Half-year report 2019

comdirect

Key figures of comdirect group

Customers, total assets under control and key products		2019 30.6.	2018 31.12.	Change in %
comdirect group[1]				
Customers	number	3,723,070	3,595,798	3.5
Custody accounts	number	2,391,889	2,279,661	4.9
Total assets under control	in €m	106,441	92,347	15.3
of which: portfolio volume	in €m	78,349	66,417	18.0
of which: deposit volume	in €m	28,092	25,931	8.3
Business-to-customer (B2C) business segment				
Customers	number	2,650,103	2,522,204	5.1
Custody accounts	number	1,481,980	1,383,630	7.1
Current accounts	number	1,645,902	1,568,736	4.9
Total assets under control	in €m	72,551	62,080	16.9
of which: portfolio volume	in €m	44,943	36,636	22.7
of which: deposit volume	in €m	27,608	25,444	8.5
Credit volume	in €m	687	609	12.7

Orders and order volume (B2C)		1.1.-30.6.	1.1.-30.6.	
Executed orders	number	11,588,924	10,903,710	6.3
Average order activity per custody account	number	16.2	17.5	–7.4
Order volume per executed order[2]	in €	4,474	5,009	–10.7

Key financial figures		1.1.-30.6.	1.1.-30.6.	
Continued activities				
Net commission income	in €k	103,926	107,891	–3.7
Net interest income before provisions for possible loan losses	in €k	62,829	56,900	10.4
Administrative expenses	in €k	145,674	130,119	12.0
Cost/income ratio	in %	82.5	75.7	-
Pre-tax profit	in €k	30,937	41,443	–25.4
Discontinued activities				
Pre-tax profit	in €k	10,612	6,508	63.1
comdirect group[1]				
Pre-tax profit	in €k	41,549	47,951	–13.4
Consolidated net profit	in €k	32,026	35,315	–9.3
Earnings per share	in €	0.23	0.25	–8.0
Return on equity before tax[3]	in %	13.2	15.5	-
Return on equity after tax[4]	in %	10.2	11.4	-

Balance sheet key figures		30.6.	31.12.	
Balance sheet total	in €m	28,933	26,915	7.5
Equity	in €m	637	634	0.5
Equity ratio[5]	in %	2.2	2.4	-

Regulatory indicators under CRR/CRD IV[6]		30.6.	31.12.	
Risk weighted assets[7]	in €m	1,337	1,127	18.6
Eligible amount for operational and other risks	in €m	15	13	9.4
Core capital	in €m	536	537	–0.2
Own funds for solvency purposes	in €m	536	537	–0.2
Own funds ratio[8]	in %	35.3	41.5	-

Employee figures[1]		30.6.	31.12.	
Employees	number	1,545	1,534	0.7
Full-time equivalent (FTE)	number	1,400	1,384	1.1

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

Contents

Letter to the shareholders

Dear shareholders,
Dear friends of comdirect,

The first half of 2019 is behind us – and we have achieved a lot. A year ago we decided to focus even more on our core business B2C. At the time, we chose to sell our B2B subsidiary ebase, in part as a way of investing more heavily in the further growth of our core business. One year later, we can now say that the sale went successfully (more than €100m realisation gain)[1] and our growth is stronger than ever (over 260k net new customers in the last 12 months).

To acquire more new customers, and also to ensure growth among our existing customers, we have invested – in products, in sales and in processes. Our strategy remains, as ever, to be the smart financial companion to our customers and to be a part of their lives with our services. comdirect makes banking and brokerage as convenient as possible – any time, any place. This allows us to help our customers make their lives freer and easier.

Being focused on customers and their wishes is a fundamental element of our strategy. A particular example of this is our multiple-award-winning comdirect app, which won no fewer than 3 awards in the first half of the year: the German Design Award, the German Innovation Award and the German Brand Award. With innovative solutions such as chat transfers and chat orders, we have reimagined familiar processes from the customer's perspective. We are an industry pioneer in the area of voice-controlled financial services. With the integration of the PostBox and other new functions, we have become a full mobile bank. We are the bank on your phone. And we are also "Germany's Best Bank" (€uro magazine 05/2019).

This is recognised by customers. In the first half of 2019, we continued along our growth course, with 128k net new customers and a record net fund flow of €5.6bn. To ensure that we are equipped for this growth, we have further optimised our processes. Our voice dialogue system provides assistance with enquiries over the telephone, robotic process automation handles standard processes and our hybrid chat bot supports our customer service team. For customers, this means that their requests are dealt with even faster. For us as a bank, this helps to reduce the load on resources and allows us to dedicate more time to individual matters. It's a real win-win situation.

But we should not neglect the fact that we have also invested further in growth in a challenging market environment and this is reflected in our result. Our consolidated pre-tax profit in the first half of 2019 was €41.5m. This is a solid result, even if it is below that of the previous year.

We are aware that profitable growth is always a major challenge. As digitalisation progresses and customer needs change, we see a great opportunity to make processes more efficient and to create an even better experience for our customers. This puts us in an ideal position to remain "Germany's Best Bank".

Best regards,

[1] The sale was concluded on 16 July 2019; non-recurring income will thus first be seen in the income statement in the third quarter of 2019

Group interim management report

General economic and regulatory conditions

The general economic conditions deteriorated noticeably during the reporting period. While the solid performance of gross domestic product (GDP) in the eurozone in the first quarter of 2019 was a positive surprise with growth of 0.4%, this was overshadowed by the recent escalation in the trade war between the USA and China and the resultant uncertainty regarding the future performance of the global economy. For Germany as a major economic power, this is felt both in the decline in economic performance indicators and in the substantially reduced number of orders received and diminished utilisation of industrial capacity. At its meeting in June 2019, the European Central Bank (ECB) scaled back growth expectations for the eurozone in this context. For 2020 and 2021, growth of just 1.4% (previously 1.6% and 1.5%, respectively) is expected. At the same time, the decision was made not to adjust the base rates until at least mid-2020, unless the adverse outlook for the economy continues to worsen, in which case it will be lowered.

The aforementioned developments resulted in significantly reduced yields on the capital market in the reporting period. For example, yields for 10-year German government bonds came in at around -0.33%, falling well below the record lows seen in 2016 (-0.19%) for the first time, while the 3M EURIBOR also fell to a new record low at -0.34%. However, in the first half of the year the equity markets were able to recover from the heavy price losses seen in the fourth quarter of the previous year. For instance, the DAX rose by around 20% between January and the end of June, while the share indices in the USA were close to reaching new record levels.

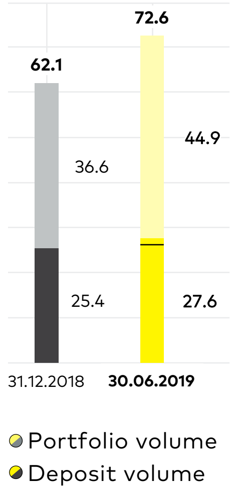
In the first half of 2019, the regulatory environment was dominated by the implementation of the second Payment Services Directive (PSD2), which among other things aims to enforce stronger security standards for electronic payment services and boost competition. Another area of focus was the ESMA suitability guidelines, which are new regulatory requirements regarding investment advice and asset management.

Overall assessment of the economic situation of comdirect group

comdirect continued along its growth course in the B2C business segment in the first half of 2019, acquiring 128k net new customers in the first 6 months of the year. This brought the number of customers we were serving as of the middle of 2019 to over 2,650k (end of 2018: 2,522k). Assets under control also reached an all-time high of €72.55bn (end of 2018: €62.08bn). These figures are evidence that comdirect remains a growth company.

