.

Further explanation of the individual components is given below under the subheadings of IAS 24.17.

Short-term benefits

In the 2017 financial year, the following expenses arising for variable compensation components due in the short term were recorded in the income statement: for Mr Walter €52k (2016: €48k), for Mr von Blücher €21k (2016: €9k), for Dr Deglow €29k (2016: €27k) and for Ms Palte €29k (2016: €26k).

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 2017.

In the financial year, the following expenses arising from the share-based compensation components illustrated were recorded in the income statement: for Mr Walter €176k (2016: €69k), for Mr von Blücher €41k (2016: €12k), for Dr Deglow €84k (2016: €36k), for Ms Palte €117k (2016: €33k).

Other long-term benefits
No entitlement is acquired from the compensation component LTI cash payout 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.

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 €56k (2016: €30k) for Mr Walter, €12k (2016: €3k) for Mr von Blücher, €25k (2016: €11k) for Dr Deglow, and €37k (2016: €27k) for Ms Palte.

Post-employment benefits
The members of the Board of Managing Directors receive a pension commitment for their activities at comdirect bank AG. The company has formed pension provisions under IFRS for these future claims, the amount of which depends on the length of service, pensionable salary and current actuarial interest rate. The 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:

2017 €k	**DBO (IFRS) as of 1.1.2017**	**Change in 2017**	**DBO (IFRS) as of 31.12.2017**	**Service cost 2017**
Arno Walter	1,023	96	1,119	90
Dietmar von Blücher (from 18 July 2016)	375	33	408	58
Dr Sven Deglow (until 31 December 2017)	36	–36	0	20
Martina Palte	74	23	97	25
Total	**1,508**	**116**	**1,624**	**193**

2016 €k	**DBO (IFRS) as of 1.1.2016**	**Change in 2016**	**DBO (IFRS) as of 31.12.2016**	**Service cost 2016**
Arno Walter	712	311	1,023	69
Dietmar von Blücher (from 18 July 2016)	0	375	375	11
Dr Sven Deglow (until 31 December 2017)	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**

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. Dr Deglow's pension entitlements have lapsed as a consequence of his resignation.

Termination benefits
Termination benefits of €83k were recorded in expenses for the financial year 2017 (2016: €109k).

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 €4,959k (2016: €5,105k).

The compensation of the former members of the Board of Managing Directors of comdirect bank AG amounted to €343k in the 2017 financial year (2016: €346k). In 2017, a payout of €98k (2016: €102k) was made for the LTI component for former members of the Board of Managing Directors granted in the 2013 (2012) financial year.

Compensation of the Supervisory Board
The compensation of the members of the Supervisory Board is stipulated in comdirect bank AG's Articles of Association. The members of the Supervisory Board received overall compensation of €137k (2016: €137k) consisting of fixed compensation of €96k (2016: €96k) and compensation for committee activities of €42k (2016: €42k). Where necessary, the compensation includes statutory VAT accrued on the compensation.

Neither advance payments nor loans were extended. comdirect bank AG did not take on any contingent liabilities. Information relating to individual Board members can be found in the compensation report.

66 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 guideline.

Affiliated companies

Name	Domicile	Share of capital held in %	Equity in €k	Net profit for the year in €k
European Bank for Financial Services GmbH (ebase)	Aschheim/Germany	100.0	41,196	– 1)
onvista AG	Frankfurt/Main, Germany	100.0	13,784	6,799
onvista media GmbH	Frankfurt/Main, Germany	100.0	1,127	107

1) Net income after profit transfer

Structured companies (special funds)

Name	Domicile	Share of capital held in %	Fund volume in €k	Net profit for the year in €k
CDBS-Cofonds	Frankfurt/Main, Germany	100.0	142,530	9,064
CDBS-Cofonds II	Frankfurt/Main, Germany	100.0	96,534	–1,037
CDBS-Cofonds III	Frankfurt/Main, Germany	100.0	132,441	630
CDBS-Cofonds IV	Frankfurt/Main, Germany	100.0	132,820	536
CDBS-Cofonds V	Frankfurt/Main, Germany	100.0	109,138	6,719

