

Annual Report 2003



The one-to-one bank for the modern investor takes shape

comdirect)

www.comdirect.de

Performance 2003 of comdirect share

Development of share price from 2.1.2003 to 17.2.2004



Key figures of comdirect bank group

		2003	2002	Change in %
Customer figures as of 31.12.				
Total customers		640,221	622,242	2.9
Customers in the segment comdirect online		640,197	622,242	2.9
Customers in the segment comdirect offline		67	-	-
Business line comdirect online				
Placed orders		7,648,711	6,910,359	10.7
Executed orders		6,368,969	5,699,299	11.8
Average order activity per custody account		10.7	9.5	12.6
Share of fund transactions in executed orders	in %	15.2	14.2	7.0
Order volume per executed order	in €	4,784	3,790	26.2
Total assets under custody as of 31.12.	in € million	10,362	7,005	47.9
of which: portfolio volume (excluding funds)	in € million	6,127	3,991	53.5
of which: funds volume	in € million	1,479	1,066	38.7
of which: deposit volume	in € million	2,756	1,948	41.5
Credit volume as of 31.12.	in € million	184	175	4.8
Number of custody accounts as of 31.12.		591,642	594,701	-0.5
Number of fund-based savings plans as of 31.12.		50,616	38,079	32.9
Number of current accounts as of 31.12.		69,085	67,503	2.3
Business line comdirect offline				
Advisers as of 31.12.		17	-	-
Offices as of 31.12.		3	-	-
Total revenues	in € thousand	37	-	-
Earnings ratios				
Net commission income	in € thousand	83,107	77,142	7.7
Net interest income before provisions	in € thousand	57,207	63,896	-10.5
Administrative expenses	in € thousand	112,494	138,138	-18.6
Profit from ordinary activities	in € thousand	39,102	4,695	732.8
Pre-tax profit	in € thousand	39,102	-18,600	-
Net profit/loss	in € thousand	23,361	-9,764	-
Earnings per share	in €	0.17	-0.07	-
Balance-sheet key figures as of 31.12.				
Balance-sheet total	in € million	3,426	2,589	32.3
Equity	in € million	584	564	3.5
Equity ratio*	in %	17.1	21.8	-21.6
Own funds ratio according to BIS	in %	68.0	84.4	-19.4
Relative ratios				
Return on equity	in %	6.9	0.8	762.5
Cost/income ratio (excluding extraordinary result and restructuring costs)	in %	74.2	96.2	-22.9
Earnings per customer	in €	232.6	226.6	2.6
Employees' figures as of 31.12.				
Employees		589	922	-36.1
of which: in the segment comdirect online		580	922	-37.1
of which: in the segment comdirect offline		9	-	-
Employees full-time basis		522.0	789.6	-33.9

* Equity ratio = (Subscribed capital + reserves + consolidated profit)/balance-sheet total

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2003 at a glance

Best result since the bank was formed

Record result A pre-tax profit of more than €39m – easily the best result for comdirect bank in 2003 since it was formed.

Share sets records With a 182 percent price advance, the comdirect bank share was the best performer in the MDAX.

Dividend paid for the first time For the first time, the payment of a dividend of €0.16 per share will be proposed to the annual shareholders meeting.

Trades: comdirect grows faster than the market 6.37 million trades – compared to the previous year, comdirect pushed ahead by 11.8 percent, whereas the market as a whole grew by only 1.4 percent.

Customer assets reached three-year high Customers' assets increased by €3.4m to €10.4m – reaching the highest level in three years.

Market leadership in Online Investment expanded With 640,000 customers in the group and 590,000 in Germany, comdirect bank remains the number one among German Online Investment providers.

Direct Banking: comdirect strengthens capacity as main bank for its customers Increasingly more customers view comdirect bank as their main bank. More than 69,000 customers make use of the current account. comdirect gained more than 25,000 new customers with just the fixed-term deposit product ZinsPLUS alone and increased the deposit volume by over €800m.

comdirect captures the number two slot in the United Kingdom More than doubling its level of orders, comdirect came in second place in the United Kingdom in the online retail market. Measured by number of customers, it solidified its position as the third largest online investment supplier with 17,000 new customers and a total of almost 50,000.

Financial Advisory: successful from the onset With offices in Munich, Hamburg, Düsseldorf and Frankfurt, comdirect private finance kicked off earlier than planned. With success: even before year-end, customers concluded the first contracts.

Costs: comdirect leaner than ever before Administrative expenses sank in the course of the year from €138m to €112m. comdirect bank thus realised its ambitious cost cutting targets ahead of schedule. It improved its cost/income ratio from 96.2 percent to 74.2 percent.

Introduction

Business attains record result, share shows a record performance – 2003 was a very good year. At the same time, we have laid the foundation for further growth with our three-pillar strategy. Objective and target: we want to grow into new business dimensions as a one-to-one bank for the modern investor.

Dear shareholders,

2003 was a good year. Following 2001 and 2002, years that were characterised by weak stock markets and comprehensive restructuring measures, we once again obtained a clear net profit in the past year. The pre-tax profit of €39m is the best in the history of comdirect bank so far. The number of our customers rose by approximately 18,000 to almost 640,000 – we are the market leader in Germany for online investment services, and in the UK we hold second place. With 12 percent more securities orders than in the previous year, we have profited more than proportionately from the steady market recovery. In Europe, we are among the top three, and globally among the top ten. At €10.4bn, customer assets under custody reached the highest level in three years. And finally: our share gained more than 180 percent. With this figure, the share showed the highest increase in value in the MDAX, in which we're the only bank listed with an online-centred business model.

We would like you to profit in particular from this good year – and we want to pay a dividend for the first time.

And we want to keep on growing. To create a foundation for this, we set a lot in motion during the past year. The cost-cutting measures taken as part of our com one programme for the future across all levels of our company were implemented one year ahead of schedule. Total costs were below previous year's figure by more than €25m, that's almost 19 percent. Compared to 2001, we cut administrative expenses in half. In the course of the year, the cost/income ratio improved from 96.2 percent to 74.2 percent. comdirect bank is leaner and fitter than ever before. But that is only one side of the story of com one.

The other: in order to broaden the earnings base of comdirect bank, we are placing our business on three pillars. Our long-standing field of competence Online Investment has significantly increased in attractiveness and earnings capacity. The second pillar, our field of competence Direct Banking, was expanded on the product side and business volume received a sizeable boost. And finally, third, we have set up the nucleus of an up-market Financial Advisory that is to be steadily expanded and augmented as the third pillar of our business model.





Dr. Achim Kassow, CEO of comdirect bank

This three-pillar strategy goes along with our guiding principle: we want to be a one-to-one bank for the modern investor. For our customers, we are transforming ourselves into a financial partner that focuses its efforts on online technologies. This allows us to direct them to the information and products that are of central importance to them in as individual a manner as possible and to provide them with the best-in-class tools for their financial transactions. A partner who lends support both in attaining their long-term wealth targets and in their day-to-day financial transactions.

There are strong arguments that led us to broaden our services. Many customers requested not only that we provide first-class trading or that they can invest with us online – they are looking for convincing online solutions for their daily banking needs. In addition, they need personal financial and investment advice. They want support in making complex decisions and a partner for the long-term. The demand for our Direct Banking offering and our Financial Advisory services confirms us that our strategy meets the needs of our customers.

At the same time, this expansion of our fields of competence makes us more independent of the volatility of the securities business without foregoing its dynamics. In the future, we'll attain higher and above all more consistent revenues – from interest and commission charges for current accounts, fixed-term deposits and the placement of financial products and insurance solutions. To create such a unique offering with our three fields of competence not only sharpens our profile but also makes us more attractive for new customers than ever before. The past year was already a clear indication of that.

Value added for the customers, added value for comdirect – with the three-pillar strategy, we are creating the best conditions for sustainable growth and more stable earnings. This exactly defines our long-term goal: we want to raise comdirect bank's growth trajectory to a consistently higher level. The agenda for 2004 is thus clearly mapped out. We are making targeted investments in order to further strengthen our market leadership in Online Investment, to significantly grow in Direct Banking and to successfully build up Financial Advisory.

On this occasion, I would like to extend my utmost gratitude to you, the shareholders of comdirect bank, for your trust. Continue to join us on our way to a new phase in which, step by step, your comdirect bank takes shape as a one-to-one bank for the modern investor.

Sincerely yours,

Dr. Achim Kassow

“Success is visible.”

comdirect bank’s Board of Managing Directors, Dr. Achim Kassow and Dr. Andre Carls, discuss one-to-one banking, the three pillars of the business model and the needs of modern investors.

Dr. Kassow, Dr. Carls, how would you explain to a non-banker the concept of a one-to-one bank for the modern investor?

Kassow: It is a bank that knows its customers and understands their needs. It knows what products are right for them both with regard to their present circumstances and in the long-term. A bank that can provide a personal adviser when it comes to making truly difficult, long-term decisions. A bank that is not self-centred but rather views its relationship with its customers as a partnership where communication takes place at eye level. Every customer feels like he is being treated as an individual and receives personal service. That’s exactly what we mean by a “one-to-one bank for the modern investor”.

Carls: A bank that customers always wanted – but couldn’t find anywhere.

Are there any companies out there that you look to as a working example?

Kassow: We are becoming a bank with an overall profile that is so far without comparison. In the process, we are building on existing capabilities and proven business models. New is above all the combination of our offering and the manner in which we make this more tangible for our customers.

Carls: One-to-One banking is a term with tradition – something for exclusive customers that are personally received by the director of the bank and taken to a back room where they are offered cigars and cognac and advised on their family estate. We’re taking the attitude behind this behaviour – that is, to really treat the customer and his investment goals personally and seriously – in the Internet era. That is the approach.

Sounds appealing, but traditionally your customers are traders. Are they really looking for online banking or even personal investment advice?

Carls: We asked them and the responses were unmistakable. Every second customer would like to invest money with us in the short term, in other words to obtain savings products. Every third customer would like to carry out ordinary daily transactions, for example, to place a standing order. And, again, every second customer would welcome personal financial advice.

Kassow: Of course we’re taking a close look at the source of the value contribution for comdirect bank. But that is exactly the fascinating part of also offering Direct Banking and Financial Advisory in addition to Online Investment: by integrating the wishes and needs of our customers, we are binding them tighter to us while at the same time making comdirect bank more profitable. Both are winners, the customers and the bank. For this reason, every day we see a huge potential and an unbelievable array of opportunities. And we fully anticipate that this will fascinate new customers as well.



Dr. Achim Kassow, born in 1966, has been CEO of comdirect bank since June 2002



A severe change of course, given the fact that comdirect bank started and expanded as an absolute specialist for online brokerage.

Carls: Actually not. When comdirect bank was formed, it seized on this very special need for trading and translated that into marketable products. And that is exactly what we are also doing today – we’re discovering what our customers want and are trying to offer it to them in an intelligent and direct manner. Even if we are undergoing change, this has been a major theme throughout our history.

You refer to your customers as “modern investors”. What does such a modern investor look like in real life?

Kassow: Of course, the “modern investor” is an idealised image, a working term. But there are four characteristics that deserve mentioning: first, this modern customer is very well informed and demanding. He knows that he doesn’t have to be satisfied with the first best financial product. Second, he is in the position – perhaps not always today, but in the future – to invest money. Third, he is open to the capital markets. Fourth, he has an affinity for being online and is not afraid of conducting Internet transactions.

Does this modern investor even need personal financial advisory?

Carls: Yes, by all means. The modern investor also recognises this fact and is professional enough to say: “I am an expert in my field – so I want an expert in financial matters.” The question is therefore: what can we offer him that is really convincing? And we have the answer with our Financial Advisory, a truly outstanding range of advisory services. I am therefore absolutely convinced of our success.

What does the capital market say? What are analysts saying, for example, about this new orientation around three fields of competence?

Kassow: Our optimism about the market potential and our chances in this market is widely shared. The strategy did not come out of the blue but is the result of analyses and model simulations. The success is already visible today. The fact that we performed well this year and surpassed our own goals is a big plus. We’re announcing and we’re delivering the promised results – that is the way it should be and that is the way it will stay.

Dr. Andre Carls, born in 1963, has been member of the Board of Managing Directors of comdirect bank since December 2000 and CFO since September 2002.

Some people think I am a trader.
Since I occasionally deal in equities.
Others think I am a saver.
Since I own a fund-based savings plan.
And then there are those who believe
that I need better insurance or a new car.
Sure, because they make a living
selling insurance or cars.

**When will I finally find the bank
that accepts me the way I am?**





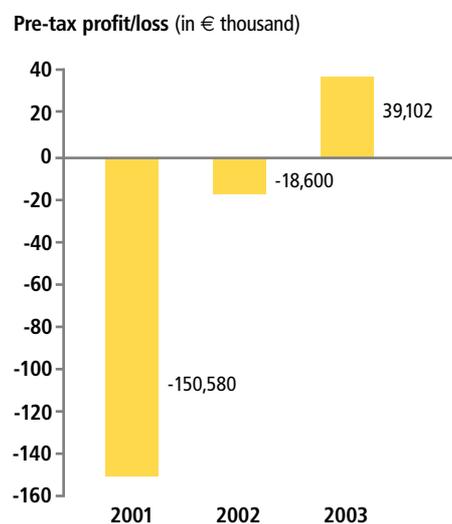
Now.

Instead of resorting to stereotypes, we prefer to listen carefully. And since modern consumers demand a lot from their bank, we have expanded our fields of competence.

At comdirect you can choose from Online Investment, Direct Banking and Financial Advisory – for the first time from one source. No matter what the demands of our clients are: trading online and direct or seeking personal advice, we speak the same language.

This is our definition of one-to-one banking for the modern investor.

Good for our clients, good for our shareholders. With our three-pillar strategy, we are strengthening our revenue base, continuously improving our earnings even after the record year 2003, and thus achieving a sustainable increase in the value of comdirect bank.



The one-to-one bank takes shape

Our strategy Online Investment, Direct Banking and Financial Advisory from one source – comdirect bank is erecting its business on three pillars. With success, as the past year has already proven.

With the motto “one-to-one bank for the modern investor,” we have set a clear goal. We want our customers – from professional trader to novice investor – to get from us all of the financial services, information, tools and products that they need to reach their own individual objectives. We want to be their preferred partner in all financial dealings – for both simple daily transactions and complex asset dispositions. Online as well as in a personal discussion, we want to be a bank that puts the needs of its customers in the spotlight – and not certain products or sales formats.

In light of this goal, we considerably expanded our business model in the past year and presented our three-pillar strategy. Online Investment, Direct Banking and personal Financial Advisory will thus be offered from one source under the comdirect brand umbrella.

The added value for our customers in comdirect bank can be found in having a fully positioned partner for all financial questions on their side. This is exactly what stands behind the concept of becoming our customers’ main bank. We are transferring those qualities to Direct Banking and Financial Advisory that have hitherto set us apart in our traditional field of competence Online Investment. We are efficient and cost-effective. We can be reached around the clock. Just like we ensured safe, fast and transparent financial transactions in the royal class of online transactions, in Online Investment, we are also doing this in Direct Banking. For Financial Advisory, this means: we remain product-neutral and can thus provide truly independent advice. In creating total solutions for our customers, we can combine the respectively best products into an overall concept.

Three-pillar model with new sources of income

For our shareholders, we are thus tapping value-added sources of income and at the same time stabilising earnings. In the direct banking business, we profit from steady transactions that are independent of the markets and from proceeds from classical savings products. Having set up comdirect private finance AG, this is the name of our consulting subsidiary, we not only bind our customers closer to us but also tap additional revenue from insurance, other insurance solutions and financing packages. These income sources are more independent of stock market activities and even react in part in an anti-cyclical manner. For example, if the stock market situation is difficult, many investors switch over to savings products – now they can do that within one and the same bank, comdirect bank.





Of course, the trading business remains the most important value driver with regard to both dynamic and size. Just as the past two years have impressively shown, we are exceptionally well positioned in this area. Whether the market stagnates at a low level like in 2002 or whether it recovers like in 2003: in each case, comdirect bank performed better than the market and profited in particular from market dynamics (see page 28).

To paint the big picture: in the future, our earnings will be more consistent with customer figures that are already stable and will be even higher than in the past. If you add the appeal that our expanded range of services has to new customers, then it becomes clear that comdirect bank remains an extremely attractive investment for its shareholders.

com one: earnings side in focus

Of course there were considerable challenges associated with the implementation of the three-pillar model. In parallel, we have pushed ahead with numerous subtasks under the umbrella of our com one programme for the future during the past year. These subtasks are summarised under the headings "Excellence in sales," "Process efficiency" and "Flexibility". In all areas of comdirect bank, we have defined structures and processes that support our expanded business model, and in many cases these have already been implemented (see page 14).

That we were able to accomplish this without jeopardising the economic goals for the past year is also due to a significantly friendlier market environment compared to the previous year. The returned attractiveness of the securities markets and the respectively brisk activities of our customers lent us support. We were therefore able to concentrate more strongly on the future aspects of com one while maintaining the same cost discipline. As a result, comdirect bank is now more weatherproof than one year ago.

Our task in 2004 will be to further expand our product and service offerings and in the process to raise the cross-selling potential and step-by-step to make the "one-to-one banking" approach experientable. Those aspects of com one, through which we have concentrated on the broadening of our business base and the expansion of our value drivers via numerous individual projects, will continue to accompany us. We are still a long way from the target, but we are well on our way. In other words: as a learning and flexible organisation that orients itself towards the constantly changing needs of its demanding customers, we'll never fully achieve our target but will have to undergo constant change ourselves.

Value added for everyone

Online Investment field of competence Tailor-made information, more products, improved tools, easier access – in our traditional field of competence Online Investment, we have increased our market lead and remain an engine of innovation.

Almost twelve percent more transactions conducted than in the previous year, commission income increased by more than 22 percent, market share gained in trading in both Germany and in the United Kingdom, portfolio volume strengthened by over 50 percent – all in all, comdirect bank remains Germany's leading supplier of products and services relating to the topic of online investment. Not much is new then, if you look at it that way.

In reality, we have achieved and changed a lot. The most important and obvious innovation is our new website. It went live in summer and after further improvements we can sum up by saying that we achieved exactly what was intended.

Distinguished new website

The website has become easier and more transparent and is thus more fully aligned with the demands also of those customers that only stop by occasionally. The full text search, for example, or individual bookmarks facilitate the retrieval of pages that are of greatest personal interest. The so-called single login procedure simplifies access to all important functions and information during a session. One-to-one functionality measures such as these help our customers to navigate easily within their own online investment universe. On top of that, they have no less than a dozen analysis tools at their disposal. And these are only a few of the highlights. Despite this stronger focus on the demands of investors, we have not lost sight of our very active traders: with ProTrader, we have developed a professional trading environment for them.

The success of the new website can be seen in the positive feedback of our customers and visitors. With approximately 13 million visitors per month and more than 100 million page hits, www.comdirect.de remains the most frequently visited financial website in Germany and one of the most popular sites in Europe. We see it as an honour that our website received the "corporate media award for high standards" and that customer orientation received special mention. However, more important for us is the fact that we are now obtaining very precise insights about customer demands via the Internet – of course while observing strict data protection standards. We can now assess which products are viewed and chosen the most, which user profiles are associated with certain product offerings and which obstacles are still built into our website. It thus becomes the central analysis platform for developing and marketing offerings that meet the needs of our customers – a milestone on our way towards becoming a one-to-one bank for the modern investor.





Sales offensive – to be continued

Based on these insights, we have already tested first campaigns in the past year, started sales activities, improved the online functionality of many products and introduced new offerings. A new information tool that deserves mentioning is the DerivateMatrix, a so far unique offering that provides our customers with real time quotes of warrants and certificates using the push procedure. In trading, we set standards with our new functionality for preparing orders – our customers can now place their orders even faster. On the product side, we have increased choice regarding our fund-based savings plans, among others, and for the first time are issuing savings certificates. For our active traders, we had three no fee specials in OTC securities trading. Pursuit of our dual product strategy therefore remained the overriding theme: on the one hand, we systematically expanded our product range to include simple and low-risk products while, on the other hand, we enlarged the opportunities for our active traders to use complex products in a professional manner.

Furthermore, we have continuously and profitably expanded our business with institutional customers, that is with wealth managers and investment advisers. Here, as well, we hold up our one-to-one claim: we support each and every business-to-business customer in a way that in turn enables him to optimally serve his customers.

Possibly the most important theme of the current year is “usability.” How can we help our less experienced customers to become more familiar with our website and to make better use of our offering? How can we support them even better in their online investments and give them the confidence that they are in good hands with us? It seems obvious that the close interaction between information technology, marketing and service is the key success factor. In this regard, the projects combined in com one targeted at improving excellence in sales and process efficiency are tied together in an exemplary fashion. While we have already made significant progress in this regard, it still remains true that much can again be expected from comdirect bank in the current financial year.

United Kingdom: progress ahead of planning

The same can be said about our activities in the United Kingdom. comdirect Ltd, which focuses on Online Investing, has developed favourably. The number of its customers is up by more than 50 percent and its market share, as measured by transactions of private customers at the London stock exchange has gone up from 3.4 percent in January to 5.5 percent in December. The net commission income has gone up by 91 percent compared to the previous year. By now, comdirect Ltd is the second largest broker in the United Kingdom, measured by the number of securities orders placed online by retail customers. Given a development in line with planning, the break-even point will be reached in the current year 2004.

More bank for everyone

Direct Banking field of competence With the development of our competencies in Direct Banking, we have come closer to our goal of being the first and only bank for our customers. This will continue to be our direction – without becoming a generic supplier in the process.

comdirect bank stands by its competence in direct banking. In addition to its sophisticated investment services and products, it is now also offering a full-fledged current account including VISA card and overdraft facility and is offering fixed-term deposits. A sensation?

Comfortable and intelligent from one source

Actually not, but rather the logical extension of our business model. For one thing, our customers are simply concerned about comfort. Why, just to use an example, should they invest money with us, but not have the opportunity to initiate standing orders or to have their salary deposited directly with us? To combine liquidity management and wealth accumulation under one roof simplifies their lives.

An additional issue are intelligent investments. The past two years, in particular, have demonstrated that modern investors are not at all saying goodbye to classical savings products, but rather reshuffle their portfolios depending on the stock market situation. This includes using fixed-term deposits in the short-term or investing parts of their wealth in bonds. Already in the past, we have reacted to this with a product strategy that offers both derivative instruments and simple savings products such as fund-based savings plans. With time deposits, we have gained additional coverage and will continuously expand the service range in the future.

Two examples demonstrate that we are meeting the demands of our customers. Our current account, which has been overhauled and is now fully equipped, has been received extremely well from the very beginning. Already at year-end, more than 69,000 customers have used this account. Even more impressive is the result of our fixed-term deposit campaign, labelled ZinsPLUS. With a time deposit that pays interest above the market level, we recorded asset inflows of more than €800m within just a few weeks and gained more than 25,000 new customers. ZinsPLUS demonstrates that our customers are quite willing to invest new funds and that they accept comdirect bank as their partner.

Clear position in the extended competition

We are not the only direct bank in Germany but have consciously opted for a new and demanding competitive environment by actively strengthening this pillar. There are several reasons why we are able to differentiate ourselves from the competition and why we anticipate excellent opportunities. First of all, we possess an excellent customer portfolio. Our customers earn more than the average German citizen. As a rule, they have money at



their disposal that they intend to invest. They have a proven affinity for online services and are open to modern financial products. That is what we mean when we say “for the modern investor”.