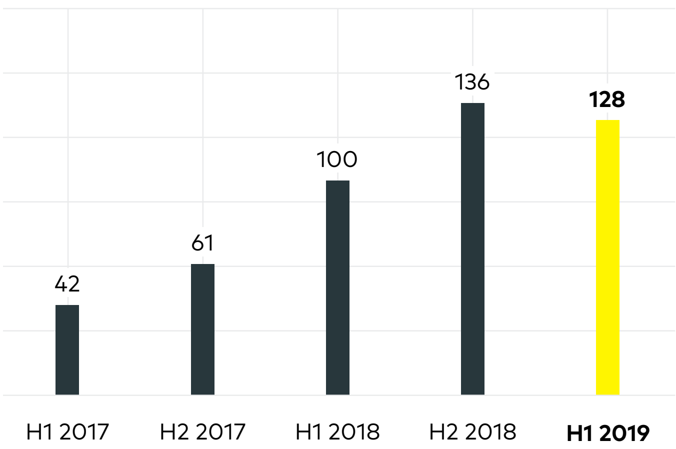
The number of executed orders defied the general trend towards lower trading activity among German retail customers, coming in at 11.6m, an increase over the previous year's value (10.9m). However, constant growth in the share of securities savings plan trades and growth-related increases in commission expenses resulted in a slight decline in net commission income of €103.9m as against the first half of 2018 (€107.9m). The growth in net interest income in the same period and the higher other income components more than compensated for this decline, however, as we generated a total income from continued activities of €176.6m (previous year: €171.6m). Our increased growth investments in the core business B2C played a fundamental role in the increase in administrative expenses from continued activities, which amounted to €145.7m (previous year: €130.1m). At €30.9m, pre-tax profit from continued activities therefore fell below the value of the previous year (€41.4m). Including the pre-tax profit from discontinued activities (ebase), we generated a pre-tax consolidated profit of €41.5m (previous year: €48.0m). This results in a consolidated pre-tax return on equity (ROE) of 13.2% (previous year: 15.5%).

Assets under control (B2C)
(in €bn)



↑16.9%
Growth

Net new customers (B2C)
(in k)



128k net new customers

Growth in net new customers stays at high levels with 128k in the first half of 2019.

Business performance and income situation

Growth of the B2C business segment

In the first half of 2019, comdirect acquired 128k net new customers, far more than in the same period of the previous year (100k net new customers). The net fund flow of the first 6 months of 2019 exceeded the robust value of the previous year (€5.1bn), reaching an all-time high of €5.6bn. Assets under control came to a total of €72.55bn as of the reporting date (previous year: €62.08bn). The number of customers came to 2,650k (end of 2018: 2,522k). At 11.6m, the number of executed orders exceeded the high value from the first half of 2018 (10.9m). The rise in the number of custody accounts and the increased number of transactions from securities savings plans were contributors in this regard.

Pre-tax profit from continued activities

In the reporting period, the pre-tax profit from continued activities amounted to €30.9m (previous year: €41.4m). The annualised pre-tax ROE came to 10.1% (previous year: 13.8%).

Development of total income from continued activities

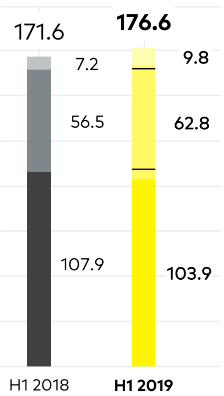
The rise in total income from continued activities of 2.9% to €176.6m (previous year: €171.6m) is mainly due to the positive performance of the net interest income, while net commission income was lower. The other income components also grew.

The increase in net interest income before provisions for possible loan losses of 10.4% to €62.8m (previous year: €56.9m) was primarily due to volume effects in the deposit and lending business. Greater portfolio loan loss provisions due to the growth in the lending business were accounted for by the validation of the parameters in the risk model, such that the net effect was that no major expenses for provisions for possible loan losses were reportable (previous year: net increase in provisions for possible loan losses amounting to €0.4m). Consequently, the net interest income after provisions for possible loan losses also came to €62.8m (previous year: €56.5m).

Net commission income came to €103.9m in the reporting period, falling below the previous year's value of €107.9m. Despite lower commission income from the securities business in the amount of €102.4m (previous year: €106.3m), commission income in the total amount of €130.5m was slightly higher than that of the previous year (€129.9m) thanks to higher commission income from payment transactions of €17.7m (previous year: €13.5m). However, there was also an increase in commission expenses to €26.6m due in particular to the growth initiatives relating to the acquisition of new customers (previous year: €22.0m).

Other income components totalled €9.8m in the reporting period and were therefore up on the previous year's figure of €7.2m. This was primarily due to a sharp rise in the disposals and valuation result for financial assets, which went up to €7.9m (previous year: €2.5m). However, the other operating result was reduced to €1.9m compared to the previous year (€4.7m) in particular as a result of the lower reversals of provisions in the current year.

Total income from continued activities (in €m)



- Other income components
- Net interest income after loan loss prov.
- Net commission income

↑ 2.9%
Growth

Development of administrative expenses from continued activities

The increase in administrative expenses from continued activities of 12.0% to €145.7m (previous year: €130.1m) is primarily due to the increase in other administrative expenses, as well as to higher personnel expenses, higher depreciation of office furniture and equipment and higher amortisation of intangible assets. The cost/income ratio came to 82.5% (previous year: 75.7%).

The increase in other administrative expenses in the previous year's period of €84.3m to €93.1m is largely due to higher expenses resulting from increased growth investments. Higher mandatory contributions to deposit insurance schemes were also incurred, particularly due to increased customer deposits.

Personnel expenses increased by 11.8% to €43.2m (previous year: €38.6m). Alongside standard salary adjustments, the growth-related increase in the number of employees also had an effect here.

The increase in depreciation of office furniture and equipment and amortisation of intangible assets, together totalling €9.4m (previous year: €7.2m), is mainly due to the first-time application of IFRS 16 and the depreciation of capitalised usage rights that this entails (please refer to the Notes from page 16 for a more detailed explanation).

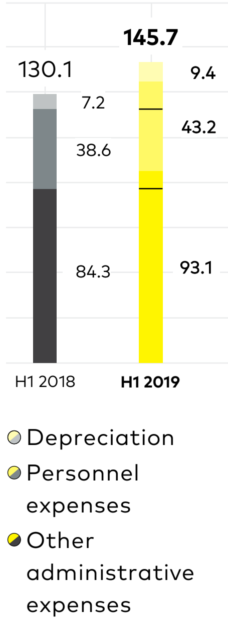
Pre-tax profit from discontinued activities

At €10.6m, the pre-tax profit from discontinued activities was higher than the previous year's value of €6.5m. With a slight increase in net commission income and a slight drop in administrative expenses in the ongoing earnings contribution of ebase, this is mainly due to the amortisation/depreciation waiver prescribed for under IFRS 5 in the reporting period.

Pre-tax consolidated profit and consolidated net profit

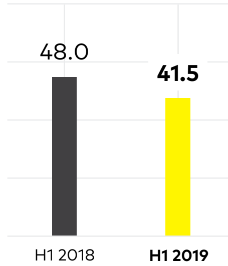
comdirect group generated a pre-tax consolidated profit of €41.5m in the first half of 2019 (previous year: €48.0m). The consolidated net profit stood at €32.0m (previous year: €35.3m). Earnings per share therefore stood at €0.23 (previous year: €0.22). The comprehensive income of comdirect group, including other comprehensive income for the period, came to €38.5m (previous year: €34.9m).

Administrative expenses from continued activities (in €m)



82.5%
CIR

Pre-tax consolidated profit (in €m)



13.2 %
Pre-tax ROE
(annualisied)

Assets and financial situation

The continued growth of deposits was reflected in an increase in the balance sheet total to €28.93bn (end of 2018: €26.91bn).

The financing side of the balance sheet primarily consisted of customer deposits with the share remaining at around 95%. Equity rose slightly to €637.4m (end of 2018: €634.2m). According to the resolution of the annual general meeting of 9 May 2019, a dividend amounting to €0.25 per share was distributed. This was equivalent to a total distribution of €35.3m. The consolidated net profit from the previous year amounting to €15.1m which remained after distribution of the dividend was carried over to retained earnings. Changes in the quoted prices of treasury investments resulted in a rise in revaluation reserves to €10.2m (end of 2018: –€0.1m).