Supplementary report

No major events or developments of special significance have occured since the 2017 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, 22 February 2018
The Board of Managing Directors

Arno Walter

Dietmar von Blücher

Matthias Hach

Martina Palte

Independent auditor's report[1)]

To comdirect bank AG, Quickborn,

Report on the audit of the consolidated financial statements and of the group management report

Opinions
We have audited the consolidated financial statements of comdirect bank AG, Quickborn, and its subsidiaries (the group), which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes for the fiscal year from 1 January 2017 to 31 December 2017, including a summary of significant accounting policies. In addition, we have audited the group management report of comdirect bank AG, Quickborn, for the fiscal year from 1 January 2017 to 31 December 2017.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the group as of 31 December 2017, and of its financial performance for the fiscal year from 1 January 2017 to 31 December 2017, and

- the accompanying group management report as a whole provides an appropriate view of the group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions
We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

1) This is a translation of the independent auditor's report issued in German. The latter is the sole authoritative version.

Key audit matters in the audit of the consolidated financial statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Recognition of commission income from securities trading

Reasons the matter was determined to be a key audit matter:
comdirect Bank AG earns commission income from investment business, primarily from the provision of services in relation to the execution of customer orders. Commission income is recognised as and when the service has been provided. Given the high volumes and the significance of commission income from securities trading for the financial performance of comdirect bank AG, we determined this to be a key audit matter.

Auditor's response:
With regard to the measurement of commission income from securities trading, we used a control-based approach during the audit, examined the underlying business processes and tested the design and operating effectiveness of the controls implemented therein. Our procedures covered the automatic issuance of settlement notes for executed securities transactions and the correct billing of the contractually agreed commission rates and their complete processing in the general ledger. We also performed analytical procedures with regard to the development of commission income from securities trading. Allowing for price effects from the acquisition of OnVista Bank GmbH, Frankfurt am Main, which was merged with comdirect, we examined in particular the development of the number of securities trades in relation to the development of commission income from securities trading.

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

Reference to related disclosures:
The Board of Managing Directors describes the methods for recognising commission income from securities trading in Note (1) "Basic principles" in the accounting and measurement methods in the notes to the consolidated financial statements.

Measurement of intangible assets in connection with the acquisition of the OnVista Group

Reasons the matter was determined to be a key audit matter:
comdirect bank AG acquired the OnVista Group, Frankfurt am Main, in 2017. For the initial consolidation of the OnVista Group, Frankfurt am Main, in accordance with IFRS 3 intangible assets (customer list, distribution partnership, software and OnVista brand) had to be recognised as assets and measured for the first time. They were measured using valuation models as market prices are not available. This is a key matter for comdirect bank AG as the first-time recognition and the related measurement of these intangible assets have a significant effect on the consolidated financial statements of comdirect bank AG. Measurement on the basis of valuation models entails uncertainties and requires the use of various assumptions and parameters which are estimated or defined by comdirect bank AG. Minimal changes in the assumptions and parameters can lead to great variation in values and thus in carrying amounts in the consolidated statement of financial position.

Auditor's response:
To measure the intangible assets identified in the purchase price allocation, comdirect bank AG engaged a neutral expert to determine their fair values. Having satisfied ourselves of the expert's competence, capabilities and objectivity, on the basis of the expert's work we performed substantive procedures with regard to the appropriateness of the fair values determined. Including our own valuation specialists in the audit team, we reperformed the calculations in the valuation models and analysed the measurement methods used and the underlying assumptions and parameters in terms of their appropriateness. Our analyses were based on the further documentation presented, interviews with the expert and the Head of Finance, inspection of the valuation models used and our own calculations of significant value drivers such as cost of capital, useful lives and cost/income ratios.

Our procedures did not give rise to any reservations regarding the recognition and first-time measurement of the intangible assets in connection with the acquisition of the OnVista Group.