Second, with Internet brokerage services we have mastered the most challenging aspect of online transactions like virtually no other financial firm. Now it is up to us to let the direct banking customer experience the same quality attributes broadly-based that make us unique in online investment: efficiency, reliability, transparency, fair pricing, simple processes, online-based wherever possible, as little paper as possible. And we are asked to deliver even more, namely the ability of a one-to-one bank in direct banking to recognise and precisely serve the demands of different customer groups. So that our customers can say: “That’s typical for my comdirect.”

Last year we effected the “proof of concept” and demonstrated that we made the right decision with the expansion of our direct banking competences. In the current business year, we will sensibly fill the remaining gaps in the product portfolio, further perfect the interaction of all departments within the company and, with the help of targeted marketing impulses, activate existing customers while gaining new ones.



Direct Banking – the most important offers at a glance

- Current account: the broker account is now a fully functional current account. There are no fees if the monthly inflow of money exceeds €1,250. As a second account, it is extraordinarily inexpensive with a monthly fee of €4.90 per month.
- ec card and VISA card: with comdirect bank, liquidity is assured – the ec and VISA cards are free of charge and give access to payment and cash globally – in Germany alone, there are 7,600 ATMs that can be used free of charge.
- Interest paid on positive balances: interest is paid on positive balances on the current account in the amount of 0.25 percent annually. Starting at the first euro and with daily calculation of interest.
- Overdraft facility: with an inexpensive overdraft facility from comdirect bank, flexibility is maintained.
- Deposits: comdirect bank is the right place to park money without risk. The offer includes deposits with maturity between one and sixty months. Initial transaction and renewal are fully online-based.

comdirect bank goes personal

Financial Advisory field of competence With personal Financial Advisory, comdirect bank now also supports its customers in the long-term accumulation of wealth, personal financial provision or concerning loans. Product neutral, fully integrated and at the highest level.

Financial Advisory at comdirect bank? At first sight, nothing appears seemingly in greater contrast to our online business model. After contemplating the issue further, it makes sense. This in turn has to do with our claim to one-to-one banking and the goal of strengthening comdirect bank's revenue potential and value. A total of four reasons support this step into personal advisory.

First of all, we are meeting the demands of our customers. Surveys show that approximately half of them have signalled a strong demand for and corresponding interest in fully integrated and long-term support of complex wealth transactions – provided that the quality is right. Second, due to their economic situation, our customers are a very attractive target group for this kind of advice. Third, personal financial advisory leads to lasting and steady earnings – provided that items one and two are met. Fourth, our offer provides a closer relationship between us and our customers. Especially in combination with our expertise in Online Investment and Direct Banking, it provides for a very attractive overall package that is attracting new customers. That is why we took action.

Highest quality as a measuring rod

The past year was dedicated to preparations. In September, comdirect private finance AG was entered into the commercial register as a fully-owned subsidiary of comdirect bank AG and was immediately fully operational. Then already between May and September, we chose product suppliers based on strict quality criteria. This enables us to provide to our future customers best-in-class products that can also be combined into fully integrated solutions. In parallel, advisers were acquired, and here as well the profile of requirements could not have been more demanding: we were looking for knowledgeable personalities with many years of experience in customer advising, demonstrable consulting successes and highest social competencies. Only the best of the applicants, which without exception were very well qualified, satisfied our demands. Furthermore, we invested time in the





definition and documentation of our advisory approach, and we initiated training programmes for our advisers. The mere fact that these training sessions last several weeks, not counting programmes held at the local branch offices, demonstrates our demands on the advisory process: we want top quality and nothing less.

Already in early October – and thus a quarter earlier than planned – the first team of advisers began operations in Munich. By the end of the year, the offices in Düsseldorf and Hamburg were next, to be followed already in January 2004 by Frankfurt am Main. By the end of the current year, our advisory network is to consist of seven branches and a total of 50 advisers. By 2006, we want to have a presence in all of Germany's major population areas with approximately 20 branch offices and approximately 180 advisers. After an investment phase through 2006, comdirect private finance is to make positive contributions to the result of comdirect bank starting in 2007.

Why are we so confident that we have created an offering that not only competes with existing market players but that positively distinguishes itself from these peers? Several aspects play a role: based on a sound business concept, experienced and extremely well-trained advisers can operate truly independently, coupled with a long-term perspective and a customer focus. They are in charge of a manageable number of cases. They bring along premium products and can give neutral advice since commissions are identical within product classes – the customer interest is paramount. They are supported by the powerful infrastructure of comdirect bank, for example when arranging appointments, and are thus free to focus on essentials. They can offer numerous advantages to their customers that stem from the linkages with our online world, such as an Internet-based overview of their insurance status or wealth situation. And with comdirect, they are supported by an established brand that has already gained the trust of their future customers.

All this has helped to make the case for establishing personal Financial Advisory under our own roof. This way, we assure the highest possible creation of value added both for our customers and for comdirect bank. And we can make sure that in the future the name comdirect will also become a seal of quality for its advisory services.

Lateral competencies in demand

Resources Continued rigorous cost discipline on the one hand, an ambitious programme of widening and deepening on the other hand – the past year has demanded a lot from comdirect bank. The result: the bank is fit for the future like never before.

The concept of a one-to-one bank for the modern investor not only requires a broad understanding of our clients, it also requires a broad understanding of banking processes. Lateral thinking across departmental boundaries and responsibilities was thus of utmost importance in order to advance the expansion of the business model at all levels. To achieve more with fewer resources – that is what the demanding work schedule required.

Costs clearly reduced

Across the board at comdirect bank, it can be said that this was accomplished very well. Administrative expenses in the group were lowered to €112m – whereas €120m had been budgeted for the year. The personnel reduction measures initiated in the previous year were completed on schedule. Personnel costs were thus reduced by €7m to a total of €32m. At year-end, comdirect bank had a total of 589 employees (previous year: 922), which is the equivalent of 522 full-time personnel. Depreciation declined to €16.5m (previous year: €23.3m). With a combination of lower cost and higher income in the cost/income ratio, we were able to show significant improvement: from 96.2 percent in the previous year to 74.2 percent in 2003.

Focused marketing

In marketing, numerous individual activities and campaigns have continuously served to attract attentiveness. Emphasis was placed on focused measures to specifically activate individual client segments. The experiences drawn from this will be used as input for a reworked campaign management. We used the customer magazine “compass” – with four issues and a print run of approximately 340,000 copies per issue, it was a fixed component of our market appearance in the past year – to communicate the advantages of our expanded product offering. A recent survey of customer satisfaction again brought in top scores but also points out opportunities for further improvement. With these insights and the direct feedback from our customers, we can tackle the task of systematic improvement. We are particularly impelled to further develop the comdirect brand in line with the broad profile of services offered.





The one-to-one-banking challenge

The service department, our direct link to the customer, was especially challenged during the past year. The introduction of the website, in particular, set the telephone lines abuzz in the call centre. Questions, suggestions, praise and criticism – many customers spontaneously voiced their opinion. We have taken the suggestions and criticism of our customers seriously. With numerous improvements immediately following the launch, we made sure that all existing and/or numerous new functionalities could be optimally used. After all, the innovations are the defining feature of our one-to-one approach. And that is why we will continue to be on the lookout for further innovations and improvements.

System stability as a requirement, one-to-one ability as an extra

In information technology, which is of paramount importance for comdirect bank, we were able to lower costs by further concentrating on essential projects and renegotiating with external partners. This did not cause a decline in service quality. The benchmark, defined as system availability of 99.5 percent, was easily surpassed. Investments into a modern server structure, which will be installed by the middle of 2004, will further enhance efficiency and security.

Throughout the entire year, numerous projects in all fields of competence were supported as well. These activities included the development of ProTrader, a professional trading platform for particularly active traders, a unique system for client segmentation and the support of comdirect private finance in setting up their IT structure.

Process of change propelled forward

Of course, the process of change as part of the com one programme for the future has not stopped short of those divisions that are all but invisible for the customer, yet indispensable for the development of the bank. Accounting has refined the controlling of the overall bank, risk management has further developed early-recognition systems, the personnel department not only accompanied further staff reductions but also aligned personnel development measures to the future tasks. The entire leadership structure of comdirect bank was further streamlined in this context, and communication across teams with new leadership circles was intensified.

The Board of Managing Directors has undergone change as well. Hans-Joachim Nitschke stepped down at year-end. As one of the founding fathers, he made decisive contributions to the boom of comdirect bank's early years and mastered the difficult seas in the recent past as well. We owe him our deepest gratitude.

I admit. I like to play. Goal or save, action is the main thing.
And when I lose, I take it in stride. Unlucky in games,
lucky in love. But when my money is at stake,
I become unsportsmanlike. I want to make the most of
every opportunity. No mumbo jumbo, just straight to the target.

Understood?





Precisely.

We do a lot to put the most sophisticated equipment that the market has to offer at the disposal of our traders.

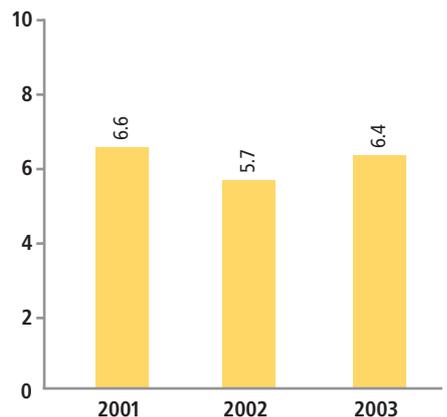
Best-in-class analysis tools that enable you to quickly and precisely understand market chances. A trading platform for professionals such as our newly developed ProTrader that enables you to seize your opportunities.

Since we are opposed to turning trading into a game with an uncertain outcome. To continue with the analogy: we help you put on a power play.

This is our definition of one-to-one banking for the modern investor.

Online Trading will remain of paramount importance in the expanded three-pillar business model. In the past year, we have executed almost ten percent more trades than in 2002 – and significantly raised our commission earnings.

Executed orders (in million)



comdirect value drivers

Costs lowered, earnings increased, customers gained All major value drivers of comdirect have moved in the right direction in business year 2003. In line with the three-pillar strategy, the systematic value driver approach will be expanded further.



The modern investor profits twofold from comdirect's three pillar strategy: as a customer of the one-to-one bank who has a comprehensive range of products, services and advice at his disposal, and as shareholder of the bank who participates in profitable growth. The bank's entire range of activities is geared towards maximising the return on the capital contributed by investors – the total shareholder return – and to provide an excellent opportunity-risk profile that assures the continued attractiveness of comdirect as an investment.

Record result in three steps

Total shareholder return is made up of share price gains and dividend payments; both elements depend to a large degree on the ability of a company to increase the value of the enterprise in a sustainable manner. Return on equity is one of the main ratios used to track this development. At comdirect, it is determined largely by two factors: the development of the number of clients and average earnings per client, which in turn are driven by costs and revenues. Three positive and mutually reinforcing effects characterised business year 2003, which then led to the significant increase in earnings before taxes of €57.7m contributing to the record result of €39.1m. Once more we drastically reduced costs per customer, generated a more than proportionate increase in income – even in comparison to the favourable market development – and acquired new customers as a result of our convincing product offering.

The specific development of the costs and earnings side is measured with the help of numerous value drivers, which are linked along chains of cause and effect and which impact on the profit and loss statement with differing intensity and time lags. This is backed by the insight that measurement is a prerequisite for strategic controlling in the interests of the shareholder.

Client-related costs are thus predominantly determined by those items that pertain to administrative expenses. They indicate, for example, which marketing expenses were necessary to acquire new customers, maintain customers or positively influence order activity; which IT costs resulted from the further improvement of our systems; but also which personnel costs were necessary to maintain an excellent service level. Net commission income and net interest income are the two major items on the earnings side that are split up into key value drivers: these are orders per custody account, average gross commissions per order and deposit and credit volumes, including the respective interest margin obtained.

Overall management of the bank according to balanced scorecard systematic

The various perspectives – financial ratios, internal processes, knowledge management and flexibility, focus on customers and sales – are visualised at comdirect based on the concept of a balanced scorecard via value driver cockpits. Month for month, the cockpits not only indicate at a glance the deviations – both positive and negative – from the original target values, but also suggest areas where corrective action needs to be taken.

In addition to costs, revenues and growth, the bank's efficiency indicators are of paramount importance. With the help of value driver cockpits, adherence to quality indicators and service levels can be controlled at all times and influenced immediately – for example with the help of targeted personnel development measures. The availability of systems, as well, is a major prerequisite for revenue generation and is thus also part of the system of value drivers. Key insights from the bank's risk management – such as use of the market risk limit – also become part of the value driven overall management of the bank.



Externally communicated value drivers of the comdirect bank group

		2003	2002	Change in %
Value added / Return				
Return on equity	%	6.9	0.8	762.5
Costs				
Personnel costs	€ thousand	31,673	38,721	-18.2
Other administrative expenses	€ thousand	64,297	76,157	-15.6
Depreciation	€ thousand	16,524	23,260	-29.0
Costs per customer	€	178	217	-18.0
Earnings				
Trades per custody account		10.7	9.5	12.6
Funds volume as of 31.12.	€ million	1,479	1,066	38.7
Deposit volume as of 31.12..	€ million	2,756	1,948	41.5
of which:				
fixed-term deposit volume as of 31.12.	€ million	994	75	1,225.3
Credit volume (customers) as of 31.12.	€ million	184	175	4.8
Net interest income before provisions				
per customer	€	91	101	-9.9
Net commission income per customer	€	132	121	8.4
Earnings per customer	€	233	227	2.6
Growth				
Number of customers as of 31.12.		640,221	622,242	2.9
Number of custody accounts as of 31.12.		591,642	594,701	-0.5
Number of fund-based savings plans as of 31.12.		50,616	38,079	32.9
Number of current accounts as of 31.12.		69,085	67,503	2.3
Efficiency				
Cost/income ratio	%	74.2	96.2	-22.9
Customers per full-time employee as of 31.12.		1,226	788	55.6

Increased quality of decision-making for new initiatives and products

The system of value drivers is much more than just the backward-looking controlling of financial ratios. At an early stage, all new bank initiatives at both the strategic and operative level are evaluated with regard to their impact on the value drivers. This improves the quality of decisions and helps to pursue perspectives that are geared towards sustainable value enhancement in the interest of the shareholders.

A case in point is the ZinsPLUS campaign, where comdirect time deposits yielded four percent annually over a six-month period and thus clearly exceeded the level of market rates. Although the campaign initially caused higher interest expenses in the short term, noticeable positive effects on the bank's value drivers – and thus shareholder wealth – are to be expected in the medium-term. Experience from earlier sales drives does show that a significant share of new clients can be tied to the bank in the long term through the targeted offering of additional products from all fields of competence. As an example, several new clients that were attracted by the ZinsPLUS campaign have already signed up for custody and current accounts, and positive impulses are also discernible for investments in savings plans and certificates. But that is not all: the personal Financial Advisory of comdirect private finance AG also meet the interest of these newly acquired clients.

In parallel with the implementation of the three-pillar strategy, we are also expanding the system of value drivers. comdirect's service range, previously geared towards security trading and thus transaction driven, also increasingly includes the management of a growing number of client assets as well as individual and partially advisory-driven services for the accumulation and preservation of wealth in all stages of life. This increases the bank's opportunities of fully utilising the cross-selling potential among the fields of competence – and to move the value drivers in the right direction.

The share

Share price up by 182 percent, market value up by €665m Shooting star comdirect was the stock with the best performance in the MDAX. After an increase of the free float to 20 percent, institutional investors increasingly focus on the comdirect share.

With the share price advancing by 181.9 percent to reach the yearly close of €7.33 (end-2002: €2.60) in XETRA trading, comdirect's shares were among the top performers in the German market. The most important comparative indices were significantly surpassed: the MDAX gained 47.8 percent to end the year at 4,469.23 points, and the SDAX was up by 51.3 percent to reach a closing value of 2,586.07. With an advance of 33.7 percent to reach a value of 285.22 points, even the Prime Financial Services Price Index, which tracks the price development of banks and financial service providers, was unable to rival the comdirect share. As a result of the price advances, the market capitalisation of our shares increased by more than €665m to €1,029.9m. The number of shares outstanding increased by 3,350 to 140,503,350 through the exercise of options.

Advance to the MDAX following top performance

The increased stock market valuation is predominantly due to the positive development of the bank's value drivers and the ensuing record result. Shareholders participate in this development not only through higher prices, but also in the form of the first-time proposal of a dividend in the amount of €0.16 per share. The share price advances following the publication of the quarterly record results for the quarters ending as of 30 June and as of 30 September were demonstrative of the fact that the revenue gains exceeded the expectations of numerous institutional investors, analysts and private investors. The bank has repeatedly shown its ability to obtain more than average benefits from the general market recovery and higher trading volumes on the stock exchanges. This has partly returned the perspective of future share price advances lost in prior years.

In the 2003 stock market year, the comdirect share was listed on three different indexes. After the new segmentation of the stock market at the Frankfurt exchange, comdirect switched from the NEMAX 50 to the SDAX on 24 March. Within this small-cap index comprising 50 prime standard stocks, comdirect showed one of the largest market capitalisations following the strong price advances in spring and, what is more, the highest stock market turnover. This resulted in a move to the MDAX on 22 September, which includes the 50 largest prime standard stocks from classical industries below the DAX. In the mid-cap index, comdirect is the only bank with an online-centred business model.

Shareholders' structure of comdirect bank AG (since 17 October, 2003)

- 58.65% Commerzbank AG*
- 21.35% T-Online International AG
- 20.00% Free Float



*indirectly

Data and key figures on comdirect share

German securities code no.	542 800
ISIN Code	DE0005428007
Stock-exchange code	COM
	Reuters: CDBG.DE
	Bloomberg: COM GR
Stock-exchange segment	MDAX (since 22.9.2003)
Number of shares issued	140,503,350 no-par-value shares

Key figures 2003

Average daily turnover in units	XETRA	80,369
	Frankfurt	<u>28,683</u>
		109,052

Opening quotation XETRA (21.1.2003)	€2.79
Highest price XETRA (15.7.2003)	€8.48
Lowest price XETRA (28.2.2003)	€2.63
Closing quotation XETRA (30.12.2003)	€7.33
Market cap (30.12.2003)	€1,029.9m

In the focus of institutional investors

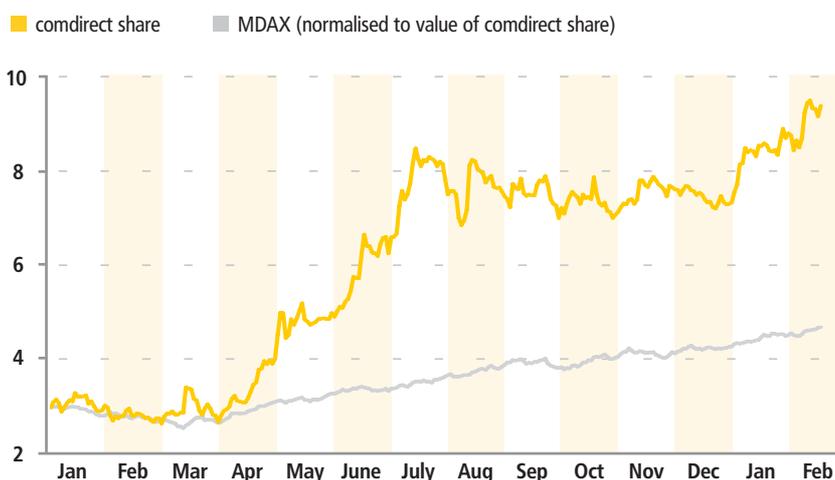
With its inclusion in the MDAX, comdirect is automatically a member of the HDAX, which comprises the 110 prime standard stocks from the DAX, the MDAX and the TecDAX. Numerous institutional investors concentrate their activities in the German stock market on these equities. Commerzbank AG's decision to place a total of 6.25 million comdirect shares from their portfolio – equivalent to 4.45 percent of the equity capital – with international institutional investors once again improved comdirect's ability to attract the interest of new groups of investors in its shares at home and abroad. This placement, which was executed in October 2003 through the accelerated bookbuilding method, increased the free float to 20.0 percent. Through a fully-owned subsidiary, Commerzbank still holds 58.65 percent of the shares. In connection with the move to the MDAX and the increased free float, the trading volume of the comdirect share increased significantly.

Active investor relations

The active dialog with institutional and private investors as well as with research institutes left its mark on the entire year under review. Analyst meetings, road shows, conference calls and numerous one-on-ones with portfolio managers and research analysts were conducted immediately following the release of annual and quarterly reports. In addition, comdirect was represented at several investor conferences.

After the inclusion in the MDAX, the financial community's interest increased notably. In the meantime, about ten analysts regularly cover the comdirect share.

Within the Internet page, private investors are offered a new information service that is being favourable received.

Development of share price of comdirect share from 21.1.2003 to 17.2.2004 (in €)

Report on Corporate Governance

High corporate governance standards are an integral part of the corporate culture at comdirect bank and strongly influence our relations with the shareholders. In 2003, we implemented all recommendations of the government code – 2004 stands for further increases in transparency.

The internationally and nationally recognised standards of good and responsible governance are an integral part of the corporate culture at comdirect bank. The corporate governance principles of the bank, which are drawn up in accordance with the Code of the Government Commission (the so-called German Corporate Governance Code or Government Code), determine the trustworthy and efficient cooperation of the Board of Managing Directors and the Supervisory Board within the context of the legally required dual system of leadership and assure the orientation of the bank along the rights and interests of the shareholders. A high degree of transparency in financial communications is just as self-evident for comdirect bank as detailed information about its leadership principles and their implementation. Due to the high relevance of the topic, comdirect bank has developed and published its own Corporate Governance Code. It translates the recommendations and suggestions to the specific situation of the bank.

All recommendations implemented in business year 2003

In the 2003 financial year, comdirect bank – as one of only a few listed companies – implemented without exception the recommendations of the German Corporate Governance Code in the version dated November 7, 2002. To do so, our Articles of Association had to be amended with regard to one item: this relates to the separate compensation of members and chair in a committee of the Supervisory Board (Code-Section 5.4.5). This change was approved by a large majority at the annual general meeting on 7 May, 2003. Going beyond the requirements of Code-Section 2.3.4 and in conformity with the limits of the Articles of Association, the annual general meeting also resolved to allow for the possibility of broadcasting the annual general meeting via electronic media in a way that provides unlimited access to the public. In addition, the Board of Managing Directors and the Supervisory Board decided to fix the appropriate amount for a suitable deductible as part of the D&O (directors and officers' liability insurance) policy for its respective members.

Implementation in 2004 financial year

The updated Government Code passed on 21 May, 2003 complements the current regulations and places increased demands on the companies, especially with regard to compensation for the Board of Managing Directors and the Supervisory Board and communication surrounding these issues. The Board of Managing Directors and the Supervisory Board have thoroughly studied the new recommendations of the Code and have decided to implement these recommendations with three exceptions and to include them into comdirect bank's Corporate Governance Code.