Most of the increase in deposit volume was reinvested in companies of the Commerzbank group. This caused an increase in claims on banks (listed under assets) of €2.01bn as against the reporting date in 2018 to €23.36bn. By contrast, the volume of financial investments fell from €2.23bn to €1.69bn. The increase in claims on customers of €58.1m to €688.5m is due in particular to the growth in the consumer loan business as well as to the increased use of credit cards and greater drawdown on loans against securities. The increase in property, plant and equipment of €11.0m to €30.8m is mainly due to the first-time application of IFRS 16 and the capitalisation of usage rights that this entails (please refer to the selected explanatory notes starting on page 16 for more detail).

Strategy implementation and product development in the first half of the year

Strategy implementation

comdirect has been passionate about making its customers' lives freer for 25 years. We act as the smart financial companion, integrating ourselves into the everyday lives of our customers. As the top address for saving, investing and trading with securities, we provide our customers with simple solutions and innovative products.

In order to continue successfully operating as a profitable growth company, we are boosting our efficiency and scaling up our business model even further – all while creating top-class customer experiences. In the first half of 2019, we placed a greater focus on our scalability. For example, more and more processes are gradually being handled by robotic assistants by means of robotic process automation (RPA) to relieve the workload of our employees. We are also continuously optimising our voice dialogue system with self-services and have launched a hybrid chat bot to support our customer service.

The efficiency of internal processes is in part ensured through comprehensive digitalisation and by eliminating paper-based communication. In connection with this, the roll-out of digital access data was launched in April 2019. This involves an entirely digital application process that allows applicants to become comdirect customers even more quickly and simply. This makes us the first full mobile bank in Germany.

Product development

As an innovator, comdirect focuses on the topics of voice interaction and voice assistance and has further developed its own leading position in this field. Alongside the clear focus on mobile payments, the success of mobile products such as chat transfers and chat orders proves that comdirect is the smart financial companion for an increasingly mobile society.

The development in banking shows that comdirect is present wherever its customers are. The first 6 months of 2019 were largely shaped by the partnerships with Hamburger SV as a banking partner and with the German Volleyball Association as an innovation partner.

comdirect integrates itself into the everyday lives of customers and offers them ways of using their products through other interfaces. For example, the comdirect API project, which was launched in the autumn, integrated its first partner, Guidants, in February 2019. Since it went live, customers have been able to trade directly from their comdirect custody accounts using the Guidants app. This allows comdirect customers to trade whenever, however and wherever they want.

Outlook, risk and opportunity report

Forward-looking statements

We forecast future developments in the economy based on assumptions that are most plausible from today's perspective. However, comdirect's planning and all statements regarding future development are of course associated with uncertainty, especially in the current market situation. The actual development of the market environment or the bank can vary from the assumed trends. We do not intend to update the forward-looking statements or to correct them in the case that development is different to that expected.

Expected general economic conditions

The general economic conditions deteriorated noticeably during the reporting period. We anticipate very restrained economic performance in the second half of the year. While the ECB decided in its June meeting to not adjust the base rates until at least mid-2020, it did not exclude the possibility of a rate cut if the adverse outlook for the economy continued to worsen. This means that an improvement in interest rates is not to be expected. For the equity markets, a mildly positive performance is expected that should lead to a trading activity similar to the first half-year.

Expected business performance and income performance

Overall, the forecasts made in the 2018 annual report have by and large come to pass.

Due to the completion of the ebase transaction on 16 July 2019, the pre-tax and consolidated net profit values will be well above the values of the previous year, as already announced.

We expect pre-tax consolidated profit for the 2019 financial year to exceed €170m, comprising pre-tax profit from continued activities of more than €60m and pre-tax profit from discontinued activities of more than €110m. The pre-tax profit from discontinued activities is expected to include a pre-tax profit from the disposal of ebase amounting to more than €100m. This means that the pre-tax ROE for comdirect group will also be substantially above the value from 2018 at over 24%.

The expectations stated regarding key performance indicators in connection with continued activities should be fully met. For example, trading activity in the first half of the year was above that of the previous year, even if it was lower than was expected as of the end of 2018. The net fund flow was above that of the first half of 2018 and exceeded the expectations we expressed at the end of the 2018 financial year. Assets under control have also performed well, as expected. This trend is unlikely to be disrupted by the ongoing developments of 2019.

Net interest income from continued activities is expected to exceed that of the previous year, although the persistently low interest rates will result in a much-reduced increase than was assumed at the end of 2018. The same applies to the net commission income, which is expected to exceed the value from the previous year. This will be offset by a moderate increase in administrative expenses.

Expected financial situation and risk status

The financial situation will continue to be materially influenced by the deposit business and the reinvestment.

The risk and opportunity situation regarding continued activities remains largely unchanged as of mid-2019 compared to the risk status presented in the 2018 annual report. Significant changes in the risk ratios and risk situation are not expected for the second half of the year. The risk report can be found on pages 44 to 56 of the annual report 2018, while note (54) regarding the risk reporting of financial instruments is on pages 146 to 152. The opportunity report can be found on pages 57 and 58.

comdirect group has enough of a risk buffer to safely withstand even lengthy weak market phases. At present, there are no realistic risks in evidence that could threaten the continued existence of comdirect group.

Supplementary report

We refer to the statement with the same title in the selected notes regarding events of special importance following the 30 June 2019 reporting date on page 32.

Condensed consolidated interim financial statements

Income statement

Income statement of comdirect group according to IFRS

	1.1. to 30.6.		1.4. to 30.6.	
€k	2019	2018	2019	2018
Interest income accounted for using the effective interest method	69,297	62,892	35,281	32,268
Interest income, other	1,177	1,121	801	803
Total interest income	**70,474**	**64,013**	**36,082**	**33,071**
Interest expenses	7,645	7,113	4,398	3,376
Net interest income before provisions for possible loan losses	**62,829**	**56,900**	**31,684**	**29,695**
Provisions for possible loan losses	9	–420	–676	523
Net interest income after provisions for possible loan losses	**62,838**	**56,480**	**31,008**	**30,218**
Commission income	130,520	129,881	66,857	59,349
Commission expenses	26,594	21,990	13,080	10,705
Net commission income	**103,926**	**107,891**	**53,777**	**48,644**
Valuation result	214	2,800	87	2,816
Result from the disposal of financial assets measured at amortised cost	–37	–586	–37	–14
Result from the disposal of financial assets measured at fair value through other comprehensive income	7,742	248	3,989	209
Disposals and valuation result from financial assets	**7,919**	**2,462**	**4,039**	**3,011**
Other operating result	1,928	4,729	501	757
Total income	**176,611**	**171,562**	**89,325**	**82,630**
Personnel expenses	43,158	38,617	22,110	19,866
Other administrative expenses	93,131	84,265	44,130	43,526
Depreciation on office furniture and equipment and intangible assets	9,385	7,237	4,636	3,695
Administrative expenses	**145,674**	**130,119**	**70,876**	**67,087**
Pre-tax profit from continued activities	**30,937**	**41,443**	**18,449**	**15,543**
Taxes on income	6,453	10,770	4,297	4,161
After-tax profit from continued activities	**24,484**	**30,673**	**14,152**	**11,382**
Pre-tax profit from discontinued activities	10,612	6,508	5,006	3,109
After-tax profit from discontinued activities	7,542	4,642	3,493	2,236
Pre-tax consolidated profit	**41,549**	**47,951**	**23,455**	**18,652**
Consolidated net profit	**32,026**	**35,315**	**17,644**	**13,618**

Undiluted/diluted earnings per share

	1.1. to 30.6.		1.4. to 30.6.	
	2019	2018	2019	2018
Consolidated net profit (€k)	32,026	35,315	17,644	13,618
Average number of ordinary shares (number)	141,220,815	141,220,815	141,220,815	141,220,815
Undiluted/diluted earnings per share (€)	**0.23**	**0.25**	**0.12**	**0.10**

No shares were issued in the financial year. The average number of ordinary shares therefore corresponds to the number of ordinary shares outstanding as of 31 December 2018. Earnings per share of €0.17 were attributable to continued activities (2018: €0.22). There is no difference between undiluted and diluted earnings.