Reference to related disclosures in the consolidated financial statements and the management report:
The Institution's disclosures on intangible assets are presented in Note (6) "Disclosures on accounting methods relating to business combinations" in the accounting and measurement methods in the notes to the consolidated financial statements.

Other information
The Supervisory Board is responsible for the "Report of the Supervisory Board." In all other respects, the executive directors are responsible for the other information. The other information comprises the sections of the annual report entitled "Key figures of comdirect group", "Smart. Digital. Growing fast.", "Members of the Board of Managing Directors", "Letter to the shareholders", "Report of the Supervisory Board", "Declaration of the Board of Managing Directors", "Six-year overview of comdirect group", "Financial calendar 2018" and "Contacts", all of which were available as drafts before the date of this auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on 11 May 2017. We were engaged by the Supervisory Board on 11 May 2017. We have been the group auditor of comdirect bank AG, Quickborn, since fiscal year 2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditors responsible for the engagement are Frank Bühring (comdirect Bank AG) and Michael Eisenhuth (ebase GmbH).

Hamburg, 23 February 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

Six-year overview of comdirect group

		2017	Change in %	2016	Change in %
Customers, Assets under Control and key products					
comdirect group*		**31.12.**		**31.12.**	
Customers	number	3,337,580	7.1	3,116,797	4.3
Custody accounts	number	2,076,195	11.2	1,867,163	4.5
Total Assets under Control	in €m	91,373	20.6	75,749	15.7
– of which: portfolio volume	in €m	69,118	20.7	57,249	15.7
– of which: deposit volume	in €m	22,254	20.3	18,500	15.4
Business-to-customer (B2C) business line					
Customers	number	2,286,182	9.9	2,080,949	4.0
Custody accounts	number	1,202,203	19.4	1,006,753	6.7
Current accounts	number	1,430,877	5.5	1,355,747	7.1
Total Assets under Control	in €m	59,019	28.3	45,998	15.2
– of which: portfolio volume	in €m	37,094	33.5	27,777	15.1
– of which: deposit volume	in €m	21,924	20.3	18,221	15.3
Credit volume	in €m	447	37.1	326	8.7
Business-to-business (B2B) business line					
Customers	number	1,051,398	1.5	1,035,848	4.8
Custody accounts	number	873,992	1.6	860,410	2.1
Total Assets under Control	in €m	32,354	8.7	29,751	16.4
– of which: portfolio volume	in €m	32,024	8.7	29,473	16.4
– of which: deposit volume	in €m	330	18.7	278	17.8
Orders and order volume		**2017**		**2016**	
Executed orders	number	29,551,541	19.2	24,782,588	5.2
– of which: B2C	number	17,176,784	20.7	14,235,875	–1.7
– of which: B2B	number	12,374,757	17.3	10,546,713	16.2
Average order activity per custody account (B2C)	number	15.6	6.8	14.6	–8.2
Order volume per executed order (B2C)[1]	in €	5,142	15.4	4,456	–19.0
Earnings ratios		**2017**		**2016**	
Net commission income	in €k	251,928	17.0	215,412	–5.7
Net interest income before provisions for possible loan losses	in €k	94,164	–20.1	117,812	–14.3
Administrative expenses	in €k	284,527	9.0	260,960	–6.8
Pre-tax profit	in €k	94,861	–21.4	120,664	33.2
Net profit	in €k	71,544	–22.7	92,511	42.2
Earnings per share	in €	0.51	–22.7	0.66	43.5
Return on equity before tax[2]	in %	15.8	–	21.4	–
Cost/income ratio	in %	75.3	–	68.6	–
Dividend per share	in €	0.25[3]	0.0	0.25	–37.5
Balance sheet key figures		**31.12.**		**31.12.**	
Balance sheet total	in €m	23,033	19.5	19,273	14.9
Equity	in €m	639	1.8	628	0.6
Equity ratio[4]	in %	2.7	–	3.0	–
Employees' figures		**31.12.**		**31.12**	
Employees	number	1,443	8.3	1,332	1.4
Employees full-time basis	number	1,295.4	8.1	1,198.1	2.1