Transparent communication regarding appropriate compensation

The changes in the Government Code predominantly refer to Section 4.2.3: it is now asked that the variable components of the overall compensation of the members of the Board of Managing Directors include components with long-term incentive effect and risk elements. In addition, all components of the compensation must be appropriate, both individually and in total. These demands were already met through the design of the comdirect stock option programme set up in 2000. The new requirement to link stock options to demanding and relevant parameters that cannot be changed retroactively is also already a reality at comdirect bank: prerequisite for exercising the options is an out-performance of the Prime Financial Services Price Index by at least 5 percent (subset A) or, respectively, a price gain of at least 20 percent (subset B). Furthermore, minimum exercising prices are fixed. Information on the value of stock options pursuant to Section 4.2.3 of the Government Code is found in the Notes of the Annual Financial Statements (see page 87). The new recommendation of the Government Code to include a cap agreed for by the Supervisory Board in case of extraordinary, unforeseen developments will also be adhered to starting in 2004.

comdirect bank also obligates itself in compliance the new version of the Code to provide details about the compensation system in the Internet and in the annual report. Furthermore, the annual general meeting will be informed by the chairman of the Supervisory Board about the structure of and possible changes to the compensation system.

Three deviations from the updated Code

The deviations from the recommendations of the newly drafted Government Code also relate to the compensation of the members of the Board of Managing Directors and the Supervisory Board:

In **Section 4.2.2**, the Government Code recommends – based on recommendations made by the committee in charge of contracts for Board of Managing Directors – that the Supervisory Board regularly discusses and reviews the structure of the compensation system. The corresponding provision at comdirect bank instead considers regular information of the Supervisory Board by the Presiding Committee as sufficient. We are of the opinion that stipulation and regular review of the compensation structure – also with regard to increasing efficiency – should be a task of the Presiding Committee, the body that is also responsible for all other aspects of contracts for the Board of Managing Directors.

Section 4.2.4 of the Government Code in the new version also now calls for the individualised reporting of the compensation of the members of the Board of Managing Directors – subdivided by fixed, variable performance-related and long-term incentive components. comdirect bank will maintain the current practice of publishing the overall compensation of the Board of Managing Directors, which at any rate consists of only two persons, differentiated by the components of compensation. We do not consider an individualised reporting to provide a substantial gain in transparency for the shareholders of comdirect bank.

Pursuant to **Section 5.4.5** of the Code, compensation of the members of the Supervisory Board shall be reported in the Notes of the Consolidated Financial Statements, subdivided according to function and fixed and variable components. comdirect bank will report the compensation for the Supervisory Board, which is only composed of six persons, subdivided according to fixed and variable components but not by function and not individualised. In this case, as well, we do not consider an individualised reporting to provide a substantial gain in transparency.

Suggestions of the Code taken on for the most part

The suggestions of the Code have been or are being implemented for the most part. Exceptions only arise in cases where the implementation of the “should” or “can” does not appear reasonable in the specific situation of comdirect bank or where the additional benefit for the shareholders appears doubtful:

Section 2.3.3: The Government Code suggests that the company shall arrange for appointment of representative to exercise shareholders’

voting rights and that this representative should also be reachable during the annual general meeting. The main reason for this is that shareholders could still change their voting behaviour at short notice because of the broadcast of the discussion via the Internet. Because of the limitation of the broadcast as described in the following (**Section 2.3.4**), comdirect bank does not comply with this suggestion.

Section 2.3.4: The broadcast of the annual general meeting via the internet which is recommended by the Government Code is limited by comdirect bank to the speeches of the chairmen of the Board of Managing Directors and the Supervisory Board.

Section 3.6: The Government Code recommends that in Supervisory Boards with codetermination, representatives of the shareholders and of the employees should prepare the Supervisory Board meetings separately. Since the Supervisory Board of comdirect only consists of six persons, among them two employee representatives, the meetings will be prepared separately only when required.

Section 5.2: Contrary to the suggestion of the Government Code, the Chairman of the Supervisory Board of comdirect also acts as the Chairman of the Audit Committee. This deviation, as well, can be traced to the lean corporate governance structures of comdirect bank.

Section 5.4.4: The Code suggests that the changing requirements within the Supervisory Board concerning election or re-election of members of the Supervisory Board at different dates and for different periods of office are to be taken into account. The usefulness of such a provision is nevertheless controversial. At comdirect, members of the Supervisory Board are newly elected at one date and for a coinciding period of office.

Section 5.4.5: Contrary to the suggestion made in the Government Code, performance-related compensation of the Supervisory Board does not contain a component that relates to the long-term success of the company, but rather is tied to the possible payment of a dividend.

The complete Corporate Governance Code of comdirect bank and the Declaration of Compliance can be viewed on our website in the section “Über uns/Investor Relations.” There we also inform you about current developments.



Martin Blessing
Chairman Supervisory Board



Dr. Achim Kassow
CEO

When I think about banks, exactly three questions arise.

First of all: where do I find a complete bank including everything that is truly important to me?

Second, where, for heavens sake, do I find out whether a time deposit or a fund is the right investment for me?

This leads to the third question: who is right for me?





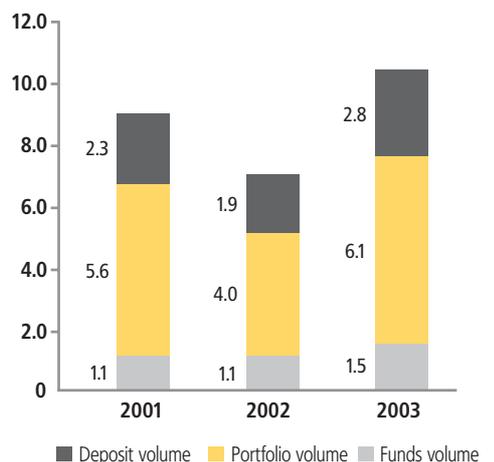
First: here. Second: here. Third: we.

With our new website, we make it even easier for our customers to find the right investment products. Simple navigation, an even broader product range, tailor-made information and professional analysis tools – that is how we support your personal financial goals. With the expansion of our Direct Banking offering, we are now also covering the day-to-day demands of modern investors – as always online, efficient, secure, transparent and inexpensive.

This is our definition of one-to-one banking for the modern investor.

Partner for the long-term accumulation of wealth and partner for day-to-day activities – this combination makes us the first bank for many clients, the only bank for increasingly more of them. That way, assets entrusted to us increase, and we are enhancing revenues.

Volume of total assets under custody as of 31.12.
(in € billion)



Group Management Report

The business year at a glance: best result since the bank was formed

In the 2003 business year, comdirect achieved a pre-tax profit at group level of €39.1 m – easily the largest since the bank was formed in 1994. While commission income was higher compared with the previous year, administrative expenses were down by almost 19%. With our com one programme for the future, we made earnings more stable in the past financial year, trimmed costs, streamlined structures and, thanks to the positive effects this had on results, exceeded our planning targets.

With our extensive range of products for the modern investor, we benefited to a greater-than-average extent from the upturn in the securities markets. Order figures and securities turnover increased just as strongly as portfolio and deposit volumes. The customer base also expanded; through our successful product and marketing initiatives, we gained many new customers.

In response to the wishes of our customers, we have considerably extended our business model. comdirect is now active in the three fields of competence Online Investment, Direct Banking and Financial Advisory. With this three-pillar strategy, comdirect is transforming itself into the leading one-to-one bank for the modern investor.

Economic setting: stagnation and growing uncertainty

For the first time in ten years, Germany's economic performance weakened in 2003. In price-adjusted terms, its GDP contracted by 0.1%. Even though the conditions for a cyclical recovery in the course of this year have improved considerably, fears that the German economy will slide into recession have not yet been allayed. Exports expanded by 1.1% in real terms, but domestic demand remained weak; private consumption declined by 0.2%, while gross fixed capital formation was even a distinct 3.3% lower.

Below-average economic performance by international comparison in 2003 went hand in hand with a flat trend for households' real income. The level of net wages and salaries was 0.9% lower than a year previously, not least on account of higher social-security contributions. Nevertheless, the savings ratio rose, reaching the high average level of 10.8% (previous year: 10.6%) of disposable income. This was due not only to the low inflation level of 1.1% but also to the uncertain overall economic situation, which reined in domestic consumption, and to the reform bottleneck in Germany as a whole. The decision not to raise old-age pensions in 2004 and above all the proposed sustainability factor in the pension adjustment formula as from 2005 have once again underlined the need for greater private old-age provision, for example in the form of savings plans, and private pension and life insurances.

Securities markets: price gains and livelier trading

The recovery in the equity markets brought about a dramatic change in the investment activity of households in the course of the year. Whereas money-market and bond-based funds, which were deemed safe havens, attracted the strongest inflows in the first nine months of 2003, the situation was reversed from October onwards: money-market and bond-based funds registered outflows, while equity funds achieved marked gains. All told, the retail funds monitored by BVI Bundesverband Investment und Asset Management e. V. had inflows of €31.9bn in the year under review (previous year: €27.4bn).

Recovery on fairly low level

Investors' renewed interest in opportunity-oriented instruments went hand in hand with a marked upturn in equity markets. At year-end, the German DAX index stood at 3,965.16 points, 37.1% higher than a year earlier. The secondary stocks in the Prime Standard advanced even more strongly. The mid-caps from traditional industries listed on the MDAX added 47.8% to reach 4,469.23 points, thereby completely compensating for their price losses in the previous year. The SDAX rose 51.3% to 2,586.07, while the TecDAX technology index closed at 541.31 points, 50.9% higher than at end-2002.

Despite this recovery, the level of German equity prices was fairly moderate compared with the all-time highs in early 2000. The Deutsche Bundesbank has calculated an average price/earnings ratio of 15.2 for the DAX stocks on the basis of the profits expected in 2004 – at the height of the equities boom in early 2000, the ratio was almost double that figure.

Brisker trading activity

The price gains were accompanied by brisker trading on German stock exchanges from the second quarter onwards. As a result, the decline in activity in the first quarter was more than offset. In the year as a whole, altogether 175.1m orders were executed – 1.4% more than in 2002. In terms value, the volume of trading on all stock exchanges amounted to €3,166bn in 2003 and – despite the higher number of orders – thus fell 9.6% short of a year earlier. This also shows that the stock-market recovery remains moderate.

The situation in the United Kingdom, comdirect's second market, was similarly positive. With 46.2m transactions and an overall volume of £1.877bn – or just under €2.6bn – the previous year's order figures were exceeded by 23.1% and turnover by 3.4% in value terms. As in the German markets, turnover on the London Stock Exchange expanded noticeably in the second half of the year.

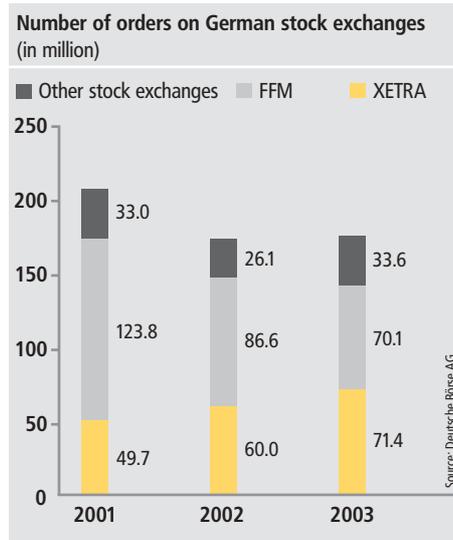
Money market: falling interest rates

While securities markets provided a more positive environment than a year earlier for generating commission income, the money market tended to offer unfavourable overall conditions for realising interest income. The Euro Over-Night Index Average (EONIA), the weighted average rate for interbank overnight money calculated by the European Central Bank, receded further in the course of 2003. After a monthly average of 2.79% in January, an average level of 2.06% was registered in December; the 2002 average for EONIA had been almost 3.3%. The yields for outstanding fixed-income securities fell accordingly to a mere 3.7%, compared with an average of 4.7% in 2002.

Trends in retail business: flexibility and individual approach preferred

The fundamental trends in modern retail business also remained intact in the 2003 business year. More and more banking transactions are being handled online, while the number of branches continues to decline. According to the figures of the Association of German Banks, published at mid-year, the number of online accounts has quadrupled within only four years (end-1998 to end-2002) to 29.7m accounts. In 2002 alone, 10m new accounts were opened.

A similarly stable trend, confirmed by representative questionnaires, is the wish of many online-banking customers for comprehensive, user-friendly information and the safe and easy handling of transactions and payments. At the same time, customers are looking for independence in their choice of products, modernity, flexibility and an all-round approach to individual counselling. A representative poll of comdirect customers conducted in the first quarter of 2003 revealed that one customer in two would like to use comdirect for his short-term financial investments and one customer in three wants us to handle his payments. Virtually half our customers want comdirect to offer them personal financial advisory services.



Strategy: developing into one-to-one bank with three fields of competence

To meet these needs on the part of customers, we built up and developed two strategic pillars in the past business year – parallel to the ongoing extension of our Online Investment activities. In the Direct Banking field of competence, we are bundling our products for short-term financial investments and modern payments. In the Financial Advisory field of competence, we advise our customers in the area of provision and asset accumulation. By systematically adding personal, all-round counselling to our online-centred business model, we are at the same time tapping new earnings potential for the company and its shareholders.

Our Online Investment services have been substantially improved – above all through the relaunch of the website. The introduction of a new current account and also attractive time deposits for short-term investments were important milestones in the Direct Banking field of competence. In Financial Advisory, teams of advisers were already active in Munich, Düsseldorf and Hamburg by year-end. comdirect private finance AG, where the business activities of this personal financial advisory service is conducted, was also included in the list of consolidated companies in the year under review.

Due to the addition of Direct Banking and Financial Advisory to the business model, which had previously been focused on Online Investment, the system of segment reporting has been adjusted. Alongside the breakdown by geographical market, which will henceforth be the secondary segmenting reporting format, we now primarily use business lines in our reporting. The “comdirect online” business line covers the online-centred business of the Online Investment and Direct Banking fields of competence. The “comdirect offline” business line covers the activities of Financial Advisory.

Customer base: fresh expansion

After losing roughly 26,000, mainly inactive, customers in the 2002 business year, comdirect acquired practically 18,000 customers last year. All told, 640,221 customers (previous year: 622,242) were using comdirect’s range of services at end-2003. Not included in this figure are 9,619 customers, who availed themselves of our offer to let their custody or normal accounts lie temporarily dormant free of charge. Some of these accounts are likely to be reactivated, however, given the right market situation.

comdirect bank AG accounted for 590,499 (previous year: 589,748) of the customers; we remain, therefore, the largest specialist provider of online investment services for the German investor. comdirect Ltd expanded its customer base by 17,204 to 49,698. By year-end, comdirect private finance AG, active since October, was able to gain 67 clients in the area of financial cover, old-age provision, financing and asset accumulation; 43 of them were also customers of comdirect bank AG.



Online Investment und Direct Banking: the key figures

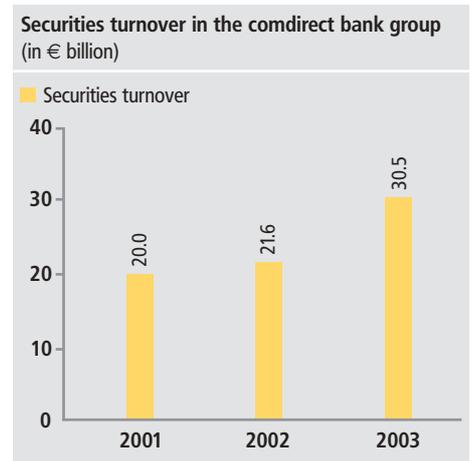
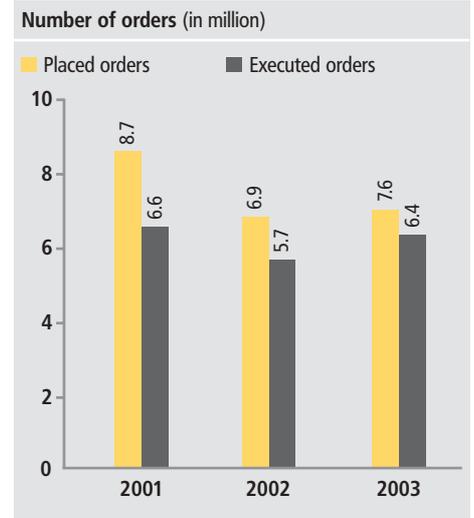
Buoyant trading, far higher securities turnover

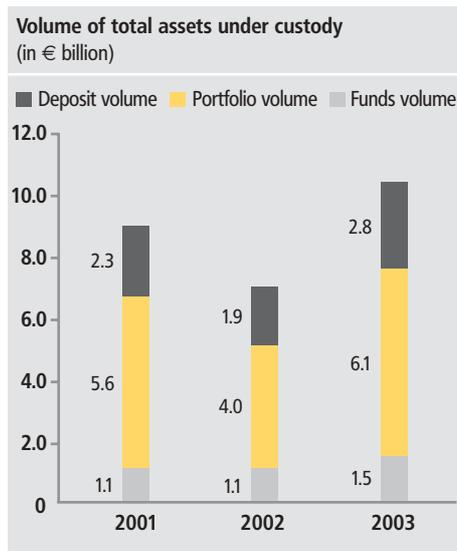
Securities trading via comdirect custody accounts picked up considerably after a subdued start to the year; its growth exceeded that of the German spot market. All told, we executed 6,368,969 orders of our customers, 11.8% more than in 2002 (5,699,299 orders). The rate of order execution was 83.3% (previous year: 82.5%). Unlike the order figures, the number of custody accounts changed only slightly in the past financial year; based on a total of 591,642 (previous year: 594,701) custody accounts, order activity per account reached 10.7 (previous year: 9.5).

We achieved higher order figures in both the German and UK markets. Within Germany, the number of trades handled by comdirect rose 8.0% to 5,935,081; our share of overall orders on German stock exchanges improved from 3.2% to 3.4%. In the UK market, 433,888 orders were executed, compared with 205,083 in 2002. Our share of retail trades on the London Stock Exchange increased from 3.4% in January to 5.5% in December. With this order figure, comdirect ltd became the second-largest provider of online investment services for private investors, while in terms of its customer base it asserted its third place. Among other things, its growing market share is due to the cooperation with Lloyds TSB Registrars, agreed in October 2002, who provide administration services to over 700 companies and their 20 million employees and shareholders.

As equity prices rose, investors became more willing to invest in instruments involving more risk again. Whereas in the first quarter of 2003 only 46.7% of the orders executed involved equities, the figure for the final quarter was 51.2%. Warrant trading also picked up considerably. We achieved the strongest relative growth in certificate trading: the number of executed orders rose by more than 50% compared to the previous year, their share of overall orders climbing from 4.9% to 6.7%. Fund business, which had accounted for 16.8% of all executed orders in the first quarter, registered a share of 15.2% in the year as a whole.

While trading volume on German stock exchanges declined slightly in value terms in 2003 as a whole, despite the recovery in the second half, comdirect's securities turnover was 41.1% stronger than a year previously, at €30.5bn. This reflects both the disproportionately strong growth of warrant and certificate trading, which as a rule entails higher volumes, and the recovery of equity prices on a broad front. The latter encouraged our customers to take up larger positions again. The average order volume rose accordingly from €3,790 to €4,784.





Assets under custody reach three-year-high

The higher valuation of equities and funds and the resulting price gains realised by our customers led to a strong rise in the accounts under custody at comdirect. In a year-on-year comparison, they increased by 50.4%, from €5.1bn to €7.6bn. The funds included in this figure rose by 38.7% to €1.5bn (previous year: €1.1bn). Apart from the above-mentioned price gains, the increase is attributable to net inflows of funds of €1.3bn. In addition, many customers used the more favourable stock-market environment to invest amounts that had been parked in call-money accounts and time deposits in securities. All in all, €0.6bn was transferred from deposits into equities and funds.

Despite this restructuring effect, the volume of deposits was also 41.5% higher than at end-2002 (€1.9bn), at €2.8bn. The switch of funds to custody accounts was more than offset by the fresh inflows triggered by a further improvement of the product range. This included, for instance, our ZinsPLUS campaign, in which we offered a 4% p.a. interest on time deposits.

At €10.4bn (previous year: €7.0bn), the total assets under custody (custody accounts plus deposits) reached at year-end the highest level in three years.

Financial Advisory: business performance

comdirect private finance AG launched its business activities with its first office in Munich on 1 October, 2003 – three months earlier than planned. On the same day, the company began its first full business year. At the end of the 2003 calendar year, further teams of advisers were active from their bases in Düsseldorf and Hamburg. The product range includes quality-tested financial products from reputed providers for provision, financial investments, the securing of assets and financings. The negotiations necessary in this connection with life, health and casualty insurance companies had been completed by the time of the launch, and the offices of comdirect private finance had been integrated into the bank's IT infrastructure. The advisers are commercial agents pursuant to Art. 84, German Commercial Code – HGB and, without exception, they have extensive market and professional experience. They are independent and their compensation will be on a performance basis.

Operating business exceeded expectations in the first three months. Although only active for a few weeks, comdirect private finance teams – applying an all-round approach geared to both specific life phases and strict independence in terms of the selection of products – concluded 79 contracts. Apart from life and health insurance, these included securities savings plans and current accounts at comdirect bank AG. Since December 2003, customers living in the areas covered by the individual offices have also been able to make appointments with advisers online via www.comdirect.de. The customer front-end on the comdirect website presents all contracts as well as detailed information on products and data on the offices.

In order to cover insurance companies' claims to repayment if policies are cancelled, comdirect bank AG has issued letters of comfort for comdirect private finance AG. As a rule, these declarations are required for a full disbursement of sales commissions and loan settlement procedures.

Subject to the approval of the two companies' annual general meetings, a profit-and-loss-transfer agreement was concluded in January 2004, which will become effective as from the 2003/04 financial year.

Earnings situation: record result makes dividend payment possible

Following the operative turnaround in the 2002 business year, comdirect was well in the black again in the year under review. The pre-tax consolidated profit of €39.1m signifies an improvement of €57.7m compared with a year earlier, when results suffered above all due to non-recurring restructuring expenses. After tax, comdirect posts a profit of €23.4m (previous year: -€9.8m); its earnings per share improved from -€0.07 to €0.17. The return on equity also rose strongly to 6.9% (previous year: 0.8%).

First dividend distribution

The profit achieved enables comdirect to make a dividend payment. It will be proposed to the annual general meeting on 28 April, 2004, that comdirect bank AG's entire distributable profit von €22.5m shall be distributed. This represents a dividend of €0.16 per share.

The higher results are basically due to two effects: for one thing, market conditions allowed comdirect to achieve higher commission income; for another, the bank managed to reduce administrative expenses to €112.5m, and thus once again below the target of €120m. Within two business years, therefore, we have halved our administrative expenses.