Statement of comprehensive income

Statement of comprehensive income of comdirect group according to IFRS

	1.1. to 30.6.		1.4. to 30.6.	
€k	2019	2018	2019	2018
Consolidated net profit	**32,026**	**35,315**	**17,644**	**13,618**
Items which cannot be reclassified to the income statement				
Changes in actuarial gains/losses recognised in equity	–321	–167	–128	–77
Other comprehensive income for the period from equity instruments	4,878	636	931	2,161
Items which can be reclassified to the income statement				
Changes in the revaluation reserves after tax				
Changes in value recognised in equity	10,985	49	4,879	916
Reclassification to the income statement	–5,434	–169	–2,788	–134
Other comprehensive income for the period from continued activities	**10,108**	**349**	**2,894**	**2,866**
Other comprehensive income for the period from discontinued activities	–3,617	–761	–1,885	–379
Total other comprehensive income	**6,491**	**–412**	**1,009**	**2,487**
Comprehensive income	**38,517**	**34,903**	**18,653**	**16,105**

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

Other comprehensive income for the period

The tax contributions from continued activities included in other comprehensive income for the period are as follows:

€k	Before tax	Tax	After tax
1 January to 30 June 2019			
Actuarial gains and losses	–495	174	–321
Other comprehensive income for the period from equity instruments	4,949	–71	4,878
Other comprehensive income for the period from debt instruments	7,968	–2,417	5,551
Other comprehensive income for the period	**12,422**	**–2,314**	**10,108**
1 January to 30 June 2018			
Actuarial gains and losses	–234	67	–167
Other comprehensive income for the period from equity instruments	646	–10	636
Other comprehensive income for the period from debt instruments	–168	48	–120
Other comprehensive income for the period	**244**	**105**	**349**
1 April to 30 June 2019			
Actuarial gains and losses	–221	93	–128
Other comprehensive income for the period from equity instruments	944	–13	931
Other comprehensive income for the period from debt instruments	3,022	–931	2,091
Other comprehensive income for the period	**3,745**	**–851**	**2,894**
1 April to 30 June 2018			
Actuarial gains and losses	–108	31	–77
Other comprehensive income for the period from equity instruments	2,193	–32	2,161
Other comprehensive income for the period from debt instruments	1,100	–318	782
Other comprehensive income for the period	**3,185**	**–319**	**2,866**

Balance sheet

Balance sheet of comdirect group according to IFRS

Assets

€k	as of 30.6.2019	as of 31.12.2018
Cash reserve	2,606,534	2,195,423
Claims on banks	23,359,108	21,351,216
Claims on customers	688,546	630,487
Positive fair values from derivative financial instruments	182	1,099
Financial investments	1,688,464	2,227,650
Intangible assets	41,795	40,654
Fixed assets	30,756	19,707
Current income tax assets	1,609	5,176
Deferred income tax assets	1,596	3,472
Other assets	26,663	25,872
Assets from discontinued activities	488,055	414,079
Total assets	**28,933,308**	**26,914,835**

Liabilities and equity

€k	as of 30.6.2019	as of 31.12.2018
Liabilities to banks	50,044	214,261
Liabilities to customers	27,603,339	25,459,751
Negative fair values from derivative financial instruments	3,293	0
Provisions	29,395	23,173
Current income tax liabilities	4,946	4,927
Other liabilities	71,479	39,783
Liabilities from discontinued activities	533,405	538,744
Equity	**637,407**	**634,196**
Subscribed capital	141,221	141,221
Capital reserve	223,296	223,296
Retained earnings	230,645	219,453
Revaluation reserves	10,219	–143
Consolidated net profit 2018	0	50,369
Consolidated net profit 2019	32,026	-
Total liabilities and equity	**28,933,308**	**26,914,835**

Statement of changes in equity

€k	Subscribed capital	Capital reserve	Retained earnings	Revaluation reserves	Consolidated net profit	Total
Equity as of 1.1.2018	**141,221**	**223,296**	**184,885**	**4,905**	**71,544**	**625,851**
Consolidated net profit from 1.1. to 31.12.2018	-	-	-	-	50,369	50,369
Changes in actuarial gains/losses recognised in equity	-	-	–1,045	-	-	–1,045
Change in the revaluation reserves	-	-	-	–5,665	-	–5,665
Contributions from the disposal of equity instruments in the measurement category FVOCI	-	-	–626	617	-	–9
Comprehensive income 2018	**-**	**-**	**–1,671**	**–5,048**	**50,369**	**43,650**
Profit distributions	-	-	-	-	–35,305	–35,305
Allocation to reserves/allocation from reserves	-	-	36,239	-	–36,239	0
Equity as of 31.12.2018/1.1.2019	**141,221**	**223,296**	**219,453**	**–143**	**50,369**	**634,196**
Consolidated net profit from 1.1. to 30.6.2019	-	-	-	-	32,026	32,026
Changes in actuarial gains/losses recognised in equity	-	-	–3,939	-	-	–3,939
Change in the revaluation reserves	-	-	-	10,428	-	10,428
Contributions from the disposal of equity instruments in the measurement category FVOCI	-	-	67	–66	-	1
Comprehensive income from 1.1. to 30.6.2019	**-**	**-**	**–3,872**	**10,362**	**32,026**	**38,516**
Profit distributions	-	-	-	-	–35,305	–35,305
Allocation to reserves/allocation from reserves	-	-	15,064	-	–15,064	0
Equity as of 30.6.2019	**141,221**	**223,296**	**230,645**	**10,219**	**32,026**	**637,407**

€k	Subscribed capital	Capital reserve	Retained earnings	Revaluation reserves	Consolidated net profit	Total
Equity as of 1.1.2018	**141,221**	**223,296**	**184,885**	**4,905**	**71,544**	**625,851**
Consolidated net profit from 1.1. to 30.06.2018	-	-	-	-	35,315	35,315
Changes in actuarial gains/losses recognised in equity	-	-	–928	-	-	–928
Change in the revaluation reserves	-	-	-	516	-	516
Contributions from the disposal of equity instruments in the measurement category FVOCI	-	-	14	–14	-	0
Comprehensive income from 1.1. to 30.06.2018	**-**	**-**	**–914**	**502**	**35,315**	**34,903**
Profit distributions	-	-	-	-	–35,305	–35,305
Allocation to reserves/allocation from reserves	-	-	36,239	-	–36,239	0
Equity as of 30.6.2018	**141,221**	**223,296**	**220,210**	**5,407**	**35,315**	**625,449**

In the 2019 financial year, dividends of €35,305k (2018: €35,305k) were distributed to the shareholders of comdirect bank AG. This corresponds to €0.25 per share (2018: €0.25).

In financial year 2019, 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.

Condensed cash flow statement

€k	2019	2018
Cash and cash equivalents as of 1.1.	**2,470,019**	**2,362,901**
Cash flow from operating activities	559,521	–455,595
Cash flow from investing activities	–10,623	–10,611
Cash flow from financing activities	–39,656	–35,305
Cash and cash equivalents as of 30.6.	**2,979,261**	**1,861,390**

Cash and cash equivalents correspond to the balance sheet item "Cash reserve" and include cash on hand and balances held at central banks. As of 30 June 2019, this item includes a contribution of €373m (30 June 2018: €167m) from discontinued activities which, in accordance with IFRS 5, is not recognised in the cash reserve but within the item "Assets from discontinued activities". The cash flows disclosed encompass both the continued and discontinued activities.

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

The cash flow from investing activities results from the acquisition and disposal of intangible assets and property, plant and equipment.

