> Financial situation and assets of the comdirect group

Main features of financial management and Treasury

The Treasury department of comdirect bank ensures adequate cash holdings at all times and manages the liquidity risk (see page 64). By investing customer deposits in the money and capital markets, the comdirect group achieves a positive interest margin. Here the bank carries out a significant share of the investments with companies in the Commerzbank Group. Claims on Commerzbank AG and selected other subsidiaries in the Commerzbank Group as well as the securities of these companies are comprehensively collateralised via a general assignment agreement. There are also five special funds that are included in the comdirect group's accounts.

In addition to securities from the Commerzbank Group, only securities from first class issuers with shorter term fixed interest rates are acquired. The investment horizon is based on the economic holding period of customer deposits. The investments relate predominantly to promissory notes and fixed-term deposits. Furthermore, the Treasury portfolio essentially comprises bonds and Pfandbriefe.

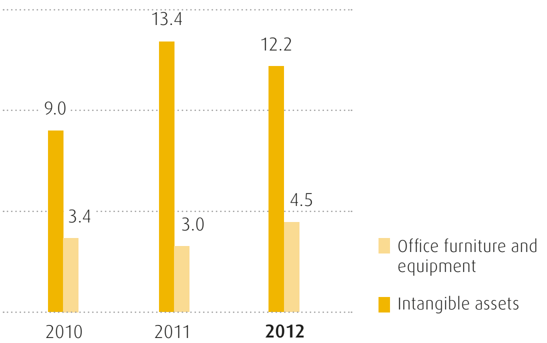
The use of derivative financial instruments is restricted to the hedging of interest rate risks from bonds and interest book management in the Treasury portfolio. As of 31 December 2012, the nominal volume of these hedging derivatives amounted to €118m (end 2011: €123m).

No investments were made in the beleaguered countries in the eurozone in 2012. At the end of 2012, less than 0.1% of the balance sheet total (end 2011: 0.6%) was attributable to Treasury positions in these countries. These positions are continually and closely watched as part of our intensive monitoring, and if necessary are sold before final maturity when market opportunities arise.

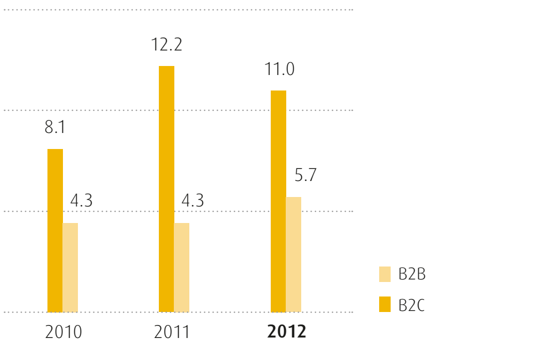
Investments

At €16.7m, the investment volume was close to the previous year's figure (€16.5m). A decrease in the B2C business line to €11.0m (previous year: €12.2m) was countered by a rise in the B2B business line to €5.7m (previous year: €4.3m). This was essentially due to the development of proprietary software as part of the launch of new products.

Investments
(in € million)



Investments by business lines
(in € million)



Intangible assets accounted for €12.2m of the investment volume (previous year: €13.4m). The high figure in the previous year reflected complex IT projects at comdirect bank, including implementation of the CFD platform. During the reporting year, we only used €4.9m (previous year: €7.2m) for the acquisition of software, while €7.3m was attributable to capitalisation of internally generated software. Further developments included the processing systems for the Visa card as well as the internet portal and custody account software for ebase. Taking account of depreciation on intangible assets, the net investment volume stood at €1.2m (previous year: €0.7m).

Fixed asset investments of €4.5m (previous year: €3.0m) include the replacement of database servers for central customer data and modernisation of PC systems. Net investments for fixed assets were essentially balanced (previous year: €–1.1m). There are no material subsequent financial obligations under current investment projects for future financial years.

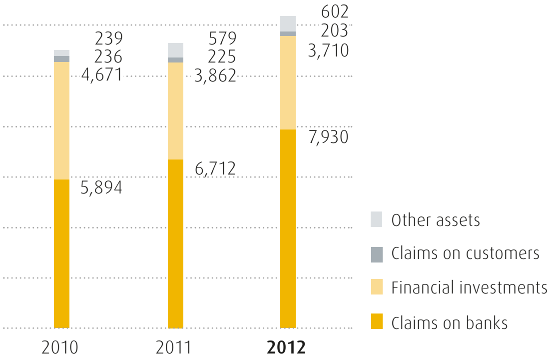
Balance sheet structure of the comdirect group

The rise in the deposit volume increased the consolidated balance sheet to €12.45bn (end 2011: €11.38bn). Liabilities to customers accounted for 94.3% of the balance sheet total (previous year: 94.2%).

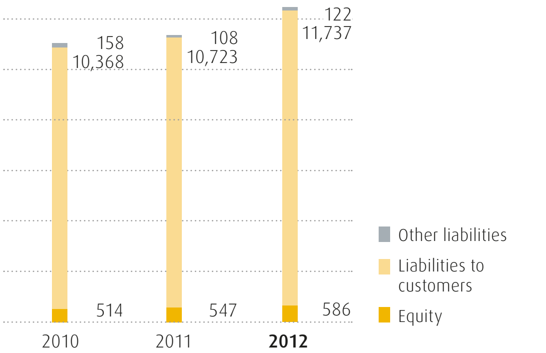
Assets

The volume of claims on banks, which essentially relate to promissory notes and fixed-term deposits, was up 18.1% on the end of 2011 (€6.71bn) at €7.93bn.