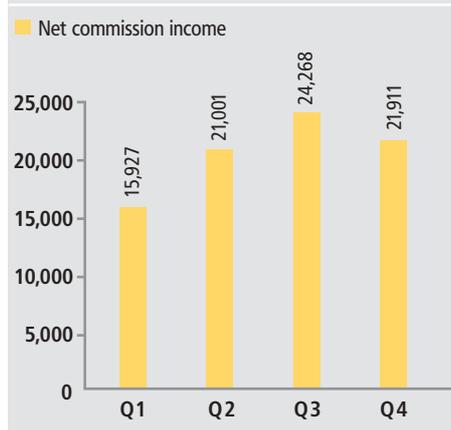
Higher net commission income

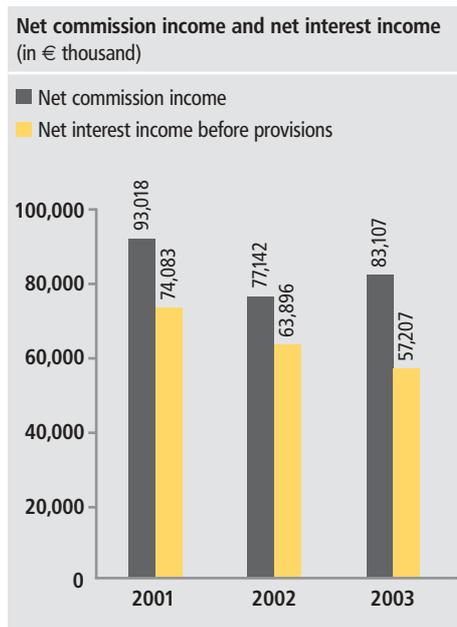
Net commission income amounted to €83.1m, which was 7.7% more than a year earlier (€77.1m). This gain is especially noteworthy since in the 2003 financial year third-party costs for handling orders were shown for the first time as commission expenses and not as other administrative expenses. This change in the method of presentation brought about a sharp structural increase in commission expenses: from €1.9m to €13.6m. If commission income is taken all by itself, comdirect achieved growth of 22.4% in the year under review; this figure far more clearly reflects the much more dynamic activities of comdirect customers in equities, fund and derivatives trading. Moreover, the changes in the fee structure in September 2002 and March 2003 had a positive effect.

Net interest income dampened by growth investments and money-market trend

A different picture emerges for interest income. Net interest income before provisions was down by 10.5%, from €63.9m in 2002 to €57.2m. This decline was mainly due to the high-interest-bearing product ZinsPLUS, which was based on the conviction that

Net commission income in a quarter-on-quarter comparison 2003 (in € thousand)





investments in such new products as ZinsPLUS – in combination with focused marketing – offer an efficient way of acquiring new customers. This also holds true for strengthening customer loyalty. The interest paid on deposits of €0.8bn – which, at 4% p. a., was well above the market level – led to €4.4m higher interest expenses in the 2003 financial year. In addition, provision was made for the net interest payment of €3.6m in the first few months of 2004; as a result, the net interest expenses for ZinsPLUS were already fully recognised in the 2003 financial year.

Our interest income naturally also suffered on account of the historically low money-market rates, which were accompanied by narrower margins, and also – until the start of the ZinsPLUS campaign – because of a lower volume of deposits during the year. As the interest paid on customers' credit balances was also adjusted in line with money-market rates, the net effect was fairly moderate at €6.7m. It should be noted that, despite larger business volume, provision for possible loan losses was practically unchanged on the previous year – among other things, due to a newly introduced early-recognition system.

Result from investments and securities portfolio more than doubled

comdirect made use of the historical interest-rate low and the corresponding rise in bond prices for profit-taking. Its result from investments and securities portfolio virtually quadrupled from its year-earlier level of €1.2m to reach €4.8m. Most earnings were realised through the sale of units in open-ended property funds and Pfandbriefe. At the same time, the special fund launched for comdirect bank made a positive contribution to investments and securities portfolio. The result includes the complete write-down of our €0.9m participation in Nasdaq Deutschland AG, which ceased its trading activities in August. In this connection, comdirect bank AG transferred its interest of 7.5% to BWB Holding AG. In addition, the liquidation proceeds from comdirect S.p.A. i.L. exceeded the book value of the participation (€12.8m) by €1.1m.

Sharp rise in other operating result

The sharp rise in the other operating result from €2.9m in 2002 to €6.5m is attributable among other things to comdirect performing call centre services as well as administrative and IT services for Commerz Service Gesellschaft für Kundenbetreuung mbH, which is also based in Quickborn. This generated revenues of in €1.3m. Commerz Service Gesellschaft für Kundenbetreuung mbH is a wholly-owned subsidiary of Commerzbank AG, providing telephone services in retail banking.

Marked rise in earnings per customer

The average earnings per customer rose from €227 in the previous year to €233. With the new system for measuring net commission income taken into account, comdirect raised its earnings per customer by €24. Through systematic implementation of the three-pillar strategy, we intend to raise this figure substantially again in the years ahead.

Sustained reduction of administrative expenses

We conducted our expanding operating business with much lower administrative expenses in 2003. The cost/income ratio – the relationship of costs to earnings, excluding extraordinary result and restructuring costs – improved from 129.1% in 2001, and 96.2% in 2002, to 74.2%.

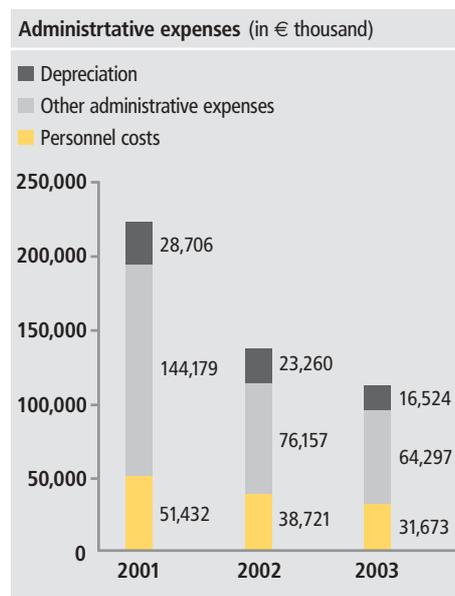
At the comdirect group, administrative expenses amounted to €112.5m (previous year: €138.1m) and were therefore once again almost €8m under the target of €120m. The marked lowering of costs is evidence of the clear success of the com one programme, which was implemented further according to plan in the year under review. The now achieved lean cost structure has left comdirect with more scope for selective investments in its three-pillar business model. Personnel costs fell by €7.0m, or 18.2%, to €31.7m. The substantial lowering of costs is due to the staff reductions according to plan in Germany.

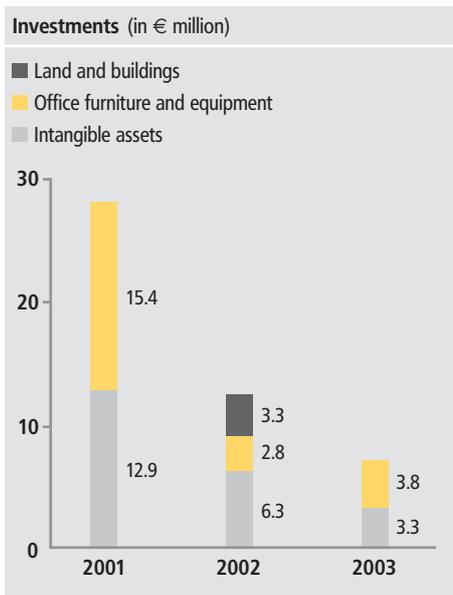
Other administrative expenses, which we had already virtually halved in the previous year, fell by a further 15.6% in the year under review, amounting to €64.3m (previous year: €76.2m). Communication costs and charges for external services were well below their year-earlier levels after providers had been selected from the price/performance standpoint and many contracts had been concluded afresh or renegotiated. Measures in the IT area included among other things a change in providers for service call numbers and for the call centre system. The moderate increase in the remaining other administrative expenses was caused by the relaunch of our website and by investments to integrate comdirect private finance AG into the IT infrastructure of the bank.

Segment results

In the comdirect online business line, we achieved a result from ordinary activities of €43.2m. This segment result includes a negative profit contribution of -€4.5m from comdirect ltd. The result of our London subsidiary was therefore much better than planned. In the second half of 2003, comdirect ltd already registered a positive operative cash flow. Its net commission income was 91.4% stronger than a year previously.

The comdirect offline business segment achieved a result from ordinary activities of -€4.1m. This figure includes advance deliveries and payments by comdirect bank AG during the start-up phase of comdirect private finance AG as well as the further developments to the IT systems, inter alia for the customer front-end of the new advisory unit. In 2003, comdirect private finance AG itself achieved a result from ordinary activities of -€2.9m, which was thus within the framework of our planning.





Investment and depreciation: focusing brings rewards

Despite the marked cost reductions, comdirect made selective investments in 2003 to extend its business model. Additions to its fixed assets amounted to €7.1m, compared with €12.4m a year earlier; €3.3m or 47.0% of this was spent on intangible assets and €3.8m on office furniture and equipment. Key intangible asset items related to comdirect's new website and to special software produced in-house for Direct Banking. Among tangible assets, the modernisation of our server structure should be mentioned, which began in the final quarter of 2003 and will be completed by mid-2004. This will lead to lower operating costs and even greater system security in the future.

The investments were accompanied by depreciation of €16.5m (previous year: €23.3m); €5.5m related to intangible assets and €11.0m to office furniture and equipment. The relatively small amount of depreciation, which further eased the cost situation, is a direct consequence of our focused spending on investment in past quarters.

Financial situation and assets: solid financing, early reduction of liabilities

The financial and net asset position of the comdirect bank group remains very solid. All its assets and liabilities are valued on the basis of the approved and published International Accounting Standards (IAS) or the International Financial Reporting Standards (IFRS), respectively, and also their interpretations by the International Financial Reporting Interpretations Committee (IFRIC). Financial instruments were valued at fair value in accordance with IAS 39. The appropriate valuation allowances were formed for recognisable risks.

After allocation to retained earnings, the group's equity stood at €584.3m (previous year: €563.7m) on the balance-sheet date, representing a capital ratio of 17.1% (previous year: 21.8%). The capital ratio according to BIS was 68% (previous year: 84.4%).

Subordinated capital, in the amount of at €16.6m was prematurely cancelled in agreement with the creditor, Commerzbank AG. Repatriation took place in the first quarter of 2004. The subordinated capital consisted of subordinated liabilities of €6.4m and €10.2m of profit-sharing rights outstanding; both originally ran until end-2006. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), the German financial supervisory authority, approved the reduction; such approval is required by the German Banking Act.

Conditional capital II

In accordance with the resolution adopted at the annual general meeting on 7 May, 2003, the Board of Managing Directors was authorised, with the approval of the Supervisory Board, to issue by 6 May, 2008, bonds with warrants and/or convertible bonds in an overall amount of up to €300m with a maximum lifetime of 20 years. The bearers are to be granted option or conversion rights to new bearer shares of comdirect bank AG. For this purpose, conditional capital II of €30.0m is being created.

Stock option programme modified

As a result of the creation of new segments on the stock market on the Frankfurter Stock Exchange, comdirect bank AG has been assigned to the Financial Services section within the Prime Standard, placing it among the classic stocks. As resolved at the annual general meeting of 7 May, 2003, the Prime Financial Services price index therefore replaced the NEMAX 50, previously used as a reference index for working out performance targets within the stock option programme, as of 21 March, 2003. Details regarding the newly set performance targets, the exercise price and the possibilities for partial exercise are included in the agenda of the 2003 annual general meeting, which can be inspected on the comdirect website. The new price index was also used as a basis for calculating diluted earnings per share.

Under the stock option programme launched in accordance with the annual general meeting resolution of 11 May, 2000, we have issued altogether 2,408,810 subscription rights to employees of comdirect, 669,540 of them in the 2003 financial year.

By the balance-sheet date, 521,057 of the subscription rights had expired and 3,350 subscription rights had been exercised. For these exercised subscription rights, the same number of new no-par-value bearer shares of comdirect bank AG were issued. As a result, the subscribed capital of comdirect bank AG increased in the course of the 2003 financial year by €3.350 to €140,503,350. The relevant payment established in connection with the stock option programme was allocated to the capital reserve pursuant to Art. 270, German Commercial Code – HGB.

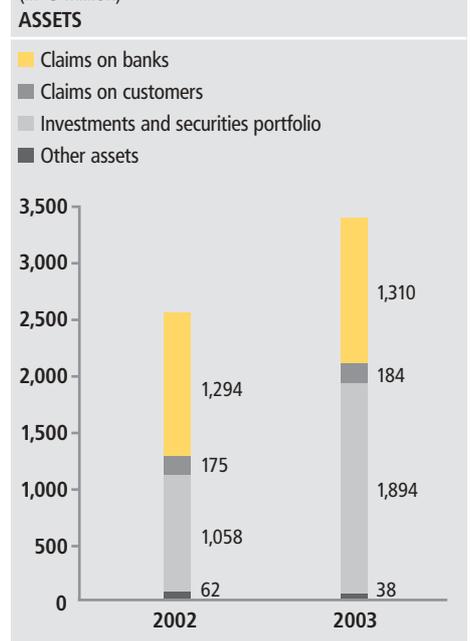
Liquidity constantly ensured

The minimum reserve obligations towards Deutsche Bundesbank were met, as was the liquidity principle of BaFin.

comdirect is a member of the deposit insurance scheme of Bundesverband deutscher Banken e. V., Cologne, through which each customer of comdirect bank AG is insured for deposits of up to €163m. In addition, comdirect is a member of Entschädigungseinrichtung deutscher Banken GmbH.

Adequate liquidity is ensured at all times by means of short-term financial instruments. The subsidiaries constantly have sufficient funds at their disposal to finance the further expansion of their business activities and to be able to meet the capital adequacy requirements.

Structure of the consolidated balance sheet
(in € million)



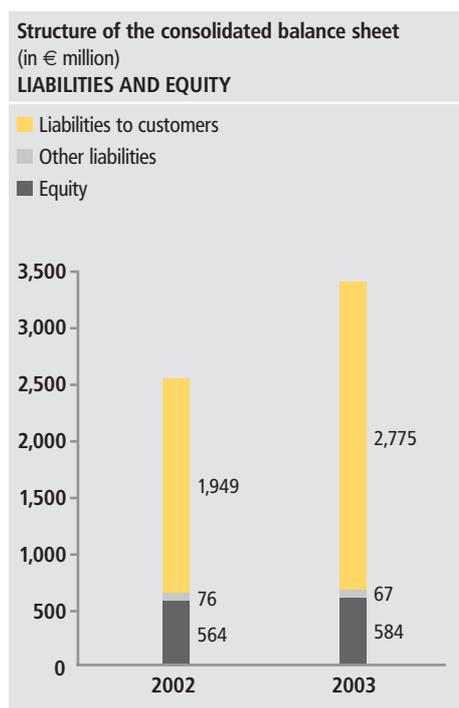
Innovation and product development: the one-to-one bank is taking shape

The strategic development of comdirect into a one-to-one bank for the modern investor was flanked in the 2003 business year by the development and market introduction of individualised products and services. We have therefore strengthened our leading position in the industry.

Website offers many unique features

The most obvious innovation was the relaunch of our website on 26 July, 2003. The platform, which previously focused on brokerage, now serves as a central information and transaction medium for all three fields of competence of the bank. The unique features of the new site include the so-called Personal Area, offering customers in addition to the smooth single-login procedure (one login for all functionalities) and a professional custody-account manager, including tools for technical analysis, the speedy and uncomplicated placing of orders through the use of only one transaction number for an unlimited number of securities transactions during an entire session. The "Informer" contains an outstanding networked range of information; prices, detailed charts, technical chart analysis, research and risk assessments can all be reached with just a few clicks. New analytical tools such as the DerivateMatrix help online traders make their decisions. By individually setting many functions, all users can select the degree of information that is appropriate for them. At the same time, time-consuming intermediate steps have been eliminated from the ordering process.

Immediately after the relaunch, technical problems led to a large number of justified complaints from customers. After these problems had been resolved within a short time, the user-friendly functionality of www.comdirect.de met with broad acceptance. Use of the website reached new record levels in the autumn; many users also registered to gain access to the website's wide range of premium offers.



Target-group-specific innovations spur operative business

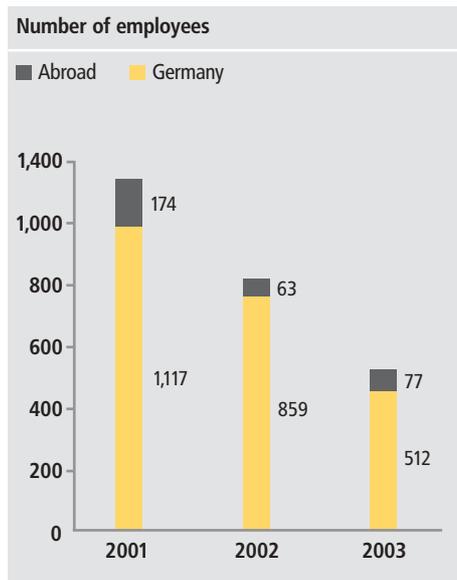
In Online Investment, the ProTrader special trading system was added to the list of products aimed at the active traders target group. Compared with the website, which is geared to the needs of a broad group of users, ProTrader offers greater speed together with a higher density of information and unlimited session time. From the outset, the system attained high customer satisfaction figures with its users; the system was successfully established with the relevant target group in the autumn by means of selective campaigns such as a flat-fee offer.

Among other things, comdirect's LiveTrading for OTC securities trading has been made even easier to use by the presentation of price indications. By year-end, 18 trading partners were taking part – including virtually all the major commercial banks, issuers of warrants and certificates – in this reasonable alternative to conventional bourse trading which is attractive for live-traders. Thanks to new functionalities within the system, the rate of execution increased by around 10%.

In cooperation with suppliers of products, comdirect carried out several no-fee campaigns. comdirect customers were able to trade commission-free in such interesting investment products as warrants and turbo futures for a period of several weeks each. The no-fee campaigns did not only have a positive impact on the volume of orders, but also proved to be extremely effective instruments for acquiring customers. For our customers' long-term investments, we added certificates to our range of savings schemes. This programme, hailed as innovative by the financial press, gives customers access to several index certificates – but also to such other categories of certificate as rolling discounts – starting with amounts of as little as €50. After the product's introduction at end-September 2003, more than a quarter of the savings plans concluded were for certificates.

The central product innovation in the Direct Banking field of competence was the further development of the broker account into a fully-fledged current account with the normal overdraft facility. Insofar as it is used as a salary account with the corresponding incoming payments, no charges fall due. The current account offers new online functionalities such as scheduled and improved management of standing orders. In addition, a call-money account can be set up as an investment account. Following the product's launch in July, comdirect registered 3,239 new accounts in the 2003 business year. By end-2003, comdirect was already keeping altogether 69,085 current accounts; 57% of which have a regular inflow of over €1,250 and are thus run free of charge.

Right from the start, the time deposit account introduced by comdirect in April 2003 also met with a strong response, which was given a further boost by the ZinsPLUS campaign in early September. Through this campaign, comdirect attracted funds of €0.8bn within just a few weeks. With ZinsPLUS, comdirect offered a guaranteed interest rate of 4% p. a. on six-month fixed-term deposits. In addition to the well above market interest rate, the availability of fixed-term deposits for buying securities via comdirect was a further element of the offer. Roughly 25,700 new customers and 14,400 existing customers opted for fixed-term deposits on the favourable ZinsPLUS terms. The outstanding popularity of the fixed-term deposit campaign enabled comdirect to achieve new volumes in its Direct Banking field of competence.



Personnel: new organisation in management

With the retirement of Hans-Joachim Nitschke, the Board of Managing Directors consists of two members. In this connection, the management organisation has been altered. Dr. Achim Kassow (CEO) and Dr. Andre Carls (CFO) are now supported in day-to-day business matters by an Operating Committee. Apart from the two members of the Board of Managing Directors, the Operating Committee comprises the heads of the areas IT, Marketing, Personnel & Risk Management and Service and also the CEO of comdirect private finance AG.

At year-end, comdirect had a workforce of 589 (previous year: 922), representing 522 (previous year: 790) full-time personnel. 503 were employed by comdirect bank AG, 77 by comdirect Ltd, and nine by comdirect private finance AG. 39 of those affected by staff reductions in 2003 could be taken over by Commerz Service Gesellschaft für Kundenbetreuung mbH. Despite the distinct trimming of capacities, only five employees were dismissed due to operational requirements in 2003.

Personnel work focused on expanding our strategic core competencies sales, efficiency and flexibility. After implementing numerous sets of measures and job schedules, we achieved good results in all three areas. To strengthen our sales orientation, for instance, we not only created and trained the adviser teams of comdirect private finance AG but also carried out various sales training measures, above all in the call centre. In order to boost internal efficiency, we placed special emphasis on training project-management expertise and stepped up qualification measures for solving tasks in a systematic and targeted manner. The development of management principles and the setting-up of a circle for younger executive staff are visible signs that the change management process has begun.

Risk report

Overall risk management

The systematic identification and assessment of risk, the examination of alternative courses of action in order to avoid, reduce and limit risk, together with constant, efficient controlling and reporting are integral parts of the bank's overall strategic management. The set of instruments was further extended and refined in the year under review, taking into account legislative requirements.

In 2003, the comprehensive risk reports produced once a quarter were complemented for the first time by monthly statements. The risk radar that is integrated here provides information at a glance on the development of the main risk fields since the previous month. Central risk figures are used in the overall steering of the bank. As in the past, a sophisticated reporting system handles the monitoring of trading transactions and the related fixed-interest periods, each on a same-day basis. The system of limits has been optimised in terms of its method of calculation. Critical floors have been established, as has a worst-case limit in connection with risk-taking capability.

One strategic focus in risk management was on developing the steering and monitoring of credit risk. With the aid of early-warning systems developed in house, the risk situation in the bank's two major credit areas – loans to buy securities and overdrafts – was comprehensively and substantially improved. The main emphasis as regards credits for the purchase of securities – apart from an efficient monitoring of the limits granted – was on avoiding bulk risks, arising through the amassing of insufficiently marketable securities in custody accounts, as these can either not be disposed of at all or only to a very limited extent if there is a market downturn. An automatic early-warning system has been implemented for overdraft facilities, which classifies borrowers on the basis of various indicators and sends a message to central risk management even before the overdraft limit is exceeded.

The risk manual, which was already radically revised in the previous year, was made even more sophisticated with relevant information being added. This related above all to the establishment of threshold values for all individual risks as part of worst-case scenarios and also to presenting details of their probability. The potential loss was assessed in monetary terms.

Risk management faces further demands due to the implementation of the Basle capital accord (Basle II). This calls for measures in connection with operational and credit risk. All the recognisable operational risks are registered in a central database for losses, which we developed further in 2003 with the cooperation of Commerzbank AG.

As the credit side is fragmented in retail banking, operationalisation of the rating procedures required by Basle II has become a key issue.

We continued to implement the "Minimum requirements for the lending business of credit institutions" (MaK) according to plan. We will easily meet the deadline set by the supervisory authorities (summer 2004).

Risk fields

The overall risk-management system has to ensure that existing risks are identified, analysed and measured, and also that risk-related information is passed on in a systematically ordered manner to those responsible for taking decisions. At the comdirect bank group, the following risks are distinguished:

Market risk arises through changes in market prices or price-influencing parameters. Distinctions are made between general and specific types of market risk, as well as such individual types of risk as interest-rate, currency and equity-price risk.

Credit risk (credit default risk) is the risk of a loss or lost profit due to a business partner's possible insolvency. This includes business involving customers as well as money- and capital-market transactions (counterparty risk) and shareholder risk.

Liquidity risk is understood as the risk of not being able to meet payment obligations when they fall due. The refinancing risk relates to the ability to procure adequate liquidity when required on the expected terms and conditions. The market-liquidity risk describes the risk of being unable to settle items to the desired extent as a result of the market situation.

All the risks stemming from business systems or processes are subsumed under **operational risk**, which, if they occur, might have a negative impact on the business development of the comdirect bank group. For the most part, these represent technical or human failure.

Other risks relate, for example, to legal risk resulting from contractual agreements or the overall legal framework, and also to risks to comdirect bank arising from its strategic decisions.