The cash flow from financing activities stems from both the dividend distribution by comdirect bank AG to its shareholders and payments made for the principal portions of lease liabilities.

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

Selected explanatory notes

Accounting standards

comdirect group's half-year report as of 30 June 2019 was prepared pursuant to Section 51 (1) of the Frankfurt securities exchange rules and regulations in accordance with the provisions of Sections 115 and 117 of the German Securities Trading Act (WpHG). It is also in accordance with the International Financial Reporting Standards applicable in the EU which are approved and published by the International Accounting Standards Board (IASB). In particular, the interim financial report meets the requirements of IAS 34 for interim financial reporting. With the exception of the following changes, the same accounting and measurement methods were applied as for the consolidated financial statements of comdirect group as of 31 December 2018.

Effects of the new standards on comdirect group's half-year report

Effects of IFRS 16

With the introduction of IFRS 16, the standards and interpretations IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions in the Legal Form of a Lease" have been replaced.

IFRS 16 introduces a single lessee accounting model. This model requires the lessee to recognise all assets and liabilities pertaining to leases in the balance sheet unless the term is 12 months or less or the underlying asset is of low value.

IFRS 16 will be applied at comdirect for the first time as of 1 January 2019 using the modified retrospective approach. The previous year's figures will not be restated. There were no effects to be recorded in equity as a result of first-time application.

For leases previously classified as operating leases, the circumstances on the date of initial application are utilised. The probability of options to extend or terminate the lease being exercised is also assessed based on the current situation and not retrospectively using the information available at the time the agreement was signed. The relevant leases were primarily identified by searching a central contract database and implementing the option of automatically analysing contracts identified as leases in the future.

The corresponding contracts were classified as relating to land and buildings, IT, vehicles or other assets. Recognising assets for rights of use and liabilities for the corresponding obligations resulted in a slight balance sheet extension of €12m as of 1 January 2019 in each case from continued activities. A further €10m resulted from discontinued activities. The majority of this relates to rented real estate. A weighted average incremental borrowing rate of 0.28% was used for the discounting of property as of 1 January 2019. Discounting had an insignificant effect on the other groups of assets; no discounting was performed.

Use is made of the option not to recognise leases of low-value assets. We elected not to account for lease and non-lease components separately in the IT and other assets categories. Furthermore, the rental of intangible assets, such as software, is not recognised as a lease.

Instead of recording other administrative expenses from leases, as was previously the case, depreciation of the right-of-use asset and interest expenses from discounting the lease liability has been recognised in the income statement since the beginning of the year.

We record a right-of-use asset and a corresponding lease liability for each leased asset. The right-of-use asset is reported under property, plant and equipment and depreciated using the straight-line method over the term of the lease. The lease liability recorded corresponds to the total outstanding lease payments. For land and buildings, the net present value of the outstanding lease payments is used.

Reconciliation of lease liabilities for continued activities

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

As of 30 June 2019, the recognised right-of-use assets for continued activities amounted to €11,491k and primarily comprised leases for land and buildings.

Other new standards

The other standards listed below which became applicable on 1 January 2019 did not have any effect on the consolidated financial statements of comdirect group.

Standard	Title	Date of application
IAS 19 (amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
IAS 28 (amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRS 9 (amendments)	Prepayment Features with Negative Compensation	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
	Annual Improvements to IFRS (2015 – 2017 cycle)	1. January 2019

Changes in accounting methods and estimates

In the reporting period, the validation of parameters applied in the calculation of expected credit losses resulted in a €1,243k reduction in the volume of provisions for possible loan losses. The effect on future periods depends on the development of lending volumes and open lines as well as credit quality.

Disclosures on discontinued activities (IFRS 5)

comdirect bank AG contractually agreed the sale of European Bank for Financial Services GmbH (ebase) to the FNZ Group on 10 July 2018. As of the reporting date, the conditions for closing had not been satisfied. For this reason, reporting continues as per IFRS 5, as in the annual report. The transaction was closed on 16 July 2019. The consequences of this are set out in the Supplementary report section.

The assets, liabilities and profit contributions of the discontinued activities of ebase are presented separately from the continued activities and can be broken down as follows:

€k	as of 30.6.2019	as of 31.12.2018
Cash reserve	372,727	274,596
Claims on banks	18,057	59,142
Claims on customers	36,917	36,170
Financial investments	26,709	23,172
Other assets	33,645	20,999
Total assets	**488,055**	**414,079**
Liabilities to customers	497,612	510,327
Other liabilities	35,793	28,417
Total liabilities	**533,405**	**538,744**

The increase in assets results primarily from the higher cash reserve, particularly in connection with the termination of intra-group money market transactions. Other assets and liabilities rose, largely due to the application of IFRS 16 from 1 January 2019 onwards.

The growth in the cash reserve corresponds to a high cash flow from operating activities. In accordance with the requirements of IFRS 16, the principal portions of lease payments are reported under cash flow from financing activities in 2019.

€k	2019	2018
Cash and cash equivalents as of 1.1.	**274,596**	**115,198**
Cash flow from operating activities	103,006	54,084
Cash flow from investing activities	–2,603	–2,323
Cash flow from financing activities	–2,272	0
Cash and cash equivalents as of 30.6.	**372,727**	**166,959**

Consolidated companies

There were no changes in comdirect group's scope of consolidation during the reporting period.

Disclosures relating to the measurement of financial instruments

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 financial instruments are available, valuation models that use market data as parameters to the greatest extent possible are utilised to determine the fair value (level 2 valuation hierarchy). comdirect group primarily uses the discounted cash flow method. Discounting is performed at interest rates and credit spreads observable on the market. The three-month swap curve is predominantly used to determine interest rates. The instrument or issuer-specific credit spreads are determined using, for example, the Pfandbrief curve or highly liquid bonds of an issuer.

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

Transfers between the levels of the hierarchy are reported as of the last day of the relevant quarter. Further information on the valuation hierarchies may be found in the tables section of the Notes.

Annual general meeting

At the proposal of the Board of Managing Directors and the Supervisory Board, the annual general meeting in Hamburg on 9 May 2019 resolved to use the distributable profit of €44.5m recorded in the separate financial statements produced in line with the German Commercial Code (HGB) for comdirect bank AG for a dividend of €0.25 per share and to transfer the excess amount to other retained earnings.

For the consolidated financial statements of comdirect group in accordance with IFRS, this results in an allocation to retained earnings of €15.1m.

The annual general meeting also elected Verena Pausder and Dr Jochen Sutor as new members of the Supervisory Board. They succeed Frank Annuscheit and Georg Rönnberg, who have both stepped down as members of the Supervisory Board. In addition, Henning Seeler succeeds Maria Xiromeriti as employee representative.

As proposed by the Supervisory Board, the annual general meeting of comdirect bank AG also elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Hamburg branch, as the auditors of the annual financial statements and consolidated financial statements for the 2019 financial year. They were also chosen to review the condensed financial statements and the interim management report for the group for the first half of the 2019 financial year.

Related party disclosures

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 specially established 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.

In the course of money market and capital market transactions, comdirect bank AG makes investments with Commerzbank AG and its affiliated companies. These transactions are collateralised in return for payment under an assignment agreement.

For placement activities for the benefit of companies of comdirect group, Commerzbank AG receives sales and sales follow-up commission.

As part of its processing and management services for custody accounts, ebase GmbH procures support services from Commerzbank AG.

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

For further information, please see note (21) in the 2018 annual report.

Disclosures relating to selected balance sheet items

Unless explicitly stated otherwise, the figures in the information below refer to continued activities.

Net interest income

Interest expenses were incurred for customer deposits, negative interest from assets-side financial instruments as well as net interest expenses for pensions and similar obligations. The negative interest from continued activities amounted to €3,400k (2018: €2,543k).