*) B2C: comdirect bank AG including former onvista group; B2B: ebase GmbH; contributions of onvista from the date of closing onwards (3 April 2017)
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

2015	Change in %	2014	Change in %	2013	Change in %	2012	Change in %
31.12.		**31.12.**		**31.12.**		**31.12.**	
2,989,454	3.4	2,892,003	2.4	2,825,067	2.5	2,755,257	4.7
1,786,168	4.0	1,717,088	1.2	1,697,006	−0.3	1,702,021	1.1
65,498	11.1	58,936	7.1	55,046	12.7	48,854	17.5
49,463	11.2	44,500	7.0	41,579	12.0	37,134	20.2
16,035	11.1	14,435	7.2	13,467	14.9	11,720	9.5
2,001,256	4.8	1,909,105	4.7	1,823,579	6.2	1,716,783	5.2
943,656	7.3	879,492	4.7	839,949	4.2	806,417	2.9
1,265,923	9.3	1,158,617	11.1	1,043,192	15.7	901,419	16.4
39,942	14.9	34,750	9.0	31,891	14.3	27,909	12.1
24,143	17.9	20,483	10.3	18,564	14.0	16,286	13.7
15,799	10.7	14,267	7.1	13,327	14.7	11,623	10.0
300	60.4	187	17.6	159	−8.1	173	−8.5
988,198	0.5	982,898	−1.9	1,001,488	−3.6	1,038,474	4.0
842,512	0.6	837,596	−2.3	857,061	−4.3	895,604	−0.5
25,556	5.7	24,186	4.4	23,156	10.6	20,945	25.5
25,320	5.4	24,017	4.4	23,015	10.4	20,848	25.9
236	39.6	169	20.7	140	44.3	97	−27.6
2015		**2014**		**2013**		**2012**	
23,566,088	15.9	20,341,376	6.0	19,189,622	6.7	17,988,010	−3.7
14,489,218	30.5	11,099,421	11.1	9,989,086	17.9	8,472,017	−7.4
9,076,870	−1.8	9,241,955	0.5	9,200,536	−3.3	9,515,993	−0.1
15.9	23.3	12.9	6.6	12.1	13.1	10.7	−10.1
5,498	2.3	5,377	−6.6	5,759	21.0	4,759	−10.3
2015		**2014**		**2013**		**2012**	
228,365	18.2	193,150	2.6	188,330	12.3	167,699	−8.2
137,404	−5.8	145,803	5.2	138,641	−8.2	150,983	0.1
279,980	3.3	270,995	4.3	259,866	10.2	235,911	1.7
90,608	9.9	82,478	3.1	80,032	−14.4	93,542	−13.5
65,042	−1.7	66,193	9.3	60,534	−18.5	74,280	−33.5
0.46	−2.1	0.47	9.3	0.43	−18.9	0.53	−32.9
16.7	–	15.5	–	15.1	–	17.5	–
75.0	–	76.6	–	76.1	–	70.7	–
0.40	0.0	0.40	11.1	0.36	−18.2	0.44	−21.4
31.12.		**31.12.**		**31.12.**		**31.12.**	
16,769	10.5	15,170	7.1	14,163	13.7	12,451	9.4
624	5.7	590	6.9	552	−5.8	586	7.1
3.3	–	3.5	–	3.7	–	4.3	–
31.12.		**31.12.**		**31.12.**		**31.12.**	
1,314	2.1	1,287	4.4	1,233	4.8	1,176	2.4
1,173.5	1.8	1,153.3	4.8	1,100.6	4.8	1,050.2	2.5

Financial calendar 2018

30 January	Press/Analysts' conference in Frankfurt/Main
28 March	Annual report 2017
26 April	Quarterly statement
4 May	Annual General Meeting in Hamburg
1 August	Half-year report
30 October	Nine-month statement

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You can download our annual and interim reports as well as our quarterly statements in German or in English from our website at www.comdirect.de/ir/publications.

You can download our published press releases in German or in English on our website at www.comdirect.de/pr.

The English translation of the comdirect group annual report is provided for convenience only. The German original is definitive.

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