Market risks

Market risks arise for comdirect bank mainly through the conclusion of trading transactions and also asset/liability management, i.e. the mismatch of fixed-interest periods between the assets and liabilities side. Monitoring at comdirect bank AG is performed under strict observance of the "Minimum requirements for the trading activities of credit institutions" (MaH) in accordance with the statement issued by the BAKred supervisory authority on 23 October, 1995. In this connection, observance of the limits to the bank's risk-taking capability deserves special mention; these reduce the potential losses of the trading area to a defined risk capital. This is intended to ensure that possible trading losses can be caught without equity being reduced.

The value-at-risk (VaR) approach has become established as the statistical method for measuring market risk in banking. In order to monitor extreme market movements, the VaR calculations are complemented by so-called stress tests at comdirect. Independently of fixed confidence levels, the stress tests measure the scale of portfolio losses under worst-case conditions, with the main emphasis on changes in the yield curve.

Over the entire reporting period, the market risk was within the risk limit.

Credit risks

Retail lending

In comdirect bank AG's lending to customers, a distinction has to be made between the loans to purchase securities, which fall due on demand, and the overdraft facility on the current account. Potential losses may arise in the case of loans to purchase securities in that the pledged securities lose in value as a result of the general market development or the specific market risk of individual securities; they may then no longer be sufficient to secure the claims on customers. As a rule, the provision of overdraft facilities is linked to regular salary payments and is dependent upon a check performed with recourse to a scoring model.

Even though total lending on current and call-money accounts expanded in the second half of the year due to the market development, the credit risk was steered efficiently over the entire reporting period and held below defined ceilings.

Defaults in the money and capital markets

In order to conduct trading activities, limits are generally required for the various counterparties or the underlying transactions. These are approved by the Board of Managing Directors of comdirect bank AG. In the capital market, trading is only conducted with domestic clients of impeccable credit standing. With the exception of Pfandbriefe, which possess the relevant security, the securities purchased by comdirect bank AG must be of investment grade as defined by the rating agencies Moody's, S&P or Fitch IBCA.

No defaults occurred in the 2003 business year. We disposed of some securities when they were downgraded to a rating below investment grade. In addition, credit lines were cancelled in some cases.

Liquidity risks

Liquidity risk in the narrower sense

At comdirect bank AG, Treasury is responsible for managing liquidity. In order to offset a possible removal of liquidity by customers, the bank maintains an appropriately large volume of funds due at call. All the securities in the liquidity reserve are items which can be sold at short notice on the stock exchange.

Refinancing risk

In interbank trading for short-term funds, comdirect bank AG has built up contact over the years with various German banks, enabling it to borrow at short notice on terms in line with market conditions. Moreover, it can take up short-term funds via Deutsche Bundesbank.

Market-liquidity risk

As a rule, the fixed-income securities held in the liquidity reserve are large-volume issues (jumbos). A very liquid market exists here, offering permanent, fair pricing. It is normally possible to dispose of bonds with floating interest rates (floating rate notes) at any time at fair prices.

Operational risks

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

Both 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 and business contingency measures should all be mentioned in this context. These risks are documented in detail in the risk manual of comdirect bank AG.

During the reporting period, the average availability of comdirect's IT systems was 99.8%.

Other risks

Legal risks

Among other things, legal risks may arise through changes in the overall legal framework in our relevant markets and through legal disputes with business partners or customers.

The legal services department of comdirect bank AG is responsible inter alia for preparing the company in good time for possible legal changes. The public debate before these become effective is followed closely. As soon as amendments can be expected, the legal services department immediately informs the sections of the bank that are affected in order to prepare the company in working groups for the potential changes and possibly to identify their impact. Information is procured through membership of the Association of German Banks, by means of their general circulars and membership of the working group for direct banks, by monitoring specialist periodicals and also through the legal services department of Commerzbank AG.

No significant legal risks were registered in the 2003 business year.

Strategic risks

Those risks are considered to be strategic which are bound up with past and future decisions relating to the business model. The emphasis here is primarily on aspects of corporate planning, the intensity of competition, product development and – as a major influence on comdirect's core business activity – the volatility of securities business. Decisions with regard to the business model are made by the Board of Managing Directors of comdirect bank AG, based on extensive analyses. Depending on the subject to be decided, such issues are worked upon and prepared by the sections of the bank responsible.

The extension of comdirect's business model to include the Financial Advisory field of competence is naturally bound up with strategic risks. The first few months of business activities at comdirect private finance AG, however, suggest a great need on the part of comdirect customers for independent, all-round counselling. The company's business model has been improved from the risk standpoint as well; this relates to the selection of experienced advisers and the quality check for products, as well as to the compensation model and the management information system, which makes business development transparent right down to the level of the individual adviser.

Outlook

Industry trend intact

In the view of market experts, the general trend for the industry will remain intact over the next few years as well. The W3B study "Banking & Broking im Internet", for instance, conducted last May and covering more than 95,000 German-speaking online customers, came to the conclusion that in the meantime 66.9% (previous year: 61.7%) of internet users avail themselves of online banking. Another 8.5% of total users (previous year: 7.9%) say they are interested in online banking.

Competition is likely to grow keener in online banking. According to Branchenkompass Kreditinstitute 2003 of Mummert Consulting AG and F.A.Z.-Institut, 57% of German banks are investing in developing personalised internet services. As the leading provider of online investment services in this competitive environment, comdirect is outstandingly well positioned and over the past ten years has built up a decisive edge in competence. By implementing our three-pillar strategy, we are linking up the online and the offline world of modern one-to-one banking and are thus right to the fore in helping to shape future industry trends.

Positive trend on capital market expected

After several sharp rises in succession in the Ifo economic indicator and a more favourable business-climate index, there are increasing signs of a modest economic recovery in Germany. Commerzbank forecasts growth of 3.0% for the leading industrial countries and 2.0% for Germany in 2004. Against this background, we expect a generally positive capital-market environment for our activities in Online Investment, Direct Banking and Financial Advisory.

Another improvement in results ahead

Based on the extended business model with its sound future perspective, which renders an ever greater part of our operative activities independent of short-term market volatilities, we are aiming for a further increase in our results to a pre-tax profit of at least €45m in the 2004 business year – the tenth since the formation of our bank. This figure already includes the planned start-up losses of €5m for the operations of comdirect private finance AG. We intend, therefore, to meet the target of our com one programme for the future, as planned.

On the cost side, we will continue to pursue a disciplined approach, though without forfeiting opportunities for profitable growth as a result. In the future as well, we will make selective investments in implementing our new business model and, wherever necessary, carefully adjust our internal resources to our expanding operative business. The prime goal is to raise earnings per customer by systematically adding to our products and services for the modern investor and in particular by complementing online-centred business by financial advisory. This should lead to a further lowering of the cost/income ratio.

comdirect online

In the comdirect online business line, we mainly focus on three key goals. In Online Investment, we intend to expand our market share and for this purpose we are refining our professional trading products, on the one hand, and asset accumulation and old-age provision, on the other. The second goal is to establish our direct-banking services within our existing, attractive overall customer base. Third and last, we are seeking to gain new customers through selective campaigns.

comdirect offline

After its successful start, comdirect private finance AG will increase the number of its outlets, according to plan, to seven in the 2004 business year. In 2006, we plan to have 180 advisers active on behalf of the company in the major German conurbations. Even though competition is intensive in the area of financial advisory, we see excellent chances for independent, all-round and individual advisory – mainly within our existing customer structure. By means of selective campaigns, though, we also intend to gain new customers. Through creating a link with our IT infrastructure as well, we are using the synergy potential between online and offline business as far as possible.

One-to-one sales and marketing

Several initiatives planned by the bank in 2004 are designed to analyse the needs of customers and potential customers still more precisely and systematically in order to use this as a basis for developing even more individual products and services for the various target groups. In this connection, sales and marketing procedures will be developed further – in line with our claim to be the one-to-one bank for the modern investor. Feedback processes such as customer satisfaction polls and market-research studies will also play a major role.

Personnel

The development of a competence-based strategy for the development of our staff and executives will be one of the key aspects of personnel work in 2004. Here, programmes for improving qualifications have to be built up both across the various sections of the bank and on an individual basis. This includes the implementation of new management principles. The strengthening of our strategic core competencies sales, efficiency and flexibility will continue to play a significant role in the new business year as well.

Risk management

In addition to expansion in all business lines, we are devoting ourselves to further improving our risk/opportunity profile, among other things through even more efficient management of credit risk, as lending volumes increase. The system of risk management will be made even more sophisticated and differentiated – not least as regards the identification of the various classes of loss and frequency. Another focal point is the constant monitoring of quality standards and their maintenance in the sense of a sustained operative excellence.

Substantial events in the 2004 financial year

Subject to approval by the annual general meetings of the two companies concerned, comdirect bank AG and comdirect private finance AG signed a profit-and-loss transfer agreement at the start of the new financial year, effective as from 1 October, 2003. No further events and developments of special significance have occurred since the balance-sheet date.

Declaration of the Board of Managing Directors on Art. 312, German Stock Corporation Act (AktG)

Under the circumstances known to us at the date on which the company entered into transactions, comdirect bank AG received adequate consideration for each such transaction and suffered no disadvantage from measures either being undertaken or refrained from. The company neither undertook nor refrained from undertaking any measures which have to be reported.

Online banking? I am already doing that.

Current account? Got it.

VISA card? In my pocket.

Investments? Performing.

Until a week ago, I was on top of my financial affairs.

And who is helping me now?





We.

To also support our clients in – let's call them quite complex situations – we have founded comdirect private finance AG. Our experienced and extremely well trained advisers analyse the goals and options of our clients in private discussions, work out a comprehensive plan with a long range perspective that centres around financial provision, wealth growth and insurance – and implement it with the help of top products. Along the way, the most important virtues of comdirect become apparent: we are neutral with respect to the products and solely dedicated to the interest of the client.

This is our definition of one-to-one banking for the modern investor.

With the gradual built-up of Financial Advisory services in all agglomerations of Germany, we are tying our clients closer to comdirect, opening up new sources of revenue, sharpening our brand profile and becoming even more attractive for new clients.

Offices of comdirect private finance AG



As of: February 2004

Income statement

Income statement of comdirect bank group according to IFRS/IAS

€ thousand		1.1. to 31.12.		
		Notes	2003	2002
Interest income			84,889	99,220
Interest expenses			27,682	35,324
Net interest income before provisions	(22)		57,207	63,896
Provision for possible loan losses	(23)		35	-2,037
Net interest income after provisions			57,242	61,859
Commission income			96,686	79,024
Commission expenses			13,579	1,882
Net commission income	(24)		83,107	77,142
Trading profit/loss			0	-285
Income/loss from investments and securities portfolio	(25)		4,760	1,200
Administrative expenses	(26)		112,494	138,138
Other operating result	(27)		6,487	2,917
Profit from ordinary activities			39,102	4,695
Extraordinary result and restructuring costs			0	-23,295
Pre-tax profit/loss			39,102	-18,600
Taxes on income	(28)		15,741	-8,836
After-tax profit/loss			23,361	-9,764
Net profit/loss			23,361	-9,764
Transfer to reserves/transfer from reserves			-880	9,764
Consolidated profit			22,481	0

Earnings per share

Earnings per share		1.1. to 31.12.	
		2003	2002
Net profit/loss	€ thousand	23,361	-9,764
Average number of ordinary shares	Shares	140,500,729	140,500,000
Basic earnings per share	€	0.17	-0.07
Diluted earnings per share			
Net profit/loss	€ thousand	23,361	-9,764
Adjustment to the number of ordinary shares issued due to outstanding option rights	Shares	416,204	395,349
Weighted average shares outstanding (diluted)	Shares	140,916,933	140,895,349
Diluted earnings per share	€	0.17	-0.07

Balance sheet

Balance sheet of comdirect bank group according to IFRS/IAS

Assets			
€ thousand	Notes	as of 31.12.	
		2003	2002
Cash reserve	(29)	1,749	5,181
Claims on banks	(30)	1,310,434	1,294,419
Claims on customers	(31)	183,773	175,421
Provision for possible loan losses	(32)	-5,766	-6,355
Investments and securities portfolio	(33)	1,893,862	1,057,701
Intangible assets	(34)	11,905	14,094
Fixed assets	(35)	20,860	28,175
Tax assets	(37)	0	11,701
Other assets	(38)	9,313	8,936
Total assets		3,426,130	2,589,273

Liabilities and equity			
€ thousand	Notes	as of 31.12.	
		2003	2002
Liabilities to banks	(39)	0	14,913
Liabilities to customers	(40)	2,774,791	1,948,680
Provisions	(41)	18,556	21,108
Tax liabilities	(42)	7,370	0
Other liabilities		24,509	24,247
Subordinated capital	(43)	16,617	16,617
Equity		584,287	563,708
Subscribed capital		140,503	140,500
Capital reserve		367,240	367,221
Retained earnings			
Legal reserve		0	0
Other revenue reserves		55,359	55,658
Revaluation reserve		-1,296	329
Consolidated profit		22,481	0
Total liabilities and equity		3,426,130	2,589,273

Statement of changes in equity

€ thousand	Subscribed capital	Capital reserve	Retained earnings	Revaluation reserve	Consolidated profit/loss	Total 2003	Total 2002
Equity as of 1.1.	140,500	367,221	55,658	329	0	563,708	578,110
Issue of new shares	3	19	-	-	-	22	0
Changes in revaluation reserve pursuant to IAS 39	-	-	-	-1,625	-	-1,625	-754
Changes in the difference arising from currency translation	-	-	-1,179	-	-	-1,179	-1,635
Allocation to reserves/transfer from reserves	-	0	880	-	-	880	-12,013
Consolidated profit	-	-	-	-	22,481	22,481	0
Equity as of 31.12.	140,503	367,240	55,359	-1,296	22,481	584,287	563,708

No use was made of the authorisation of the annual general meeting on 7 May, 2003 to purchase own shares for the purpose of securities trading pursuant to Art. 71, (1), No. 7, German Stock Corporation Act (AktG) in financial year 2003.

No use was also made of the resolution of the annual general meeting on 7 May, 2003 for the authorisation to purchase own shares for other purposes than securities trading pursuant to Art. 71, (1), No. 8, AktG in financial year 2003.

Resulting from the exercise of option rights, a total of 3,350 new no-par-value bearer shares of comdirect bank AG were issued as part of our stock option programme. Each of these shares carries a proportion of the share capital in the sum of one euro. The relevant additional payment established in connection with the stock option programme was allocated to the capital reserve pursuant to Art. 270, German Commercial Code (HGB).

Cash flow statement

€ thousand	1.1. to 31.12.	
	2003	2002
Net profit/loss	23,361	-9,764
Non-solvent items and transfer to cash flow from operating activities contained in the result before profit transfer		
Depreciation charges, valuation allowances, additions to fixed assets and financial investments and change in provisions	13,952	-5,001
Loss/gain from the sale of financial investments and fixed assets	67	455
Other adjustments (on balance)	-48,240	-59,966
Sub-total	-10,860	-74,276
Change in assets and liabilities from operating activities after adjustment for non-solvent items		
Claims		
on banks	-16,147	392,538
on customers	-8,905	87,561
Securities	-846,101	-183,058
Other assets from operating activities	11,003	6,490
Liabilities		
to banks	-14,913	14,913
to customers	826,111	-340,647
Other liabilities and equity from operating activities	4,116	-22,537
Interest and dividends received	77,356	96,843
Interest paid	-27,682	-35,324
Income tax payments	-2,805	-112
Cash flow from operating activities	-8,827	-57,609
Changes in funds from investing activities (on balance)	6,552	1,043
Proceeds from capital increases	22	0
Cash flow from financing activities	22	0
Cash and cash equivalents as at the end of the previous period	5,181	72,005
Cash flow from operating activities	-8,827	-57,609
Cash flow from investing activities	6,552	1,043
Cash flow from financing activities	22	0
Effects from deconsolidation	0	-8,623
Effects of changes in exchange rates	-1,179	-1,635
Cash and cash equivalents as at the end of the period	1,749	5,181

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

Notes

Basis of accounting principles

The consolidated financial statements of comdirect bank as of 31 December, 2003 were prepared in accordance with the International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS), which were approved and published by the International Accounting Standards Board (IASB)/International Accounting Standards Committee (IASC), and interpreted by the International Financial Reporting Interpretations Committee (IFRIC)/Standing Interpretations Committee (SIC).

A summary of all the regulations that have been applied can be found on pages 51 et seq.

As a subsidiary of Commerzbank AG, Frankfurt am Main, we are exempted in accordance with Art. 291, German Commercial Code (HGB), from the duty to present sub-group financial statements. As we have not presented the main differences between financial statements prepared in accordance with IFRS/IAS and those prepared in accordance with the German Commercial Code, these consolidated financial statements do not conform to the 4th and 7th EC directives and do not, therefore, exempt us from presenting consolidated financial statements in accordance with Art. 292a, HGB. The consolidated financial statements have been prepared in order to satisfy the admission requirements/subsequent obligations (Prime Standard) of the Deutsche Börse AG for the sub-section of the regular market.

The consolidated financial statements also reflect the standards approved by the German Accounting Standards Board (GASB) and published by the German Federal Ministry of Justice pursuant to Art. 342, (2), HGB.

The comdirect sub-group is included in the consolidated financial statements of our parent company. The consolidated financial statements of Commerzbank as of 31 December, 2002 were deposited with the lower regional court (Amtsgericht) of Frankfurt am Main under the commercial register no. 32000 and published in the Federal Gazette, no. 132, pages 12,264 to 12,308 of 19 July, 2003.

We report on both the implementation of the German legislation for control and transparency in the corporate sector (KonTraG) and on the risks posed by future development, pursuant to Art. 315, (1), HGB in the risk report as part of the group management report.

In addition to the income statement and the balance sheet, the consolidated financial statements also include the statement of changes in equity, the cash flow statement and the notes. Segment reporting by both business lines and by geographic market appears as part of the notes, on pages 82-84 (notes no. 50-51).

Unless otherwise indicated, all the amounts are shown in thousands of euros.

Accounting and measurement methods

(1) Basic principles

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

The principle of profit or loss for the period is applied in our consolidated financial statements. 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.

As a matter of principle, accounting is at net book value, with the exception of financial instruments as defined by IAS 39, which are shown at their fair value. These financial instruments appear under the balance-sheet item investments and securities portfolio. All financial instruments are shown in the balance sheet according to the method "trade date accounting."

With the exception of comdirect private finance AG, all the companies included in the consolidation prepared their financial statements as of 31 December, 2003.

comdirect private finance AG prepared its financial statements for the short business year from 1 January, 2003 through 30 September, 2003. The company began operations on 1 October, 2003. We adjusted the financial statements for the short business year as of the reference date 31 December, 2003 pursuant to IAS 27.

(2) IAS, SIC and GASB rules applied

Within the comdirect group and within the Commerzbank group, to which it belongs, only those IFRSs/IASs and SICs are applied for accounting and measurement purposes, which had been approved and published by 31 December, 2003.

The consolidated financial statements are based on the IASB framework and the following IASs relevant for comdirect:

IAS 1	Presentation of financial statements
IAS 7	Cash flow statements
IAS 8	Net profit or loss for the period, fundamental errors and changes in accounting policies
IAS 10	Events after the balance-sheet date (uncertainties of success and events after the balance-sheet date)
IAS 12	Income taxes
IAS 14	Segment reporting
IAS 16	Property, plant and equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee benefits
IAS 21	The effects of changes in foreign exchange rates
IAS 22	Business combinations
IAS 24	Related party disclosures
IAS 27	Consolidated financial statements and accounting for investments in subsidiaries
IAS 30	Disclosures in the financial statements of banks and similar financial institutions
IAS 32	Financial instruments: disclosure and presentation
IAS 33	Earnings per share
IAS 35	Discontinued operations
IAS 36	Impairment of assets
IAS 37	Provisions, contingent liabilities and contingent assets
IAS 38	Intangible assets
IAS 39	Financial instruments: recognition and measurement

We did not apply IAS 2, 11, 15, 20, 23, 26, 28, 29, 31, 34, 40 and 41 since they are either not relevant for us or are not applicable in the consolidated financial statements.

In addition to the Standards listed, we have taken into consideration the following SIC interpretations relevant for us in our consolidated financial statements:

		relates to:
SIC-6	Costs of modifying existing software (framework)	IASB Framework
SIC-7	Introduction of the euro	IAS 21
SIC-12	Consolidation – special purpose entities	IAS 27
SIC-15	Operating leases – incentives	IAS 17
SIC-17	Equity costs of an equity transaction	IAS 32
SIC-18	Consistency - alternative methods	IAS 1

(3) Consolidated companies

Apart from the parent company, the consolidated companies consist of two subsidiaries, comdirect Ltd, London/United Kingdom and comdirect private finance AG, Quickborn, and one special fund, a special purpose entity (SPV) in accordance with SIC-12.

comdirect bank AG holds 100% of the shares of the subsidiaries and the special purpose entity.

A detailed presentation of the operative holdings appears on page 88.

(4) Principles of consolidation

The consolidation of the capital accounts is based on the book-value method, whereby the historical cost of the holding in the subsidiary is set off against the proportion of the subsidiary's equity as of the date of acquisition.

Intra-group expenses and income, as well as claims and liabilities, are eliminated as part of the consolidation.

Holdings in subsidiaries that are not included in the consolidation due to their minor importance are shown at historical cost in the investments and securities portfolio.

(5) Currency translation

The items from the income statement and also the assets and liabilities from the balance sheet which are denominated in foreign currencies are translated at the spot rates of the balance-sheet date.

Holdings in affiliated companies that are denominated in foreign currencies appear at historical cost.

comdirect nets translation gains and losses from the consolidation of the capital accounts against retained earnings.

The annual financial statement prepared by our subsidiary comdirect ltd in foreign currency is translated at the spot rates of the balance-sheet date. Any income and expenses resulting from this appear in the income statement.

The most important exchange rate for comdirect bank group is the British pound (GBP). The GBP exchange rate as of 31 December, 2003 was 0.7048 (previous year: 0.6500).

(6) Claims

All claims on banks and customers originated by comdirect bank group are shown at amortised costs without valuation allowances.

Claims not originated by comdirect – promissory notes – that are not held for trading purposes are included in the item investments and securities portfolio.

Valuation allowances to claims appear under provision for possible loan losses.

(7) Provision for possible loan losses

We fully provide for the particular credit risks associated with banking business by forming individual valuation allowances, country valuation allowances and global valuation allowances.

Valuation allowances were formed exclusively for claims on customers in the 2003 consolidated financial statements.

Throughout the group, the relevant individual valuation allowances have been formed on the scale of the potential default to cover credit-standing risks related to claims on customers.

In business year 2003, comdirect bank group has formed country valuation allowances for the first time. These are only applied to claims in which security is provided via securities involving an enhanced transfer risk (country risk). We have reviewed the respective claim after deduction of the security that we have issued – without taking into consideration the securities involving an enhanced transfer risk – and formed a corresponding country valuation allowance based on the existing risk volume.

We cover latent credit risks by means of global valuation allowances. Past loan losses serve as a yardstick for the scale on which such valuation allowances have to be formed.

The provision for possible loan losses is shown separately from claims.

Unrecoverable accounts are written down immediately. Amounts received on such claims appear in the income statement. Claims are deemed unrecoverable if income from them is unlikely to be received in the foreseeable future or if they have been waived either wholly or in part.

(8) Investments and securities portfolio

Under investments and securities portfolio, we show all the securities which we have assigned solely to the "available-for-sale" category.

In addition, in accordance with IAS 39, we include in investments and securities portfolio all the claims on customers not originated by comdirect bank, in particular promissory notes.