Revenues in business involving customers

	1.1. to 30.6.		1.4. to 30.6.	
€k	2019	2018	2019	2018
Commission income	**130,520**	**129,881**	**66,857**	**59,349**
Brokerage business	102,426	106,309	53,055	47,034
Payment transactions	17,682	13,484	8,614	7,462
Placement business	5,392	5,037	2,757	2,126
Other commissions	5,020	5,051	2,431	2,727

The commission revenues listed from continued activities were generated from the utilisation of bank services by our customers and arose predominantly at a particular point in time. Period-dependent commission is also collected in the brokerage business, in particular for custody account management and from sales follow-up commission.

In individual cases, revenue is reported under "Other operating result" to a minor extent.

The commission revenues from discontinued activities of €114,890k (2018: €113,625k) essentially comprise sales and sales follow-up commission, transaction fees and fees for the custody account management.

Disposals and valuation result from financial assets

The result from the disposal of financial assets (measured at fair value through other comprehensive income) was €7,742k (2018: €248k).

In addition, the result from the disposal of financial assets (measured at amortised cost) was €-37k (2018: €-586k). This was made up of €0 (2018: €1,552k) related to income and €37k (2018: €2,138k) related to expenses.

The earnings contributions result from sales as part of treasury activities from portfolios with the "Hold and Sell" business model and individual repayments as a result of the harmonisation of model assets in portfolios with the "Hold" business model.

The valuation result includes changes in the value of financial instruments which are measured at fair value through profit or loss, effects of foreign currency translation and valuation results from hedging relationships. In the reporting period, the measurement result was €214k (previous year: €2,800k). There were no hedging relationships in the reporting period.

Other administrative expenses

	1.1. to 30.6.		1.4. to 30.6.	
€k	**2019**	**2018**	**2019**	**2018**
Sales	23,288	17,143	9,839	11,571
External services	28,700	24,649	14,186	12,250
Business operations	13,399	16,661	5,979	7,592
IT expenses	12,788	12,835	6,262	5,761
Mandatory contributions	14,006	11,849	7,559	5,779
Others	950	1,128	305	573
Total	**93,131**	**84,265**	**44,130**	**43,526**

Financial investments

Financial investments include equity instruments with a value of €45m (31 December 2018: €31m). These are liquid, European securities that are expected to generate recurring dividend payments. The equity instruments are measured at fair value through other comprehensive income. In the reporting period, disposals of such instruments resulted in the recognition of €67k (2018: €14k) under IFRS 9 without recycling directly in equity. The instruments mentioned did not generate any dividend income in the reporting period (2018: €30k). Dividend income from the stocks still in the portfolio came to €1,092k (2018: €1,003k).

Fair value of financial instruments

The table below shows the fair values of financial instruments compared with their book values.

	Fair Value		Book value	
€k	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Financial assets measured at amortised cost				
Cash reserve	2,606,534	2,195,423	2,606,534	2,195,423
Claims on banks	23,891,931	21,492,671	23,359,108	21,351,216
Claims on customers	691,124	630,918	688,546	630,487
Bond portfolios with business model "Hold"	884,105	1,224,161	872,979	1,218,565
Discontinued activities	454,897	393,090	454,410	393,080
Total	**28,528,591**	**25,936,263**	**27,981,577**	**25,788,771**
Financial assets measured at fair value through OCI				
Bond portfolios with business model "Hold and Sell"	729,693	936,994	729,693	936,994
Equities for which fair value measurement recognised directly in other comprehensive income (without recycling) has been selected	45,215	31,035	45,215	31,035
Total	**774,908**	**968,029**	**774,908**	**968,029**
Financial assets measured at fair value through profit or loss				
Funds and other debt instruments	40,577	41,056	40,577	41,056
Positive fair values from derivative financial instruments	182	1,099	182	1,099
Total	**40,759**	**42,155**	**40,759**	**42,155**
Financial liabilities measured at amortised cost				
Liabilities to banks	50,044	214,261	50,044	214,261
Liabilities to customers	27,619,908	25,477,610	27,603,339	25,459,751
Discontinued activities	503,803	518,747	503,803	518,747
Total	**28,173,755**	**26,210,618**	**28,157,186**	**26,192,759**
Financial liabilities measured at fair value through profit or loss				
Negative fair values from derivative financial instruments	3,293	0	3,293	0
Total	**3,293**	**0**	**3,293**	**0**

For financial instruments due on demand, the nominal value largely corresponds to fair value. These instruments include the cash reserve, overdraft facilities and demand deposits of the balance sheet item "Claims on banks" of €716,238k (31/12/2018: €263,895k), claims on customers of €511,063k (31/12/2018: €492,247k), liabilities to banks of €50,044k (31/12/2018: €214,261k) and liabilities to customers of €27,063,542k (31/12/2018: €24,917,453k).

In the case of the short-term financial instruments included in other assets and liabilities, the book value essentially corresponds to the fair value. These are mainly trade payables and liabilities.

The allocation of fair values is presented in the Note "Fair value hierarchy".

Fair value hierarchy

The table below shows how the individual financial instruments are allocated to the appropriate level of the fair value hierarchy and to the corresponding measurement category in accordance with IFRS 9.

Level 1:
Prices quoted in active markets (not adjusted) for identical assets or liabilities.
Level 2:
Exemplary prices calculated with the exception of the quoted prices included in level 1, which can be observed for assets or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3:
Exemplary prices calculated for assets or liabilities, which are not based on observable market data (non-observable input data).

	30.6.2019			
€k	Total	Level 1	Level 2	Level 3
Assets				
Financial instruments measured at amortised cost				
Cash reserve	2,606,534	0	2,606,534	0
Claims on banks	23,891,931	0	23,891,931	0
Claims on customers	691,124	0	511,091	180,033
Bond portfolios with business model "Hold"	884,105	577,795	306,310	0
Discontinued activities	454,897	26,162	428,735	0
Financial instruments measured at fair value through OCI				
Bond portfolios with business model "Hold and Sell"	729,693	204,120	525,573	0
Equities for which fair value measurement recognised directly in other comprehensive income (without recycling) has been selected	45,215	45,215	0	0
Financial instruments measured at fair value through profit or loss				
Funds and other debt instruments	40,577	20,610	0	19,967
Positive fair values from derivative financial instruments	182	0	182	0
Total assets	**29,344,258**	**873,902**	**28,270,356**	**200,000**
Liabilities and equity				
Liabilities measured at amortised cost				
Liabilities to banks	50,044	0	50,044	0
Liabilities to customers	27,619,908	0	27,619,908	0
Discontinued activities	503,803	0	503,803	0
Liabilities measured at fair value through profit or los				
Negative fair values from derivative financial instruments	3,293	0	3,293	0
Total liabilities	**28,177,048**	**0**	**28,177,048**	**0**

	31.12.2018			
€k	Total	Level 1	Level 2	Level 3
Assets				
Financial Instruments measured at amortized cost				
Cash reserve	2,195,423	0	2,195,423	0
Claims on banks	21,492,671	0	21,492,671	0
Claims on customers	630,918	0	490,996	139,922
Bond portfolios with business model "Hold"	1,224,161	917,650	306,511	0
Discontinued activities	393,090	3,404	389,686	0
Financial instruments measured at fair value through OCI				
Bond portfolios with business model "Hold and Sell"	936,994	743,710	193,284	0
Equities for which fair value measurement recognised directly in other comprehensive income (without recycling) has been selected	31,035	31,035	0	0
Financial instruments measured at fair value through profit or loss				
Funds and other debt instruments	41,056	25,937	0	15,119
Positive fair values from derivative financial instruments	1,099	0	1,099	0
Total assets	**26,946,447**	**1,721,736**	**25,069,670**	**155,041**
Liabilities and equity				
Liabilities measured at amortised cost				
Liabilities to banks	214,261	0	214,261	0
Liabilities to customers	25,477,610	0	25,477,610	0
Discontinued activities	518,747	0	518,747	0
Liabilities measured at fair value through profit or los				
Negative fair values from derivative financial instruments	0	0	0	0
Total liabilities	**26,210,618**	**0**	**26,210,618**	**0**

In the reporting period, securities with a fair value of €195m (2018: €19m) were reclassified from level 1 to level 2, as quoted market prices were unavailable. On the other hand, securities with fair values of €174m (2018: €130m) were reclassified from level 2 to level 1, as an active market was available due to increased market activity.