Structure of consolidated balance sheet – ASSETS
(in € million)



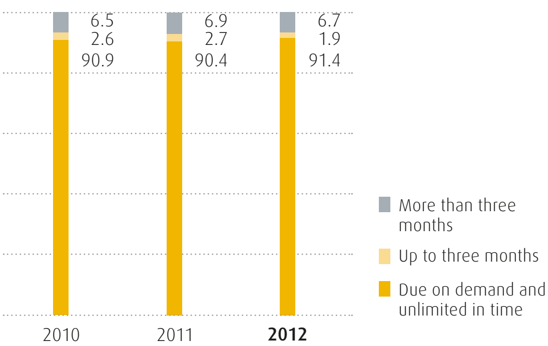
Structure of consolidated balance sheet – LIABILITIES
(in € million)



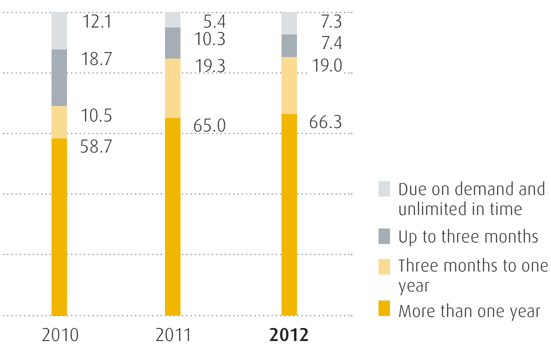
The volume of financial investments fell by 3.9% to €3.71bn (end 2011: €3.86bn). This line item comprises bonds and Pfandbriefe as well as floating rate notes. As in the previous year, equities only played a minor role in the Treasury strategy.

Claims on customers dropped to €202.6m (end 2011: €224.7m). This was mainly due to the decrease in the volume of loans against securities. The decline considerably more than offset the effect resulting from the increased use of overdrafts and the credit facility granted via the new Visa card.

Structure of customer deposits
(by remaining lifetimes in %)



Structure of claims and financial investments
(by remaining lifetimes in %)



The cash reserve amounted to €551.8m as at 31 December 2012 and was consequently higher than a year earlier (€527.8m). Almost all of this amount relates to the credit balance at Deutsche Bundesbank. The average minimum reserve requirement of the comdirect group stood at €110.2m (end 2011: €197.2m) as of 31 December 2012.

Current income tax assets of €1.9m (previous year: €4.1m) were partially attributable to corporate tax credit balances from previous years.

Financing

The financing side of the balance sheet essentially comprises the deposits of private customers. Liabilities to customers totalled €11.74bn (end 2011: €10.72bn).

The decline in liabilities to banks to €1.9m (end 2011: €3.2m) reflects the current level of the ongoing clearing accounts at Commerzbank.

As of the reporting date, the interest rate swaps used for hedging showed a negative fair value of €5.3m (end 2011: €4.5m).

At €39.7m, provisions were down 3.6% on the previous year (€41.2m). This reflected, in particular, the reduction in provisions for variable compensation components as well as non-income taxes.

Provisions for pensions amounted to €16.3m as of 31 December 2012 (end 2011: €15.3m). Pension obligations with a net present value of €26.2m (previous year: €20.3m) were countered by plan assets with a market value of €4.1m (previous year: €3.8m) administered by Commerzbank Pension Trust e.V, (see note (49) starting on page 118). In addition, there are provisions for partial retirement and early retirement arrangements amounting to €0.4m (previous year: €0.5m).

Other liabilities amounting to €46.0m (previous year: €41.7m) primarily comprise trade accounts payable.

The rise in deferred income tax liabilities to €7.8m (end 2011: €3.0m) is due to price movements relating to financial investments and their effect on the revaluation reserve. Most of these had an income-neutral effect. Assets and liabilities are netted in the line item (see note (50) starting on page 121).

Equity amounted to €585.7m, exceeding the level as of 31 December 2011 (€547.3m) by 7.0%. The rise is essentially attributable to the significantly increased revaluation reserve.

Cash flow statement of the comdirect group

The cash flow from operating activities of €119.7m (previous year: €418.6m) was mainly affected by the development in customer deposits and their reinvestment.

The cash flow from investment activities of €–16.7m (previous year: €–16.4m) reflects the increase in the investment volume.

The cash outflows from financing activities amounting to €–79.1m (previous year: €–59.3m) stem from the dividend distribution of €0.56 (previous year: €0.42) per share in May 2012.

Deposit protection

comdirect bank AG and ebase GmbH are members of the deposit insurance scheme of the Bundesverband deutscher Banken e.V. (Association of German Banks), through which each customer was insured up to a deposit amount of 30% of the main liable equity as of 31 December 2012. This results in an amount of €116.9m for comdirect customers or €6.1m for ebase customers. In addition, customer deposits are legally insured under the compensation fund of German banks (Entschädigungsfonds deutscher Banken, EdB).