On the balance-sheet date, all bonds, other fixed-income securities, equities, and other variable-yield securities (investment fund shares) not held for trading purposes were assigned to the "available-for-sale" category.

All the securities of this category were measured at their fair value.

Gains or losses on remeasurement are recognised with an income-neutral effect in the form of a revaluation reserve as part of equity, taking into account deferred taxes. Realised gains and losses only affect the income statement when the holdings are sold or written-off.

The earnings resulting from the sale or maturity of financial instruments, which are attributable to the category "available-for-sale", amounted to €4,889 thousand at the end of business year 2003. Corresponding losses amounted to €315 thousand.

All the interest income generated by securities of the "available-for-sale" category is shown in the income statement under interest income.

This interest income amounts to €38,175 thousand as of the end of business year 2003.

(9) Intangible assets

Under intangible assets we exclusively include specialised software produced in-house. Purchased software is shown under fixed assets.

Software produced in-house is recognised if all the provisions of IAS 38 are met. Recognition is made at producer cost.

In principle, software produced in-house is amortised using the straight-line method and according to schedule against earnings over a period of five years.

In the course of the website relaunch, extraordinary write-down was effected in the business year to intangible assets in the amount of €324 thousand.

(10) Fixed assets

The item fixed assets shows land and buildings, the office furniture and equipment and purchased software.

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

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

All fixed assets are depreciated over a period of 3 to 14 years.

Gains and losses arising from the sale of fixed assets are shown in the income statement under other operating result.

In the course of the website relaunch, extraordinary depreciation was effected in the business year to fixed assets in the amount of €280 thousand.

(11) Other assets

Other assets principally consist of other assets on Commerzbank AG and deferred items.

(12) Liabilities

Liabilities are shown at the respective amounts to be repaid.

(13) Other liabilities

Other liabilities consist of liabilities to Commerzbank not arising from banking activities, trade liabilities, tax liabilities not related to earnings and accruals.

(14) Provisions for pensions and similar commitments

For the Board of Managing Directors provision for old age is made both directly and through contributions to Versicherungsverein des Bankgewerbes a. G. (BVV), Berlin.

The members of the Board of Managing Directors earn a right to a pension for their work as member of the Board of Managing Directors at comdirect bank AG.

The commitments are based on the years of service, the pensionable salary and the current scales for employer subsidies.

In accordance with IAS 19, the projected unit-credit method was used to calculate pension commitments.

Commitments are calculated on the basis of actuarial surveys. The calculation also takes into account the rates of increase for salaries and pensions that can be expected in the future.

If actuarial commitments prove to be higher or lower, these are recognised under personnel costs.

Payment of the contributions to BVV are recognised as personnel costs for the current period.

The commitments similar to those for pensions include deferred compensations, by which a specific group of employees gives up a portion of its gross salary for old-age pension benefits later on.

comdirect bank AG insured by means of a contractual trust agreement old-age pension commitments which are not covered against insolvency by Pensions-Sicherungs-Verein (PSV) in business year 2003.

In this connection, the trustee required for a bilateral trust was established by Commerzbank AG in the form of the Commerzbank Pension-Trust e. V. in business year 2002.

In business year 2003, comdirect bank AG made the first allocation to the trust's assets in the amount of €168 thousand.

In accordance with IAS 19, this pledged asset in the current value to be agreed upon is set off against the allocations to the pension provisions.

(15) Other provisions

Other provisions were formed on the scale deemed necessary for liabilities of uncertain amount towards third parties and for anticipated losses related to immatured contracts.

(16) Income taxes

Current tax assets and liabilities are calculated by applying the valid tax rates at which a refund from or a payment to, the relevant fiscal authorities is expected.

Deferred taxes were formed in accordance with IAS 12. Temporary differences are the result of the discrepancy between assigned values in accordance with IFRS/IAS and the respective tax rate that was applied. These temporary differences are measured using the German income-tax rates, which can be expected to apply for the period in which they are realised.

Deferred taxes on as yet unused losses carried forward are shown in the balance sheet if taxable profits are likely to occur at the same tax unit.

Deferred 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 they are set off against the relevant equity items with no effect on the income statement.

Deferred tax assets and liabilities are netted against one another, as they exist towards the same tax authority.

Claims on tax authorities are shown under tax assets in the balance sheet.

Other taxes not related to income appear under other operating result in the income statement.

In business year 2003, turnover tax unity was maintained only with Commerzbank AG, Frankfurt am Main.

A breakdown of this item into current and deferred taxes can be found in these notes on page 65, note 28.

(17) Conditional and authorised capital

Through the resolution adopted on 10 April, 2000, and its entry into the commercial register on 19 April, 2000, authorised capital of €60,000 thousand was created. The authorisation for the capital increase expires on 31 Mai, 2005.

In addition, since the resolution adopted on 11 May, 2000, and entered into the commercial register on 31 May, 2000, conditional capital of up to €3,600 thousand was created in order to service up to 3,600,000 subscription rights as part of the bank's stock option programme (conditional capital I).

As of 31 December, 2003, conditional capital I amounts to €3,596,650 due to the issue of 3,350 new bearer shares of comdirect bank AG.

Through the resolution adopted on 7 May, 2003, and its entry into the commercial register on 17 July, 2003, an additional conditional capital of €30,000 thousand was created (conditional capital II).

The conditional capital II will only be effected to the extent that the holders of any bonds with warrants and/or convertible bonds may exercise their option or conversion rights.

The Board of Managing Directors is authorised to issue, with the approval of the Supervisory Board, bearer shares of bonds with warrants and/or convertible bonds as mentioned above in either one or several tranches, by a maximum amount of €300,000. The term of these bonds is limited to a maximum of 20 years. This authorisation is limited until 6 May, 2008.

(18) Appropriation of profits

Basis for the appropriation of profits is the national legislation, especially the German Commercial Code and the Stock Corporation Act.

For business year 2003, comdirect bank AG reported a distributable profit according to federal legislation in the amount of €22,480,536.00.

The Board of Managing Directors and the Supervisory Board will propose to the annual general meeting a dividend payment in the amount of €0.16 per no-par-value bearer share.

The consolidated profit of comdirect bank group based on the applied IFRS/IAS also amounts to €22,481 thousand for business year 2003.

(19) Earnings per share

Earnings per share are calculated in accordance with IAS 33 and based on the net profit for the year. Both the earnings per share and the diluted earnings per share are shown below the income statement.

In working out the earnings per share, we have set off the net profit for the year against the average number of shares in the financial year.

The diluting effects result from a stock option programme launched in July 2000 with a maximum of 3,600,000 subscription rights, of which approximately 2.4 million option rights had been issued in four tranches per 31 December, 2003.

In calculating the diluted results, we also set off the two subsets of rights under the stock option programme with their conditions against well-founded estimated values for them and took account of the residual amount.

Each no-par-value bearer share carries a proportion of the share capital in the sum of one euro.

(20) Stock option programme

Under the stock option programme as approved by the annual general meeting resolution of 11 May, 2000, up to 3,600,000 subscription rights may be issued.

Eligible participants are members of the Board of Managing Directors of comdirect bank AG, members of the executive bodies of affiliated companies, as well as executives and selected members of staff of comdirect bank AG and affiliated companies.

The Board of Managing Directors of comdirect bank AG individually selects the eligible participants. Where members of the Board of Managing Directors are concerned, the Supervisory Board of the company makes the decision.

The subscription rights may be granted at any time, but only until 1 July, 2005.

A total of 2,408,810 subscription rights in four tranches were issued through 31 December, 2003. Of these subscription rights issued, a total of 521,057 have expired.

The subscription rights are equally divided into two subsets, which are different with regard to the exercise hurdles and the exercise price. Half of the subscription rights are thus always granted as subset A, and the other half always as subset B.

Eligible participants receive the right to purchase one no-par-value bearer share of comdirect bank AG, which carries a proportion of the share capital in the sum of one euro, per subscription right under the stipulated conditions.

Subscription rights may only be exercised if stipulated targets are attained.

The following applies for subset A: The comdirect bank share outperforms the Prime Financial Services Price Index (previously NEMAX 50 Price Index) by more than five percentage points.

The following applies for subset B: The absolute rise in the price of the comdirect bank share for subscription rights granted in 2000 is at least 25% compared to the issuing price and for subscription rights granted beginning in 2001 or later a rise of at least 20% compared to an average price determined prior to the time that they were granted.

The price that an eligible participant has to pay to comdirect bank AG when exercising a subscription right corresponds to:

- for subset A:

the daily rate at the time of exercise minus 1% for every full percentage point by outperformance of the index of over five percentage points, but at least 90% from the daily rate for options granted between 2000 and 2002 or 70% from the daily rate for options granted in 2003

- for subset B:

the daily rate at the time of exercise minus 1% for every full percentage point by which an absolute rise in the price of comdirect bank share developed better, but at least 50%, of the daily rate.

3,350 subscription rights were exercised in business year 2003. All subscription rights were apportionable to subset A. For these exercised subscription rights, the same number of no-par-value bearer shares of comdirect bank AG were issued.

As a result, the share capital of comdirect bank AG was increased by €3,350.00 and the relevant payment established in connection with the stock option programme was allocated to the capital reserve pursuant to Art. 270, HGB. The amount of the payment in business year 2003 totalled €19,151.00.

(21) Relations with affiliated companies

comdirect bank AG uses services provided by Commerzbank AG through a general agreement concluded in December 1999 (and effective as from 1 January, 1999), as well as services agreed separately on this basis.

The general agreement had a fixed term of five years until 31 December, 2003. It is automatically extended for a further period of three years, unless one of the parties to the agreement gives notice at least 18 months before the agreement expires.

On the basis of the general agreement, the following services were agreed upon and were used during the 2003 business year:

- Trading Services
- Processing Services
- Printing services
- Payments and cash dispenser service
- IT services
- Other services

On 8 February, 2000, comdirect concluded another general agreement with Commerzbank, in which Commerzbank undertook to provide internal auditing services on the basis of a plan to be agreed separately. The agreement was concluded for an indefinite period and since 31 December, 2002, may be terminated giving six months' notice before the end of the calendar year.

Outside of the general agreement, a separate agreement was concluded with Commerzbank on 7 September, 2000, covering the usage of the electronic security trading system "Warrant Trading System (WTS)." The agreement was concluded for an indefinite period and can be terminated at any time without giving notice.

Within the general agreement, a new service agreement "Determination of Risk Ratios" was concluded on 7 January, 2003. As part of this service agreement, Commerzbank furnishes the daily determination of risk ratios based on data provided by comdirect bank AG.

comdirect bank AG is party to an agreement of Commerzbank with Brown Brothers Harriman, enabling comdirect to trade on US stock exchanges.

On 22 March, 2000, comdirect concluded an agreement with Commerzbank concerning support for comdirect after its IPO. 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 public annual general meeting of shareholders.

On 29 May, 2000, comdirect bank AG concluded an agreement with Commerzbank concerning the cash receiving office and depository services for the shares of comdirect bank AG.

comdirect currently offers its customers approximately 4,600 funds from more than 80 investment companies, including investment companies of the Commerzbank group. In the 2003 business year, comdirect received commissions on portfolio holdings and sales at prevailing market rates from the investment companies of the Commerzbank group.

On 12 November, 2003, an agreement was concluded between Commerz Service Gesellschaft für Kundenbetreuung mbh (CSG), a 100% subsidiary of Commerzbank, and comdirect bank AG. In this agreement, both parties mutually agree to exchange services with regard to the areas of customer service, technical hotline and employee delegations.

In addition, comdirect bank AG unilaterally makes available to CSG personnel, technical and organisational resources. This provision of services was put into writing with a service agreement signed on 25 March, 2003.

Commerzbank and CSG received compensation in line with market rates for the goods and services they provided for comdirect.

When forming comdirect Ltd, London/United Kingdom, in 1999, comdirect bank AG pledged to ensure compliance with the specific equity capital requirements of that country.

No new equity was injected to comdirect Ltd in business year 2003.

comdirect Ltd concluded an agreement with Lloyds TSB Bank plc., London, regarding the provision of services in securities dealings. In this context, comdirect bank AG has written a guarantee bond vis-à-vis Lloyds TSB Bank plc., submitted with a maximum amount of GBP3m, which can be drawn upon by written request. Vis-à-vis the additional guarantor, Commerzbank AG, London Branch, comdirect submitted a letter of indemnity in the case a claim is made on the guarantee bond written by Commerzbank AG. Both agreements were concluded on 1 October, 2002.

Commerzbank AG, London Branch, is co-signatory of a leasing agreement between comdirect Ltd and Woodchester Investment Limited/Woodchester Lease Management Services Limited. Accordingly, it is jointly liable together with comdirect Ltd for all tenant's duties. On account of a "counter-indemnity," comdirect bank AG is contractually bound to keep Commerzbank AG free from all obligations resulting from this agreement.

In business year 2003, comdirect bank AG acquired 100% of an inventory company that was renamed to comdirect private finance AG with its registration on 15 September, 2003.

comdirect private finance AG received equity of €4,950 thousand from comdirect bank AG in business year 2003.

As part of setting up the company, comdirect bank AG supported comdirect private finance AG. So far as services from third parties were used for the activities listed, comdirect was reimbursed for any payments made in this regard.

As security for the offices leased by comdirect private finance AG, comdirect bank AG submitted leasing guarantees for each office. The volume as of 31 December, 2003, amounted to a total of €81 thousand. The guarantees were allotted at prevailing market conditions.

To safeguard against repayment claims of insurance companies in the case of the cancellation of an agreement, comdirect bank AG submitted comfort letters for comdirect private finance AG. As a rule, the comfort letter is the prerequisite for a full repayment of the acquisition commissions and lean settlement processes.

comdirect bank AG and comdirect private finance AG concluded a profit and loss transfer agreement on 26 January, 2004 subject to the approval of the annual general meetings of both companies. The profit and loss transfer agreement is to correspond with the business year of comdirect private finance AG and will be valid retroactively as of 1 October, 2003.

With an agreement dated 9 January, 2003, comdirect bank AG acquired a holding in WST-Broker GmbH, Frankfurt am Main. WST-Broker GmbH routes customer's orders to execution on the exchanges with face to face trading on behalf of comdirect bank AG.

Notes to the income statement

(22) Net interest income

€ thousand	2003	2002	Change in %
Interest and dividends from shares and other variable-yield securities held in the "available-for-sale" portfolio	344	1,004	-65.7
Interest income from fixed-income securities held in the "available-for-sale" portfolio and from government-inscribed debt	37,831	35,615	6.2
Other interest income including discount surplus	46,714	62,601	-25.4
Interest income	84,889	99,220	-14.4
Interest on profit-sharing certificates outstanding and subordinated liabilities	1,494	840	77.9
Other interest expenses	26,188	34,484	-24.1
Interest expenses	27,682	35,324	-21.6
Total	57,207	63,896	-10.5

(23) Provision for possible loan losses

The provisions of the comdirect bank group break down as follows:

€ thousand	2003	2002	Change in %
Allocations to provisions	-2,762	-3,485	-20.7
Write-back of provisions	2,904	1,556	86.6
Direct write-downs	-122	-118	3.4
Income received on written-down claims	15	10	50.0
Total	35	-2,037	-101.7

(24) Net commission income

€ thousand	2003	2002	Change in %
Securities transactions	81,339	75,659	7.5
Payment transactions	1,640	1,406	16.6
Other commissions	128	77	66.2
Total	83,107	77,142	7.7

(25) Income/loss from investments and securities portfolio

Under the net result on investments and securities portfolio, the disposal proceeds and the gains and losses on "available-for-sale" securities, claims not originated by the bank, investments, investments in associated companies and holdings in subsidiaries which have not been consolidated are shown.

€ thousand	2003	2002	Change in %
Result on "available-for-sale" securities portfolio	4,574	1,200	281.2
Result on disposals and measurements of investments, investments in associated companies and holdings in subsidiaries	186	0	-
Total	4,760	1,200	296.7

All the investments, investments in associated companies and holdings in subsidiaries which have not been consolidated were subjected to an impairment test as of 31 December, 2003. Overall no relevant adjustments occurred.

(26) Administrative expenses

The comdirect bank group's administrative expenses consist of personnel costs, other administrative expenses, and depreciation on office furniture and equipment, and also on other intangible assets.

Personnel costs			
€ thousand	2003	2002	Change in %
Wages and salaries	26,273	32,263	-18.6
Compulsory social-security contributions	4,113	5,555	-26.0
Expenses for pensions and other employee benefits	1,287	903	42.5
Total	31,673	38,721	-18.2

Breakdown of expenses for pensions and other employee benefits			
€ thousand	2003	2002	Change in %
Costs of company pension scheme	1,280	900	42.2
Contributions to Versicherungsverein des Bankengewerbes a. G. (BVV)	7	3	133.3
Total	1,287	903	42.5

Other administrative expenses

€ thousand	2003	2002	Change in %
Marketing costs	12,364	14,530	-14.9
Communication costs	4,042	10,792	-62.5
Consulting costs	9,396	8,956	4.9
External services	17,942	23,477	-23.6
Sundry operating expenses	20,553	18,402	11.7
Total	64,297	76,157	-15.6

The expenses for operating lease contracts are considered as rental expenses and included in the sundry operating expenses.

Depreciation of office furniture and equipment and intangible assets

€ thousand	2003	2002	Change in %
Office furniture and equipment	10,989	14,742	-25.5
Intangible assets	5,535	8,518	-35.0
Total	16,524	23,260	-29.0

(27) Other operating result

The other operating result primarily comprises income from recoverable input taxes and income from the writing-back of provisions.

€ thousand	2003	2002	Change in %
Other operating expenses	1,702	1,529	11.3
Payments to settle customers' complaints/provisions for process risks in Online Investment	795	462	72.1
Losses on the disposal of property, plant and equipment	67	455	-85.3
Sundry expense items	840	612	37.3
Other operating income	8,189	4,446	84.2
Income from recoverable input taxes	1,061	1,361	-22.0
Income from the writing-back of provisions and accruals	4,257	1,228	246.7
Gains on the disposal of non-current assets	225	498	-54.8
Income from service level agreements	1,327	0	-
Sundry expense items	1,319	1,359	-2.9
Total	6,487	2,917	122.4

(28) Taxes on income

€ thousand	2003	2002	Change in %
Current taxes on income	8,846	102	8,572.5
Deferred taxes	6,895	-8,938	-177.1
Total	15,741	-8,836	-278.1

Taxes on income include deferred tax expenses of €6,566 thousand from the writing-back of capitalised advantages deriving from loss carry-forwards, which were used in business year 2003.

Transitional presentation of taxes on income

€ thousand	2003
Profit from ordinary activities	39,102
multiplied by the German income-tax rate of 37.08%	
= Calculated income-tax paid in business year	14,499
- Effects to differing tax rates	356
+ Non-deductible expenses with regard to the sale of holdings	352
+ Non-application of tax losses carried forward	1,599
- Other effects	353
Total	15,741

The income-tax rate selected as a basis for the transitional presentation is made up of the corporate income-tax rate of 26.5% introduced in Germany for 2003, plus the solidarity surcharge of 5.5%, and a rate of 14.5% for trade earnings tax. With the deductibility of trade earnings tax taken into consideration, the German income-tax rate is roughly 37.08%.

Notes to the balance sheet

(29) Cash reserve

Cash reserve includes the following items:

€ thousand	31.12.2003	31.12.2002	Change in %
Cash on hand	139	123	13.0
Balances held at central banks	1,610	5,058	-68.2
Total	1,749	5,181	-66.2

The minimum reserve requirement to be met at the end of December 2003 totalled €52,389 thousand (2002: €38,257 thousand).

(30) Claims on banks

€ thousand	Total			Due on demand		Other claims	
	31.12.2003	31.12.2002	Change in %	31.12.2003	31.12.2002	31.12.2003	31.12.2002
German banks	1,159,686	1,192,167	-2.7	560,349	657,867	599,337	534,300
Foreign banks	150,748	102,252	-	150,748	95,746	0	6,506
Total	1,310,434	1,294,419	1.2	711,097	753,613	599,337	540,806

Claims on banks include foreign-currency amounts equal to €150,056 thousand (2002: €95,746 thousand).

Claims on banks primarily consist of overnight money and fixed-term deposits (€1,269,398 thousand/2002: €1,293,095 thousand, incl. occurred interest).

(31) Claims on customers

€ thousand	Total			Due on demand		Other claims	
	31.12.2003	31.12.2002	Change in %	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Claims on domestic customers	179,339	172,644	3.9	177,941	172,644	1,398	0
Private customers	179,339	172,644	3.9	177,941	172,644	1,398	0
Claims on foreign customers	4,434	2,777	59.7	4,434	2,777	0	0
Private customers	4,434	2,777	59.7	4,434	2,777	0	0
Total	183,773	175,421	4.8	182,375	175,421	1,398	0

All claims on private customers are deemed to be due on demand. Claims on customers include €164,427 thousand (2002: €163,185 thousand) from loans to finance purchases of securities. These claims are loans secured by securities. In view of the concentration of credit risks, we point out that the original loan business is carried out with private customers only. Claims on customers include foreign-currency amounts equal to €440 thousand (2002: €196 thousand).

(32) Provision for possible loan losses

€ thousand	Individual		Country		Global		Total		Change in %
	valuation allowances		valuation allowances		valuation allowances				
	31.12.2003	31.12.2002	31.12.2003	31.12.2002	31.12.2003	31.12.2002	31.12.2003	31.12.2002	
Balance as of 1 January	-6,306	-4,905	0	0	-49	-31	-6,355	-4,936	-28.7
Allocations	-1,744	-3,467	-254	0	-764	-18	-2,762	-3,485	20.7
Deductions	3,351	2,066	0	0	0	0	3,351	2,066	-62.2
of which utilised	447	510	0	0	0	0	447	510	12.4
of which reversals	2,904	1,556	0	0	0	0	2,904	1,556	-86.6
Provision for possible loan losses as of 31 December	-4,699	-6,306	-254	0	-813	-49	-5,766	-6,355	9.3

The adjusted value of non-interest bearing and non-productive claims amounts to €3,808 thousand (2002: €4,339 thousand).

comdirect bank group made a direct write-down of €122 thousand (2002: €118 thousand) and recorded receipts on written-down claims in an amount of €15 thousand (2002: €10 thousand).

The total balance of risk provisions for credit default risks breaks down as:

€ thousand	31.12.2003	31.12.2002
German borrowers	-4,674	-6,236
Foreign borrowers	-25	-70
Total	-4,699	-6,306

(33) Investments and securities portfolio

The item investments and securities portfolio consists of all bonds, notes and other fixed-income securities, shares and other variable-yield securities not held for trading purposes, as well as investments, holdings in subsidiaries not included in the consolidation and claims not originated by the bank – promissory notes.

The financial instruments shown in the investments and securities portfolio are allocated to the category “available-for-sale” and, with the exception of investments and holdings in subsidiaries not included in the consolidation, are valued at market prices.

€ thousand	31.12.2003	31.12.2002	Change in %
Bonds, notes and other fixed-income securities of the “available-for-sale” portfolio	1,816,568	1,012,377	79.4
Money-market instruments	452,437	0	-
issued by public-sector borrowers	0	0	-
issued by other borrowers	452,437	0	-
Bonds and notes	1,364,131	1,012,377	34.7
issued by public-sector borrowers	27,693	24,031	15.2
issued by other borrowers	1,336,438	988,346	35.2
Shares and other variable-yield securities of the portfolio “available-for-sale”	14,668	31,658	-53.7
Investments	0	866	-100.0
Holdings in subsidiaries	27	12,800	-99.8
Claims on customers not originated by the company – promissory notes –	62,599	0	-
Total	1,893,862	1,057,701	79.1

As part of the securities lending business, financial instruments with a total market value of €13,954 thousand were lent as of the balance-sheet date on 31 December, 2003.