The consumer loans taken out by customers and the preferred stocks of VISA Inc. USA are allocated to level 3 of the valuation hierarchy. Consumer loans are reported in claims on customers while the VISA preferred stocks are reported in financial instruments – both measured at fair value through profit or loss. There are no other allocations to level 3.

In the case of consumer loans, this is primarily because individual customer behaviour is not observable on the market, which is reflected in the individual default risk. This leads to an adjustment of the discount rate used to determine 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 as they are later converted 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. arising from legal risks in connection with the transaction. The probability of a loss occurring and its expected amount are estimated for the purpose of pricing. In both cases, they are non-observable parameters with future effects. They have low sensitivities. Discounts to be accounted for arising from the illiquidity of the preferred stocks are also non-observable. An increase in the liquidity discount of 10% (2018: 10%) of 1 percentage point would have resulted in a €222k (2018: €167k) reduction of the fair value of the preferred stocks.

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

In the reporting period, value fluctuations of the preferred stocks of VISA Inc. of €4,848k arising from changes in the VISA Inc. share price and the USD exchange rate were hedged using derivatives. In total, the changes in value of the instruments described contributed €113k to the valuation result. In the previous year, the VISA preferred stocks made a financial contribution of €2,453k without hedging via derivatives.

Impairment of assets

As in the same period of the previous year, no impairment losses were recorded on intangible assets or property, plant and equipment.

Provisions for possible loan losses

Of the total provisions for possible loan losses of €4,533k (31/12/2018: €5,121k) an amount of €3,809k (31/12/2018: €4,518k) relates to the retail lending business.

The total figure for provisions for possible loan losses includes provisions for risks relating to unutilised credit lines of €745k (31/12/2018: €1,335k).

Growth in the lending business with retail customers led to increases in expected credit losses in the period under review.

This was counteracted in the reporting period by a partial reversal of provisions for credit risks amounting to €1,243k which was due to a validation of applied parameters in the risk models.

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

	2018				2019	
€k	Q1	Q2	Q3	Q4	Q1	Q2
Interest income accounted for using the effective interest method	30,624	32,268	33,306	34,325	34,016	35,281
Interest income, other	318	803	260	194	376	801
Total interest income	**30,942**	**33,071**	**33,566**	**34,519**	**34,392**	**36,082**
Interest expenses	3,737	3,376	3,090	3,277	3,247	4,398
Net interest income before provisions for possible loan losses	**27,205**	**29,695**	**30,476**	**31,242**	**31,145**	**31,684**
Provisions for possible loan losses	–943	523	–737	–494	685	–676
Net interest income after provisions for possible loan losses	**26,262**	**30,218**	**29,739**	**30,748**	**31,830**	**31,008**
Commission income	70,532	59,349	59,990	66,224	63,663	66,857
Commission expenses	11,285	10,705	12,332	15,453	13,514	13,080
Net commission income	**59,247**	**48,644**	**47,658**	**50,771**	**50,149**	**53,777**
Valuation result	–16	2,816	1,647	–74	127	87
Result from the disposal of financial assets measured at amortised cost	–572	–14	0	0	0	–37
Result from the disposal of financial assets measured at fair value through other comprehensive income	39	209	43	189	3,753	3,989
Disposals and valuation result from financial assets	**–549**	**3,011**	**1,690**	**115**	**3,880**	**4,039**
Other operating result	3,972	757	1,538	443	1,427	501
Total income	**88,932**	**82,630**	**80,625**	**82,077**	**87,286**	**89,325**
Personnel expenses	18,751	19,866	20,056	20,731	21,048	22,110
Other administrative expenses	40,739	43,526	44,855	56,185	49,001	44,130
Sales	5,572	11,571	10,214	18,043	13,449	9,839
External services	12,399	12,250	13,815	14,850	14,514	14,186
Business operations	9,069	7,592	7,426	9,562	7,420	5,979
IT expenses	7,074	5,761	7,022	6,562	6,526	6,262
Mandatory contributions	6,070	5,779	5,742	6,549	6,447	7,559
Others	555	573	636	619	645	305
Depreciation on office furniture and equipment and intangible assets	3,542	3,695	3,807	3,833	4,749	4,636
Administrative expenses	**63,032**	**67,087**	**68,718**	**80,749**	**74,798**	**70,876**
Pre-tax profit from continued activities	**25,900**	**15,543**	**11,907**	**1,328**	**12,488**	**18,449**
Taxes on income	6,609	4,161	2,975	1,920	2,156	4,297
After-tax profit from continued activities	**19,291**	**11,382**	**8,932**	**–592**	**10,332**	**14,152**
Pre-tax profit from discontinued activities	3,399	3,109	4,412	5,125	5,606	5,006
After-tax profit from discontinued activities	2,406	2,236	3,070	3,644	4,049	3,493
Pre-tax consolidated profit	**29,299**	**18,652**	**16,319**	**6,453**	**18,094**	**23,455**
Consolidated net profit	**21,697**	**13,618**	**12,002**	**3,052**	**14,382**	**17,644**

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

	2018				2019	
€k	Q1	Q2	Q3	Q4	Q1	Q2
Consolidated net profit	**21,697**	**13,618**	**12,002**	**3,052**	**14,382**	**17,644**
Items which cannot be reclassified to the income statement						
Changes in actuarial gains/losses recognised in equity	–90	–77	185	–213	–193	–128
Other comprehensive income for the period from equity instruments	–1,525	2,161	418	–4,749	3,947	931
Items which can be reclassified to the income statement						
Changes in the revaluation reserves after tax						
Changes in value recognised in equity	–867	916	–2,046	347	6,106	4,879
Reclassification to the income statement	–35	–134	–28	–132	–2,646	–2,788
Other comprehensive income for the period from continued activities	**–2,517**	**2,866**	**–1,471**	**–4,747**	**7,214**	**2,894**
Other comprehensive income for the period from discontinued activities	–382	–379	805	–894	–1,732	–1,885
Total other comprehensive income	**–2,899**	**2,487**	**–666**	**–5,641**	**5,482**	**1,009**
Comprehensive income	**18,798**	**16,105**	**11,336**	**–2,589**	**19,864**	**18,653**

Segment reporting

For better clarity, the table below also shows the values for the discontinued activities. The figures are also reconciled with the income statement values. Pursuant to the requirements of IFRS 5, the contributions of the former B2B business segment are also deducted from the respective line items and the earnings contribution is instead reported in a total amount as earnings from discontinued activities.