In January 2003, comdirect bank AG invested in WST-Broker GmbH, Frankfurt am Main, in the sum of €27 thousand. This company is to be excluded from the consolidation pursuant to IAS 27 since control does not exist.

On 29 August, 2003, Nasdaq Germany suspended trading. The investment in Nasdaq Germany in the amount of €866 thousand was therefore written down at a pro-memoria figure. In this context, comdirect bank AG transferred its holdings in the amount of 7.5% to Bremer Wertpapierbörse Holding AG (BWB) on 11 August, 2003.

The annual general meeting of comdirect bank S.p.A. i.L. declared the winding up of the business as completed on 22 May, 2003. The remaining assets of the company ascertained as part of the final balance of the liquidation was paid out to comdirect as the sole shareholder of comdirect bank S.p.A. i.L. in December 2003, after withdrawal from the Italian commercial register.

(34) Intangible assets

€ thousand	31.12.2003	31.12.2002	Change in %
Other intangible assets	11,905	14,094	-15.5

Changes in intangible assets are shown in the schedule of assets (note 36).

(35) Fixed assets

€ thousand	31.12.2003	31.12.2002	Change in %
Land and buildings	3,309	3,309	0.0
Office and furniture equipment	17,551	24,866	-29.4
Total	20,860	28,175	-26.0

Changes in fixed assets are shown in the schedule of assets (note 36).

(36) Schedule of assets

€ thousand	Land and buildings	Office furniture and equipment	
		Software	Other
Book value as of 1 January, 2003	3,309	3,548	21,318
Costs of acquisition/manufacture as of 1 January, 2003	3,309	15,154	58,262
Additions 2003	0	492	3,281
Disposals 2003	0	-71	-1,020
Costs of acquisition/manufacture as of 31 December, 2003	3,309	15,575	60,523
Cumulative write-downs as of 1 January, 2003	0	11,606	36,944
Additions 2003	0	1,852	9,137
Disposals 2003	0	-37	-955
Cumulative write-downs as of 31 December, 2003	0	13,421	45,126
Book value as of 31 December, 2003	3,309	2,154	15,397

€ thousand	Intangible assets	Investments	Holdings in subsidiaries
Costs of acquisition/manufacture as of 1 January, 2003	39,795	11,366	12,800
Additions 2003	3,346	0	27
Disposals 2003	0	-866	-12,800
Costs of acquisition/manufacture as of 31 December, 2003	43,141	10,500	27
Cumulative write-downs as of 1 January, 2003	25,701	10,500	0
Additions 2003	5,535	866	0
Disposals 2003	0	-866	0
Cumulative write-downs as of 31 December, 2002	31,236	10,500	0
Book value as of 31 December, 2003	11,905	0	27

Additions to write-downs in business year 2003 relate to extraordinary write-downs of €604 thousand, that were made as part of the website relaunch. These are included in office furniture and equipment and intangible assets of the group.

(37) Tax assets

Tax assets break down as follows:

€ thousand	31.12.2003	31.12.2002	Change in %
Claims on the tax authorities from income taxes	0	8,512	-100.0
Deferred tax claims	0	3,189	-100.0
Total	0	11,701	-100.0

Deferred tax claims and liabilities are netted out, since they are both due to the same tax authority. As a result, we show deferred tax claims in business year 2003 (see also note 42).

Deferred tax claims were created in connection with the following balance-sheet items:

€ thousand	31.12.2003	31.12.2002
Provision for possible loan losses	0	1
Investments and securities portfolio	0	-2,361
Intangible assets	0	-4,796
Fixed assets	0	162
Provisions	0	3,617
Equity	0	6,566
Total	0	3,189

The domestic income-tax rate used to compute deferred taxes is composed of the applicable tax rates effective in Germany for corporate income tax (25.0%), which is valid again beginning in 2004, plus the solidarity surcharge (5.5%) and the trade tax (12.7%) taken together. This yields a domestic income-tax rate of 35.7%.

(38) Other assets

€ thousand	31.12.2003	31.12.2002	Change in %
Deferred items	2,790	3,111	-10.3
Sundry assets	6,523	5,825	12.0
Total	9,313	8,936	4.2

Other assets break down as follows:

€ thousand	31.12.2003	31.12.2002
Claims on group companies	882	4,709
Claims on affiliated companies	14	9
Other	5,627	1,107
Total	6,523	5,825

(39) Liabilities to banks

€ thousand	Total			Due on demand		Other liabilities	
	31.12.2003	31.12.2002	Change in %	31.12.2003	31.12.2002	31.12.2003	31.12.2002
German banks	0	1,926	-100.0	0	1,926	0	0
Foreign banks	0	12,987	-100.0	0	12,987	0	0
Total	0	14,913	-100.0	0	14,913	0	0

(40) Liabilities to customers

€ thousand	Total			Due on demand		With agreed maturity or withdrawal period	
	31.12.2003	31.12.2002	Change in %	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Liabilities to domestic private customers	2,577,648	1,822,191	41.5	1,600,471	1,749,450	977,177	72,741
Liabilities to foreign private customers	197,143	126,489	55.9	182,773	123,982	14,370	2,507
Total	2,774,791	1,948,680	42.4	1,783,244	1,873,432	991,547	75,248

Foreign-currency amounts equal to €143,237 thousand (2002: €85,067 thousand).

Through the German banks' depositor protection fund of the German banking association Bundesverband deutscher Banken e. V., Cologne, each customer of comdirect bank AG is insured for deposits of up to €163 million. In addition, comdirect bank AG is a member of Entschädigungseinrichtung deutscher Banken GmbH.

(41) Provisions

€ thousand	31.12.2003	31.12.2002	Change in %
Provisions for pensions and similar commitments	3,520	2,470	42.5
Other provisions	15,036	18,638	-19.3
Total	18,556	21,108	-12.1

The changes in provisions for pensions were as follows:

€ thousand	as of 1.1.2003	Utilised/ change	Depreciation	Allocation	as of 31.12.2003
Pension expectations of active employees	2,470	0	0	1,050	3,520

The allocations to pension provisions in 2003 break down as follows:

Service cost:	€983 thousand
Interest cost:	€162 thousand
Cost arising from changes in actuarial assumptions:	€74 thousand
Assets to be offset:	-€169 thousand

In business year 2003, comdirect bank AG made the first allocation to the assets of Commerzbank Pension-Trust e.V. In accordance with IAS 19, we set off these assets in the current values to be agreed upon against the allocations to the pension provisions.

Actuarial gains and losses are amortised over three years (2003: €74 thousand).

Parameters	31.12.2003	31.12.2002	31.12.2001
Calculatory interest rate	5.50%	5.75%	5.75%
Changes in salaries	3.25%	2.75%	3.00%
Changes in pensions	1.25%	1.50%	1.50%

Changes in other provisions:

€ thousand	as of 1.1.2003	Utilised/ change	Depreciation	Allocation	as of 31.12.2003
Provisions for staff	2,753	2,699	24	3,123	3,153
Provisions for anniversary bonuses	40	0	0	5	45
Provisions for non-income-related taxes	542	0	0	18	560
Provisions for contingent losses	8,162	1,678	1,920	3,641	8,205
Provisions for restructuring	6,455	6,081	0	1,124	1,498
Other provisions	686	362	245	1,496	1,575
Total	18,638	10,820	2,189	9,407	15,036

Provisions for staff mainly relate to provisions for bonuses. The provisions for staff will probably be used in the 2004 financial year.

Changes in provisions for contingent losses break down as follows:

€ thousand	as of 1.1.2003	Utilised/ change	Depreciation	Allocation	as of 31.12.2003
Implementation of the com one programme for the future	6,318	1,346	1,911	0	3,061
Products & Advertising	0	0	0	3,641	3,641
Restructuring	1,507	4	0	0	1,503
Other	337	328	9	0	0
Provisions for contingent losses	8,162	1,678	1,920	3,641	8,205

The scale of the contingent losses for the implementation of the com one programme for the future and for products & advertising were measured on the basis of the information about expected expenses that was available when the financial statements were prepared.

(42) Tax liabilities

Tax liabilities are comprised as follows:

€ thousand	31.12.2003	31.12.2002	Change in %
Current tax liabilities	6,005	0	-
Provisions for income taxes	6,005	0	-
Deferred tax liabilities	1,365	0	-
Total	7,370	0	-

Deferred tax claims and liabilities are netted out, since they are both due to the same tax authority. As a result, we show deferred tax claims in business year 2003 compared to business year 2002 (see also note 37).

Deferred tax liabilities were created in connection with the following balance-sheet items:

€ thousand	31.12.2003	31.12.2002
Provision for possible loan losses	-7	0
Investments and securities portfolio	1,312	0
Intangible assets	4,304	0
Fixed assets	-260	0
Provisions	-2,951	0
Equity	-1,033	0
Total	1,365	0

The domestic income-tax rate used to compute deferred taxes is composed of the applicable tax rates effective in Germany for corporate income tax (25.0%), which is valid again beginning in 2004, plus the solidarity surcharge (5.5%) and the trade tax (12.7%) taken together. This yields a domestic income-tax rate of 35.7%.

(43) Subordinated capital

€ thousand	31.12.2003	31.12.2002	Change in %
Subordinated liabilities	6,391	6,391	0.0
of which: maturing within two years	6,391	0	-
Profit-sharing certificates outstanding	10,226	10,226	0.0
of which: maturing within two years	10,226	0	-
Total	16,617	16,617	0.0

Subordinated liabilities meet the requirements of supplementary capital as defined by Art. 10, (5a) of the German Banking Act (KWG). The claims of creditors to repayment of these liabilities are subordinated to those of other creditors.

As end-2003, we held the following subordinated liabilities:

Start of maturity	Amount € thousand	Interest rate per 31.12.2003	Maturity date	Issuer
1996	6,391	3.66%	2006	Commerzbank AG

The interest rate on subordinated liabilities was fixed for the first three years of the term to maturity. Currently, the interest rate is adjusted annually for a one-year interest-rate period.

During the business year, comdirect bank AG incurred interest expenses on subordinated liabilities of €234 thousand (2002: €227 thousand).

The subordinated liability in the amount of €6,391 thousand was cancelled by mutual agreement in accordance with the agreement to revoke a debt dated 17 December, 2003 on the expiration of 31 December, 2003. After expiration of 31 December, 2003, the subordinated liability was reduced. With a letter dated 8 December, 2003, the Bundesanstalt für Finanzdienstleistungsaufsicht, the German financial authority, approved this reduction pursuant to Art. 10 (5a), sentence 5, KWG.

As of the end of business year 2003, we held the following profit-sharing certificates:

Start of maturity	Amount € thousand	Interest rate per 31.12.2003	Maturity date	Issuer
1998	10,226	6.00%	2006	Commerzbank AG

During the business year, comdirect bank AG incurred interest expenses on profit-sharing certificates of €1,260 thousand (2002: €613 thousand).

Interest from profit-sharing certificates outstanding is paid only insofar as such payments do not lead to an accounting loss. In the case of such a situation, interest payments are to be made in the following business years. The claims of the holders of the profit-sharing certificates are subordinated to the claims of other creditors.

The profit-sharing certificate in the amount of €10,226 thousand was cancelled by mutual agreement in accordance with the agreement to revoke a debt dated 15 December, 2003 on the expiration of 31 December, 2003. After adoption of the financial statements showing a distributable profit, the profit-sharing certificate will be reduced. With a letter dated 2 December, 2003, the Bundesanstalt für Finanzdienstleistungsaufsicht, the German financial authority, approved this reduction pursuant to Art. 10 (5), sentence 4, KWG.

(44) Maturities, by remaining lifetime

€ thousand	Total	Remaining lifetimes as of 31.12.2003				
		Due on demand and unlimited in time	Up to three months	Three months to one year	One to five years	More than five years
Claims on banks	1,310,434	711,097	354,337	185,000	60,000	0
Claims on customers	183,773	182,375	1,398	0	0	0
Bonds, notes and other fixed-income securities of the "available-for-sale" portfolio	1,816,568	0	51,261	537,197	1,132,062	96,048
Claims on customers not originated by the bank – promissory notes –	62,599	2,113	0	0	60,486	0
Total	3,373,374	895,585	406,996	722,197	1,252,548	96,048
Liabilities to banks	0	0	0	0	0	0
Liabilities to customers	2,774,791	1,783,244	751,053	237,852	2,642	0
Subordinated capital	16,617	0	16,617	0	0	0
Total	2,791,408	1,783,244	767,670	237,852	2,642	0

€ thousand	Total	Remaining lifetimes as of 31.12.2002				
		Due on demand and unlimited in time	Up to three months	Three months to one year	One to five years	More than five years
Claims on banks	1,294,419	753,613	207,147	211,220	122,439	0
Claims on customers	175,421	175,421	0	0	0	0
Bonds and notes held in the "available-for-sale" portfolio	1,012,377	0	127,563	188,317	584,148	112,349
Total	2,482,217	929,034	334,710	399,537	706,587	112,349
Liabilities to banks	14,913	14,913	0	0	0	0
Liabilities to customers	1,948,680	1,873,432	35,857	36,503	2,888	0
Subordinated capital	16,617	0	0	0	16,617	0
Total	1,980,210	1,888,345	35,857	36,503	19,505	0

Time remaining to maturity is considered as the period between the balance-sheet date and the contractual maturity of the claim or the obligation.

(45) Claims on/liabilities to affiliated companies

€ thousand	31.12.2003	31.12.2002	Change in %
Claims on banks	338,495	341,463	-0.9
Liabilities to banks	0	14,913	-100.0
Subordinated capital	16,617	16,617	0.0
Total	355,112	372,993	-4.8

(46) Interest-rate risks

	Interest assets		Interest liabilities		Interest gap	Interest differential
	€ million	interest in %	€ million	interest in %	€ million	% points
Up to one year	2,196	2.72	2,728	1.66	-532	1.06
One to five years	906	3.58	485	3.33	421	0.25
More than five years	59	4.17	0	0.00	59	4.17
	GBP million	interest in %	GBP million	interest in %	GBP million	% points
Up to one year	4	3.65	0	0.00	4	3.65

(47) Number of employees at the end of the reporting period

	31.12.2003			31.12.2002			Change (Total) in %
	Total	Female	Male	Total	Female	Male	
Employees at the end of the reporting period	589	276	313	922	450	472	-36
In Germany	512	254	258	859	431	428	-40
Abroad	77	22	55	63	19	44	22
At comdirect bank AG	503	253	250	859	431	428	-41
of which:							
in the call centre	184	101	83	366	184	182	-50
in the back office	133	93	40	225	154	71	-41
in other areas	186	59	127	268	93	175	-31

The details listed above with regard to our employees include both full-time and part-time personnel.

**(48) Income statement of comdirect bank group according to IFRS/IAS
on a year-to-year comparison**

€ thousand	01.01. to 31.12.2003	01.01. to 31.12.2002	01.01. to 31.12.2001	01.01. to 31.12.2000
Interest income	84,889	99,220	138,621	121,046
Interest expenses	27,682	35,324	64,538	63,329
Net interest income before provisions	57,207	63,896	74,083	57,717
Provision for possible loan losses	35	-2,037	-2,074	-1,966
Net interest income after provisions	57,242	61,859	72,009	55,751
Commission income	96,686	79,024	96,957	192,656
Commission expenses	13,579	1,882	3,939	1,793
Net commission income	83,107	77,142	93,018	190,863
Trading profit/loss	0	-285	-29	-133
Income/loss from investments and securities portfolio	4,760	1,200	344	0
Administrative expenses	112,494	138,138	224,317	220,951
Personnel costs	31,673	38,721	51,432	43,513
Other administrative expenses	64,297	76,157	144,179	159,162
Marketing costs	12,364	14,530	55,356	59,148
Communication costs	4,042	10,792	16,552	19,929
Consulting costs	9,396	8,956	12,510	22,105
External services	17,942	23,477	28,992	38,675
Sundry operating expenses	20,553	18,402	30,769	19,305
Depreciation on office furniture and equipment and intangible assets	16,524	23,260	28,706	18,276
Other operating result	6,487	2,917	6,659	35
Profit from ordinary activities	39,102	4,695	-52,316	25,565
Extraordinary result and restructuring costs	0	-23,295	-98,264	0
Pre-tax profit/loss	39,102	-18,600	-150,580	25,565
Taxes on income	15,741	-8,836	10,077	23,371
After-tax profit/loss	23,361	-9,764	-160,657	2,194
Profit/loss attributable to minority interests	0	0	0	484
Net profit/loss	23,361	-9,764	-160,657	2,678

**(49) Income statement of comdirect bank group according to IFRS/IAS
on a quarterly comparison**

€ thousand	2003			
	Q1	Q2	Q3	Q4
Interest income	20,854	19,566	18,883	25,586
Interest expenses	5,484	3,925	4,071	14,202
Net interest income before provisions	15,370	15,641	14,812	11,384
Provision for possible loan losses	-370	-247	0	652
Net interest income after provisions	15,000	15,394	14,812	12,036
Commission income	18,720	24,208	28,085	25,673
Commission expenses	2,793	3,207	3,817	3,762
Net commission income	15,927	21,001	24,268	21,911
Trading profit/loss	0	0	0	0
Income/loss from investments and securities portfolio	775	2,224	492	1,269
Administrative expenses	27,961	28,351	24,689	31,493
Personnel costs	8,101	7,934	6,808	8,830
Other administrative expenses	16,126	16,434	13,667	18,070
Marketing costs	3,031	2,439	2,661	4,233
Communication costs	1,697	858	778	709
Consulting costs	2,038	1,972	880	4,506
External services	4,832	4,420	3,820	4,870
Sundry operating expenses	4,528	6,745	5,528	3,752
Depreciation on office furniture and equipment and intangible assets	3,734	3,983	4,214	4,593
Other operating result	957	98	1,938	3,494
Profit from ordinary activities	4,698	10,366	16,821	7,217
Extraordinary result and restructuring costs	0	0	0	0
Pre-tax profit/loss	4,698	10,366	16,821	7,217
Taxes on income	2,275	4,164	6,093	3,209
After-tax profit/loss	2,423	6,202	10,728	4,008
Net profit/loss	2,423	6,202	10,728	4,008

€ thousand	2002			
	Q1	Q2	Q3	Q4
Interest income	25,110	25,592	24,821	23,697
Interest expenses	8,457	8,916	9,698	8,253
Net interest income before provisions	16,653	16,676	15,123	15,444
Provision for possible loan losses	-130	-37	-296	-1,574
Net interest income after provisions	16,523	16,639	14,827	13,870
Commission income	22,592	17,964	19,621	18,847
Commission expenses	648	62	557	615
Net commission income	21,944	17,902	19,064	18,232
Trading profit/loss	-169	-116	0	0
Income/loss from investments and securities portfolio	318	530	308	44
Administrative expenses	38,911	33,459	33,201	32,567
Personnel costs	11,249	9,533	10,343	7,596
Other administrative expenses	22,129	18,025	17,102	18,901
Marketing costs	3,868	3,319	3,475	3,868
Communication costs	3,603	2,385	1,968	2,836
Consulting costs	1,984	2,130	3,226	1,616
External services	6,233	6,030	5,244	5,970
Sundry operating expenses	6,441	4,161	3,189	4,611
Depreciation on office furniture and equipment and intangible assets	5,533	5,901	5,756	6,070
Other operating result	593	742	812	770
Profit from ordinary activities	298	2,238	1,810	349
Extraordinary result and restructuring costs	0	0	-31,967	8,672
Pre-tax profit/loss	298	2,238	-30,157	9,021
Taxes on income	2,118	134	-9,910	-1,178
After-tax profit/loss	-1,820	2,104	-20,247	10,199
Net profit/loss	-1,820	2,104	-20,247	10,199

(50) Segment reporting by business lines

€ thousand	1.1. to 31.12.2003			comdirect bank group total
	comdirect online	comdirect offline	Group management/ consolidation/ others	
Net interest income before provisions	57,184	23	0	57,207
Provision for possible loan losses	35	0	0	35
Net interest income after provisions	57,219	23	0	57,242
Net commission income	83,094	13	0	83,107
Trading profit/loss	0	0	0	0
Income/loss from investments and securities portfolio	4,760	0	0	4,760
Administrative expenses	109,044	4,209	-759	112,494
Other operating result	7,217	29	-759	6,487
Profit/loss from ordinary activities	43,246	-4,144	0	39,102
Extraordinary result and restructuring costs	0	0	0	0
Pre-tax profit/loss	43,246	-4,144	0	39,102
Taxes on income	14,828	-1,033	1,946	15,741
After-tax profit/loss	28,418	-3,111	-1,946	23,361
Net profit/loss	28,418	-3,111	-1,946	23,361
Acquisition costs of segment assets	6,385	734		7,119
Depreciation on segment assets	16,507	17		16,524
Cost/income ratio	71.6%	6,475.4%		74.2%
Segment income	195,252	89	-782	194,559
Segment expenses	152,006	4,233	-782	155,457
Segment assets	3,383,978	1,839	-1,765	3,384,052
Segment debt	2,776,556	0	-1,765	2,774,791

Allocation to the segments is based on the business lines of the comdirect bank group. Determination of the business lines was carried out in compliance with IAS 14 and its principles of materiality. A comparative presentation is not available for the primary reporting since comdirect private finance AG did not begin operations until 1 October, 2003.

(51) Segment reporting by geographical markets

€ thousand	1.1. to 31.12.2003			
	comdirect Germany	comdirect Europe without Germany	Group management/ consolidation/ others	comdirect bank group total
Net interest income before provisions	54,157	3,050	0	57,207
Provision for possible loan losses	35	0	0	35
Net interest income after provisions	54,192	3,050	0	57,242
Net commission income	76,764	6,343	0	83,107
Trading profit/loss	0	0	0	0
Income/loss from investments and securities portfolio	4,760	0	0	4,760
Administrative expenses	98,620	13,874	0	112,494
Other operating result	6,487	0	0	6,487
Profit/loss from ordinary activities	43,583	-4,481	0	39,102
Extraordinary result and restructuring costs	0	0	0	0
Pre-tax profit/loss	43,583	-4,481	0	39,102
Taxes on income	15,741	0	0	15,741
After-tax profit/loss	27,842	-4,481	0	23,361
Net profit/loss	27,842	-4,481	0	23,361
Acquisition costs of segment assets	7,119	0		7,119
Depreciation on segment assets	14,411	2,113		16,524
Cost/income ratio	69.4%	147.7%		74.2%
Segment income	183,742	10,817		194,559
Segment expenses	140,159	15,298		155,457
Segment assets	3,233,552	150,500		3,384,052
Segment debt	2,631,559	143,232		2,774,791

Segment reporting by geographical markets

€ thousand	1.1. to 31.12.2002			
	comdirect Germany	comdirect Europe without Germany	Group management/ consolidation/ others	comdirect bank group total
Net interest income before provisions	63,639	1,760	-1,503	63,896
Provision for possible loan losses	-2,037	0	0	-2,037
Net interest income after provisions	61,602	1,760	-1,503	61,859
Net commission income	73,828	3,314	0	77,142
Trading profit/loss	-285	0	0	-285
Income/loss from investments and securities portfolio	1,200	0	0	1,200
Administrative expenses	122,128	16,010	0	138,138
Other operating result	2,949	-32	0	2,917
Profit/loss from ordinary activities	17,166	-10,968	-1,503	4,695
Extraordinary result and restructuring costs	-48,830	0	25,535	-23,295
Pre-tax profit/loss	-31,664	-10,968	24,032	-18,600
Taxes on income	-8,836	0	0	-8,836
After-tax profit/loss	-22,828	-10,968	24,032	-9,764
Net profit/loss	-22,828	-10,968	24,032	-9,764
Acquisition costs of segment assets	7,313	1,789	0	9,102
Depreciation on segment assets	20,991	2,269	0	23,260
Cost/income ratio	87.2%	317.5%	-	96.2%
Segment income	177,972	5,936	-1,503	182,405
Segment expenses	162,006	16,904	0	178,910
Segment assets	2,430,426	95,941	0	2,526,367
Segment debt	1,878,527	85,066	0	1,963,593

(52) Other liabilities

Rental and leasing agreements concluded by comdirect bank group will lead to expenses of €5,553 thousand during 2004 business year, €3,242 thousand for each of the years 2005 to 2008, and €2,037 thousand as of the year 2009.

(53) Off-balance-sheet commitments

€ thousand	31.12.2003	31.12.2002	Change in %
Contingent liabilities			
from guarantees and indemnity agreements			
Leasing guarantees	81	0	-

(54) Letter of comfort

On the part of comdirect bank AG, letters of comfort were submitted for comdirect private finance AG, a fully-owned subsidiary of comdirect bank AG, vis-à-vis insurance companies with which comdirect private finance AG has concluded product delivery agreements.

comdirect bank AG therein obliges itself to the benefit of comdirect private finance AG that the company, as subsidiary of comdirect bank AG, will be managed and financially endowed and will remain endowed in such a manner that at all times it is able to meet in a timely manner its possible obligations of repayment of commissions and fees resulting from the brokerage of insurance business stemming from the commission and fee agreements with the insurance companies.

This letter of comfort is in effect until a profit and loss transfer agreement is concluded between comdirect bank AG and comdirect private finance AG. It is valid at most until 31 December, 2005.

These letters of comfort are subject to the laws of the Federal Republic of Germany. Place of jurisdiction is Hamburg, Federal Republic of Germany.

comdirect private finance AG started operating activities on October 1, 2003. As a consequence, the principle of materiality was applied in this case.

No additional letters of comfort were submitted for comdirect private finance AG or for other subsidiaries consolidated in the financial statements and special purpose vehicles.

(55) Corporate Governance Code

comdirect bank AG submitted the Declaration of Compliance pursuant to Art. 161 of the German Stock Corporation Act (AktG) and has made it permanently available to the shareholders at the website www.comdirect.de.

(56) The company's boards

Supervisory Board

Martin Blessing

Frankfurt am Main

Chairman of the Supervisory Board

Member of the Board of Managing Directors

of Commerzbank AG,

Frankfurt am Main

Klaus Müller-Gebel

Frankfurt am Main

Deputy Chairman of the Supervisory Board

Member of the Supervisory Board

of Commerzbank AG,

Frankfurt am Main

Rainer Beaujean

Darmstadt

Member of the Board of Managing Directors

of T-Online International AG,

Darmstadt

Angelika Kierstein

Quickborn

Chairman of Staff Council

of comdirect bank AG

Commercial employee

Dr. Eric Strutz

Frankfurt am Main

CFO of Commerzbank AG,

Frankfurt am Main

(Appointment to member of the Board of

Managing Directors of Commerzbank AG

as of 1 April, 2004)

Maria Xiromeriti

Quickborn

Deputy Chairman of Staff Council

of comdirect bank AG

Commercial employee

Board of Managing Directors

Dr. Achim Kassow, CEO

Dr. Andre Carls

Hans-Joachim Nitschke (until 6 November, 2003)

(57) Remuneration and loans to board members

The following remuneration was paid to members of the Board of Managing Directors and members of the Supervisory Board:

€ thousand	31.12.2003	31.12.2002	Change in %
Board of Managing Directors	1,559	961	62
of which: non-variable	1,188	700	70
of which: variable	371	261	42
Supervisory Board	23	23	0
of which: non-variable	23	23	0
of which: variable	0	0	-
Former members of the Board of Managing Directors	615	200	208

Neither advance payments nor loans were extended. comdirect did not take on any contingent liabilities.

Components with long-term incentive effect

Details on the value of the subscription rights from the stock option programme granted to members of the Board of Managing Directors:

	Number	Value per option €	31.12.2003 Total value € thousand
Tranche 1, subset A	0	0.59	0
Tranche 1, subset B	0	0.00	0
Tranche 2, subset A	6,750	0.73	5
Tranche 2, subset B	6,750	0.00	0
Tranche 3, subset A	32,500	0.73	24
Tranche 3, subset B	32,500	3.66	119
Tranche 4, subset A	45,000	0.00	0
Tranche 4, subset B	45,000	0.00	0
Total tranches	168,500		148

As of the balance-sheet date, no exercise window existed for any of the tranches.

To determine a value as per the balance-sheet date of the subscription rights from the stock option programme, we met the following assumptions:

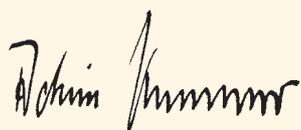
- 1.) The exercise price of the option is the XETRA closing price of the comdirect bank share on 30 December, 2003 of €7.33
- 2.) The final quotation of the Prime Financial Services Price Index is 285.22.

Holdings

Name	Domicile	Share of capital held in %		Equity in thousand
comdirect ltd	London/United Kingdom	100.0	GBP	9,857
comdirect nominee ltd	London/United Kingdom	100.0	GBP	(1.00)
comdirect private finance AG	Quickborn/Germany	100.0	EUR	5,000
WST-Broker GmbH	Frankfurt am Main/Germany	54.0	EUR	50

Quickborn, 16 February, 2004

The Board of Managing Directors



Dr. Achim Kassow



Dr. Andre Carls

Auditor's Certificate

We have audited the consolidated financial statements, voluntarily prepared by comdirect bank Aktiengesellschaft, consisting of the balance sheet, the income statement and the statements of changes in equity and the cash flow statement as well as the notes to the financial statements and the group management report for the financial year 1 January, 2003 to 31 December, 2003. The preparation of the consolidated financial statements and the group management report are the responsibility of the company's legal representatives. Our responsibility is to express an opinion, based on our audit, whether the consolidated financial statements are in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW) as well as in accordance with the International Standards on Auditing (ISA). These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the consolidated financial statements dated 31 December, 2003 give a true and fair view of the net assets, financial situation, results of operations and cash flows for the financial year in accordance with IFRS/IAS.

Our audit, which also extended to the group management report prepared by the Board of Managing Directors for the financial year from 1 January, 2003 to 31 December, 2003, has not led to any reservations. In our opinion, on the whole the group management report provides a suitable understanding of the group's position and suitably presents the risks of future development.

Hamburg, 18 February, 2004

BDO Deutsche Warentreuhand Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Rohardt
German public accountant

Dr. Zemke
German public accountant

Report of the Supervisory Board

Cooperation between the Board of Managing Directors and the Supervisory Board

During the past year, the central tasks of the management of comdirect bank AG consisted of the further operational stabilisation of the business model to guarantee a sustainable base profitability even in times of difficult markets as well as measures directed at the strategic broadening and reduction of dependence on the capital markets. The Supervisory Board lent support to the Board of Managing Directors in a constructive and critical manner and worked closely together with them. While advising and supervising the conduct of the affairs of management, the Supervisory Board carried out its comprehensive duties under the law as well as comdirect bank's statutes and the newly revised Corporate Governance Code of comdirect bank AG dated 12 March, 2003. The Supervisory Board was immediately involved in all decisions of vital importance.

The Board of Managing Directors provided the Supervisory Board with regular written and oral reports on the situation and development of comdirect bank AG and its subsidiaries. The Supervisory Board received full and timely reports on all major business transactions, fundamental issues of business policy, management and corporate planning.

Moreover, the chairman of the Supervisory Board was given detailed information on all important 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 regular contact with the CEO and conferred with him on the strategy, business development and risk management of the comdirect bank group. He received all minutes of the meetings of the Board of Managing Directors and arranged for important matters to be taken up in the Supervisory Board committees.

Main focus in 2003

The Supervisory Board met at five regularly convened meetings in the 2003 financial year. The annual accounts were approved at the meeting on 12 March, 2003. This was preceded by two meetings on 7 May, 2003 of comdirect bank AG before and – as constituent session – after the annual general meeting. Additional meetings were held on 11 August, 2003 and 6 November, 2003.

The following matters were the objects of especially intense discussions

- Implementation of cost-cutting measures and measures aimed at increasing efficiency as part of the com one programme for the future
- Organisation of the new field of competence Financial Advisory
- Business development of comdirect ltd
- Divestiture of comdirect bank AG's shareholdings in Nasdaq Deutschland AG

Whenever necessary under the law or the bank's statutes, the Supervisory Board approved

the transactions submitted to it. It also fulfilled its duties through the Presiding Committee which was formed from the midst of the Supervisory Board, and which was convened for a meeting on 6 November, 2003. The Audit Committee of the Supervisory Board, which was newly formed pursuant to the recommendations of the Corporate Governance Code, concerned itself with the preliminary examination of the financial statements and dependency report as well as the independence of the commissioned balance-sheet auditor and group auditor on 12 March. The bylaws of the Audit Committee were passed by the Supervisory Board.

Conflicts of interest among Supervisory Board members as defined by section 5.5 of the Corporate Governance Code did not occur during the financial year. The Supervisory Board commissioned the auditors elected by the annual general meeting on 7 May, 2003, BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, to conduct the audit.

Corporate Governance

Due to the revision of the German Corporate Governance Code in November 2002, the company-specific Code of comdirect bank AG was amended in March 2003, and a new Declaration of Compliance was issued. We complied with the Government Code in financial year 2003. To this end, the required deductible was agreed upon for taking out a D&O (directors and officers' liability insurance) policy for the members of the Board of Managing Directors and the Supervisory Board pursuant to section 3.8. Furthermore, full compliancy with the Code required that amendments be made to the Articles of Association by the annual general meeting on 7 May, 2003.

Approval of the financial statements and dependency report

The financial statements of comdirect bank AG (according to HGB and IFRS/IAS), the management report of comdirect bank AG (according to HGB) and the consolidated financial statements and the combined management report (according to IFRS/IAS), including their underlying books of account for the 2003 financial year, have been examined by the auditors and carry their unqualified certification. The data for the financial statements and the auditor's reports were made available to the members of the Supervisory Board in good time. In addition, the members of the Audit Committee received all notes to the auditor's reports. The auditors who signed the financial statements took part in today's meeting of the Audit Committee and the subsequent meeting of the Supervisory Board dealing with the approval of the annual accounts. They reported on the major findings of the audit and answered questions. The result of the audit was discussed in detail with the Audit Committee and thoroughly deliberated. Thereupon, the Audit Committee proposed to the Supervisory Board the approval of the financial statements. The Supervisory Board has acknowledged the results of the audit. Within the scope of the legal provisions, it has examined the financial statements, the combined management report, the consolidated financial statements and the proposal of the Board of Managing Directors for appropriation of the net income and afterwards has found no cause for objections. At today's meeting, the Supervisory Board approved the financial statements and the consolidated financial statements presented by the Board of Managing Directors. Accordingly, the financial statements are to be regarded as adopted. The Supervisory Board endorses the proposal for appropriation of the net income available.

Furthermore, the report of the Board of Managing Directors on the bank's relations with affiliated companies was also submitted to the Supervisory Board, together with the related auditor's report. The Supervisory Board examined the report of the Board of Managing Directors. It concurs with its findings and also with those of the auditor's examination.

After completing the examination, the auditors raised no objections to the report of the Board of Managing Directors and gave it the following unqualified certification:

"After conducting our audit in accordance with professional standards, we confirm that

1. the actual details of the report are accurate,
2. the fees paid by the company for the transactions detailed in the report were not disproportionately high."

After completing the examination, the Supervisory Board finds no cause for objection to the concluding statement by the Board of Managing Directors concerning relations with affiliated companies.

As part of this audit, the auditors also had to evaluate whether the management had implemented a surveillance system and had fulfilled the legal requirements concerning the early detection of risks that are likely to threaten the existence of the company. The auditor has confirmed that the risks as described in the management report are presented accurately and that the measures taken by the management according to Art. 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 group.

Changes in personnel in the Board of Managing Directors

Hans-Joachim Nitschke resigned from the Board of Managing Directors as of 6 November, 2003. The Supervisory Board expresses its gratitude to Mr. Nitschke's for his continuous and long-standing commitment to the Commerzbank group and above all for his exceptional performance in establishing comdirect bank as the leading provider of online investment services in Germany.

The Supervisory Board wishes to thank the members of the Board of Managing Directors and all the employees of comdirect bank for their strong commitment and their excellent performance. Moreover, we thank the employee's representatives for the committed and constructive cooperation in the interest of our company.

Frankfurt, 4 March, 2004

The Supervisory Board



Martin Blessing,
Chairman

Glossary

Accelerated bookbuilding method

Accelerated bid process for the secondary placement of shares on the stock exchange. As a rule, depending on the volume and receptiveness of investors, only a few hours to a maximum of several days lie between announcement of the subscription period and allocation to investors.

Accruals

Sub-category of financial obligations. They differentiate themselves from provisions through a considerably higher degree of reliability with regard to the amount or the time of the obligation of performance.

Balanced scorecard

Comprehensive system of key figures that can help to monitor the realisation of strategies at an operational level. The strategic goals are viewed from four perspectives: learning and growth, internal processes, customers and finances.

Bearer shares

No-par share that is not issued in a specific name (in contrast to registered shares). Change of ownership takes place by simple delivery. The share represents a fractional amount of the share capital.

Benchmark

A value that can be used as a yardstick for the comparison of output or performance. Accordingly, share price indices are used as a benchmark for the performance of a share.

Best-in-class tools

Website functions that offer the best performance within a product range of a relevant peer group with regard to defined and measurable criteria such as access time or user-friendliness.

BIS

Bank for International Settlements headquartered in Basel, Switzerland. BIS is an international organisation that promotes international co-operation in the monetary and financial area and serves as a bank for central banks.

Bond with warrant

Bond issued by a corporation that contains warrants. These give the holder of the option the right to purchase shares in the company during a certain period at a predetermined price.

Book value method

Method of capital consolidation in which the acquisition cost of a holding in a subsidiary is set off against the equity ratio at the time of the acquisition.

Break even

At the break-even point, revenues exactly equal costs. A company is making a profit if it exceeds this point.

Certificate

Derivative that has a performance which is dependent on the price development of other securities and financial products – in particular indices (index certificates) or specifically constructed equity baskets (basket certificates).

Change management

The deliberate guiding and steering of processes of change, which are usually extensive, within a company.

Conditional capital

Capital increase of a stock corporation that is only utilised to the extent required for the servicing of conversion or subscription rights.

Convertible bond

Interest paying obligation of a publicly listed company, which during a preset period can be exchanged into a predetermined amount of shares of the company.

Cost/income ratio

Yardstick for cost-efficiency: ratio between administrative expenses and earnings incurred in the business year.

Cross-selling potential

Business volumes that can be achieved from existing customers through products or services that are not yet used by this customer group.

Customer front-end

Interface through which the customer can access the offerings of a company and can use its → IT infrastructure.

Deferred taxes

Income taxes that are to be paid or received in the future, which result from different valuation bases between the tax balance and the trade balance. They don't yet constitute actual claims or liabilities vis-à-vis tax offices at the time that the balance sheet is prepared.

Deposit volume

The total volume of a customer's balance in current, call money and fixed-term deposit accounts.

Downgrading

Downgrading of → rating of a company or a security issued by the company through a rating agency or a bank.

Equity ratio according to BIS

According to the definition of the Bank for International Settlements (→ BIS), the equity ratio describes the ratio of equity to the risk-weighted assets. Equity is therefore comprised of the core capital (subscribed capital plus reserves and minority interests, minus business value or goodwill), as well as supplementary capital (participatory capital and long-term subordinated capital) and third-party funds (short-term subordinated capital).

Fair value

Amount at which assets and liabilities are usually traded between business partners. In most cases, the fair value is identical with the market price.

Feedback process

In a feedback process, it is systematically ascertained how certain target groups – in particular customers – view the range of services and the service quality of a company, as well as special products or measure. The measurement of customer satisfaction is the basis for further improvement measures.

Fixed-term deposit (time deposit) volume

Sum of the short and medium-term balance that is invested for a certain period of time by customers of a bank. Fixed-term deposits pay a higher interest rate than sight balances, for example. Our fixed-term deposit volume includes: customer investments in the products ZinsPLUS and Fest&Fonds, as well as in Feldgeldkonto and Laufzeitkonto.

Flat fee

Flat fee for orders, regardless of the size of the transaction.

Free float

Freely tradable shares of a company. Shareholdings of more than 5% of all shares issued are no longer counted as part of the free float.

HGB

German Commercial Code (Handelsgesetzbuch)

IAS/IFRS

International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), respectively, are international accounting rules. Their application facilitates the international comparison of consolidated financial statements.

Impairment test

Periodic comparison of an asset's book value with its fair value.

Investment grade

In contrast to speculative grade, this refers to fixed-interest securities such as corporate bonds, for example, whose credit quality is rated with at least Baa3 (Moody's) or BBB- (Standard & Poor's).

IT infrastructure

Describes the information technology as a whole utilised by a company with regard to software, hardware and network.

Leasing guarantee

Bill guarantee

Letter of comfort

Obligation of the parent company of a group in relation to third parties – particularly providers of capital and business partners – to meet the liabilities of a subsidiary.

LiveTrading

OTC securities trading of comdirect. The customer's order is not turned over to the stock market but directly to the selected issuer who set the price or to the market maker.

Multi-tier server structure

Distribution of software components among several computers. The data are located on a central network computer (backend server) and the presentation software is on the connected workstations (clients). In between, several intermediate servers are located on which the application software is found.

No fee campaign

Campaigns for a limited time, during which securities may be purchased without a fee, such as → certificates, for example. The fee is assumed by the product provider.

Open-ended property funds

An open real estate fund contains at least ten real estate projects. In these projects, holders of the certificates become immediate and joint owners. Unlike closed funds, the investment company can issue new certificates or take back issued units depending on demand.

Operative cash flow

As cash flow from operating activities, payments (inflow and outflow) are shown from claims on banks and customers as well as securities from trading volume and other assets. Also part of operative cash flow are additions and deductions from liabilities to banks and customers and from guaranteed liabilities and other liabilities. Interest and dividend payments resulting from operating activities are also part of the operative cash flow.

Operative turnaround

Exceeding the → break-even point with an operating result.

Pfandbrief

Fixed-income security that is issued by private mortgage banks and public sector credit institutes. A Pfandbrief is backed by mortgages or land charges.

Portfolio volume

Total number of securities held by a customer multiplied by their respective market value on a fixed day.

Profit and loss transfer agreement

An agreement which obliges a subsidiary to transfer the profit of a given business year to the parent company and, vice versa, obliges the parent company to cover for any annual losses of the subsidiary.

Push procedure

Describes a stock market information system with automatically updated quotes.

Rating

Assessment of the credit worthiness of a company by specialised rating agencies or banks (internal rating). The rating method uses standardised criteria to assess the ability of a company to earn future cash flows for interest payments and debt amortisation.

Real time quotes

Securities price that is published at the moment of the trade; that is, without a time delay.

Relaunch

Comprehensive reworking of the functionality and/or the design of a website or publication.

Residual amount

Difference between values. As an example net wealth is the residual value after subtracting liabilities from assets.

Retail banking

Offering of financial services to private customers.

Retail trades

Orders for securities transactions placed by private customers.

Return on equity

Ratio of profit from ordinary activities to equity capital.

Rolling discount

Discount certificates that are to be renewed monthly and that are tied to a current index value (e.g., DAX).

Scoring model

Qualitative assessment of operative risks with the help of control points, which refer to different dimensions.

Session

Time span during which online investment transactions are conducted.

Session time

Time after which the session of a user is automatically terminated if no activity is recorded.

Single login procedure

Method that allows access to all online functionalities to the → user after one login.

Spot market

The spot market of Deutsche Börse includes the XETRA trading platform and trading floor of Frankfurter Wertpapierbörse. The trading volumes of other German securities markets are also shown in the spot market statistic of Deutsche Börse.

Stock option programme

Issue of non-transferrable subscription rights to selected employees, especially members of Management and executives, that entitle the purchase of the same number of shares of the company within a specified exercise period after fixed performance goals (exercise hurdles) have been reached. The computational formula is also part of the exercise conditions to be previously adopted.

Tool for technical analysis

Information tool that allows for the technical analysis of securities.

Trade

Order executed in the area of online investing.

Treasury

Central function for the controlling of liquidity and market price risks. Classical functions are liquidity management, refinancing as well as the conduct of foreign exchange, money market, precious metals and currency transactions.

Turbo futures

Leveraged certificates that replicate the purchase of securities on credit. An obligation to pay in additional funds is ruled out by means of a knock-out barrier.

User

Consumer of an internet offering.

Warrant

The holder of a warrant has the right, but not the obligation, to buy (call option) or to sell (put option) a predetermined number of shares or other securities at a predetermined price.

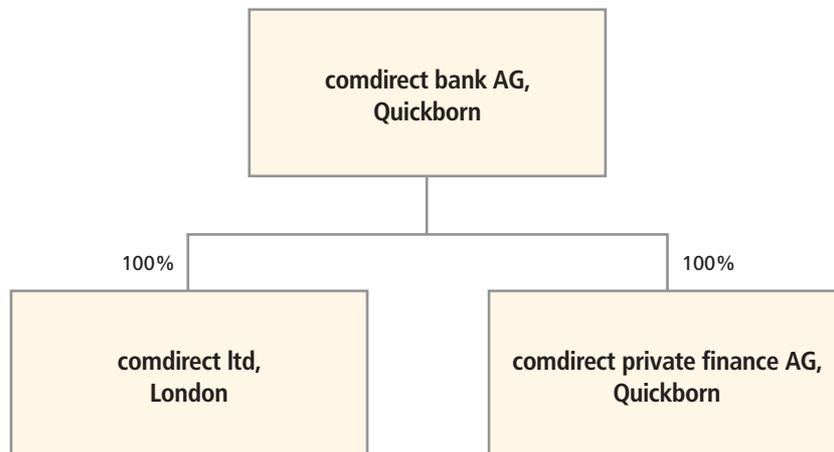
Worst case limit

Critical value of a risk parameter within a worst-case scenario.

Worst case scenario

Scenario in planning that uses unfavourable assumptions.

Structure of the comdirect bank group



Financial Calendar 2004

19 January, 2004	German Corporate Conference in Kronberg/Ts.
12 February, 2004	Press/Analysts' conference in Frankfurt/Main
12 March, 2004	Annual Report 2003
29 March, 2004	German Corporate Conference in Frankfurt/Main
22 April, 2004	Quarterly Report 2004
28 April, 2004	Annual General Meeting in Hamburg
21 July, 2004	Half-year Report 2004
21 October, 2004	Nine-month Report 2004

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Concept and layout

ergo Unternehmenskommunikation, Cologne/Frankfurt am Main

Our annual report is available in German and English.

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