	1.1. to 30.6.2019				
€k	B2C	B2B	Consoli-dation	IFRS 5 effects	comdirect group total
Interest income	70,474	219	–91	–128	70,474
Interest expenses	7,736	921	–91	–921	7,645
Net interest income before provisions for possible loan losses	**62,738**	**–702**		**793**	**62,829**
Provisions for possible loan losses	9	0		0	9
Net interest income after provisions for possible loan losses	**62,747**	**–702**		**793**	**62,838**
Commission income	130,556	115,018	–164	–114,890	130,520
Commission expenses	26,594	85,055	–35	–85,020	26,594
Net commission income	**103,962**	**29,963**	**–129**	**–29,870**	**103,926**
Disposals and valuation result from financial assets	**7,919**	**0**		**0**	**7,919**
Other operating result	1,928	–739		739	1,928
Total income	**176,556**	**28,522**	**–129**	**–28,338**	**176,611**
Administrative expenses	**145,874**	**22,292**	**–129**	**–22,363**	**145,674**
Pre-tax profit from continued activities	**30,682**	**6,230**		**–5,975**	**30,937**
Pre-tax profit from discontinued activities	-	-		10,612	10,612
Pre-tax consolidated profit	**30,682**	**6,230**		**4,637**	**41,549**
Segment investments	11,198	2,604			13,802
Segment depreciation	9,385	4,637		–4,637	9,385
Cost/income ratio	82.6%	78.2%			82.5%
Segment income	212,071	116,501			
of which external income	212,036	116,281			
of which inter-segmental income	35	220			
Segment expenses	181,389	110,271			

	1.4. to 30.6.2019				
€k	B2C	B2B	Consolidation	IFRS 5 effects	comdirect group total
Interest income	36,082	109	–45	–64	36,082
Interest expenses	4,443	427	–45	–427	4,398
Net interest income before provisions for possible loan losses	**31,639**	**–318**		**363**	**31,684**
Provisions for possible loan losses	–676	0		0	–676
Net interest income after provisions for possible loan losses	**30,963**	**–318**		**363**	**31,008**
Commission income	66,878	59,279	–99	–59,201	66,857
Commission expenses	13,080	44,349	–20	–44,329	13,080
Net commission income	**53,798**	**14,930**	**–79**	**–14,872**	**53,777**
Disposals and valuation result from financial assets	**4,039**	**0**		**0**	**4,039**
Other operating result	501	–708		708	501
Total income	**89,301**	**13,904**	**–79**	**–13,801**	**89,325**
Administrative expenses	**71,004**	**11,065**	**–79**	**–11,114**	**70,876**
Pre-tax profit from continued activities	**18,297**	**2,839**		**–2,687**	**18,449**
Pre-tax profit from discontinued activities	-	-		5,006	5,006
Pre-tax consolidated profit	**18,297**	**2,839**		**2,319**	**23,455**
Segment investments	7,705	1,427			9,132
Segment depreciation	4,636	2,319		–2,319	4,636
Cost/income ratio	78.9%	79.6%			78.8%
Segment income	107,568	60,060			
of which external income	107,548	59,935			
of which inter-segmental income	20	125			
Segment expenses	89,271	57,221			

	1.1. to 30.6.2018				
€k	B2C	B2B	Consoli-dation	IFRS 5 effects	comdirect group total
Interest income	64,013	191	–74	–117	64,013
Interest expenses	7,113	610	–74	–536	7,113
Net interest income before provisions for possible loan losses	**56,900**	**–419**		**419**	**56,900**
Provisions for possible loan losses	–420	0		0	–420
Net interest income after provisions for possible loan losses	**56,480**	**–419**		**419**	**56,480**
Commission income	129,881	113,791	–166	–113,625	129,881
Commission expenses	21,990	84,483	–36	–84,447	21,990
Net commission income	**107,891**	**29,308**	**–130**	**–29,178**	**107,891**
Disposals and valuation result from financial assets	**2,462**	**0**		**0**	**2,462**
Other operating result	4,729	513		–513	4,729
Total income	**171,562**	**29,402**	**–130**	**–29,272**	**171,562**
Administrative expenses	**130,119**	**22,894**	**–130**	**–22,764**	**130,119**
Pre-tax profit from continued activities	**41,443**	**6,508**		**–6,508**	**41,443**
Pre-tax profit from discontinued activities	-	-		6,508	6,508
Pre-tax consolidated profit	**41,443**	**6,508**			**47,951**
Segment investments	8,276	2,341			10,617
Segment depreciation	7,237	2,386			9,623
Cost/income ratio	75.7%	77.9%			75.7%
Segment income	205,296	115,055			
of which external income	205,260	114,852			
of which inter-segmental income	36	203			
Segment expenses	163,853	108,547			

	1.4. to 30.6.2018				
€k	**B2C**	**B2B**	**Consoli-dation**	**IFRS 5 effects**	**comdirect group total**
Interest income	33,071	99	–42	–57	33,071
Interest expenses	3,376	311	–42	–269	3,376
Net interest income before provisions for possible loan losses	**29,695**	**–212**		**212**	**29,695**
Provisions for possible loan losses	523	0		0	523
Net interest income after provisions for possible loan losses	**30,218**	**–212**		**212**	**30,218**
Commission income	59,349	56,152	–78	–56,074	59,349
Commission expenses	10,705	41,696	–18	–41,678	10,705
Net commission income	**48,644**	**14,456**	**–60**	**–14,396**	**48,644**
Disposals and valuation result from financial assets	**3,011**	**0**		**0**	**3,011**
Other operating result	757	219		–219	757
Total income	**82,630**	**14,463**	**–60**	**–14,403**	**82,630**
Administrative expenses	**67,087**	**11,354**	**–60**	**–11,294**	**67,087**
Pre-tax profit from continued activities	**15,543**	**3,109**		**–3,109**	**15,543**
Pre-tax profit from discontinued activities	-	-		3,109	3,109
Pre-tax consolidated profit	**15,543**	**3,109**			**18,652**
Segment investments	3,571	1,208			4,779
Segment depreciation	3,695	1,201			4,896
Cost/income ratio	81.7%	78.5%			81.7%
Segment income	98,023	56,723			
of which external income	98,005	56,623			
of which inter-segmental income	18	100			
Segment expenses	82,480	53,614			

The management previously focused on two business segments: Business to Customer (B2C) and Business to Business (B2B).

The B2C business segment still comprises the activities of comdirect bank AG and its five special funds. These relate to services in brokerage, banking and advice in direct business with modern investors. Since the acquisition of the onvista group, this has also included onvista media GmbH, which operates the associated onvista.de portal, and comdirect Versicherungsmakler AG (formerly: onvista AG).

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

The agreed sale of ebase means that its business activities are classified as a discontinued activity from the perspective of comdirect group. B2B therefore no longer represents an operating business segment.

Management and reporting now relates exclusively to the B2C business segment. It encompasses all continuing activities. Further reportable segments were not identified.

In the course of its treasury investments, ebase carries out money market business with the B2C segment. This generated interest income of €91k from discontinued activities (previous year: €74k). and interest expenses in the amount of €0k (previous year: €0k) . The corresponding interest expenses and income were recorded in the B2C business segment.

Segment assets and segment debt do not represent relevant management indicators within the meaning of IFRS 8 and are therefore not shown in the table.

Supplementary report

The sale of ebase (European Bank for Financial Services) GmbH which was contractually agreed in July 2018 was successfully completed on 16 July 2019. After gaining the approval of the banking supervisory and anti-trust authorities, the company was sold to FNZ Group, a London-based financial technology provider. The purchase price was €154m. After taking into account transaction costs, the book value of the transferred assets and liabilities, as well as the current pre-tax profit of ebase, discontinued activities contributed a pre-tax profit of over €110m to the 2019 consolidated financial statements for comdirect.

Declaration by the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the half-year consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group, and the interim management report of the group presents a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the rest of the financial year.

Quickborn, Germany, 31 July 2019
The Board of Managing Directors

Arno Walter

Dietmar von Blücher

Matthias Hach

Frauke Hegemann

Further information

Review report[2]

To comdirect bank AG, Quickborn

We have reviewed the interim condensed consolidated financial statements, comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the condensed statement of cash flows and selected explanatory notes, and the group interim management report of comdirect bank AG, Quickborn, for the period from 1 January 2019 to 30 June 2019, which are part of the six-monthly financial report pursuant to Sec. 115 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs [International Financial Reporting Standards] on interim financial reporting as adopted by the EU and of the group interim management report in accordance with the requirements of the WpHG applicable to group interim management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the group interim management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the group interim management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the group interim management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to group interim management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the group interim management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to group interim management reports.

Hamburg, 31 July 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bühring	Meyer
Auditor	Auditor

[2] This is a translation of the review report issued in German. The latter is the sole authoritative version.

2019 financial calendar

30 January	Press/analysts' conference in Frankfurt am Main
26 March	Annual report 2018
30 April	Quarterly statement
9 May	Annual general meeting in Hamburg
1 August	Half-year report quarterly
29 October	Nine-month statement

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