AKTIEN. ONLINE. HANDELN.

Prospectus

for the admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard)

of

27,223,137 fully paid-up, no-par value ordinary registered shares (*Stückaktien*)

each with a calculated notional amount of EUR 1.00 per share and with full dividend rights for the financial year ending 31 December 2020, and for all subsequent financial years

of

flatex AG

a stock corporation (Aktiengesellschaft) incorporated under the laws of Germany

ISIN: DE000FTG1111

WKN: FTG111

Ticker Symbol: FTK

Financial Adviser

JEFFERIES

Listing Agent

BankM

Prospectus dated 25 September 2020

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I. PROSPECTUS SUMMARY

A. Introduction and Warnings

This prospectus (the "**Prospectus**") relates to no-par value ordinary registered shares (*auf den Namen lautende Stückaktien*) of flatex AG (the "**Company**" or the "**Issuer**" and, together with its consolidated subsidiaries, "**flatex Group**", the "**Group**", "**flatex**" or "**we**", "**us**" or "**our**"), Rotfeder-Ring 7, 60327 Frankfurt am Main, Federal Republic of Germany ("**Germany**"), telephone +49-69-450001-0, homepage: www.flatex.com, legal entity identifier ("**LEI**") 529900IRBZTADXJB6757, each such share having the International Securities Identification Number ("**ISIN**") DE000FTG1111 (each share of the Company, a "**Share**").

The Shares of the Company will be admitted to, and listed on, the regulated market of the Frankfurt Stock Exchange with the assistance of BankM AG, Mainzer Landstraße 61, 60329 Frankfurt am Main, Germany (homepage: www.BankM.de), LEI 5299001H21LR9DLCC127 (the "**Listing Agent**").

Jefferies GmbH, Bockenheimer Landstraße 24, 60323 Frankfurt am Main, Germany (homepage: www.jefferies.com), LEI 5493004I3LZM39BWHQ75 ("**Jefferies**" or the "**Financial Adviser**") is advising flatex in connection with the listing.

On 25 September 2020, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), Marie Curie Straße 24-28, 60439 Frankfurt am Main, Germany (telephone +49 228 4108-0, homepage: www.bafin.de), approved this Prospectus as competent authority under Regulation (EU) 2017/1129.

The Issuer, the Financial Adviser and the Listing Agent take responsibility for this Prospectus, this Summary and its German translation. This summary should be read as an introduction to this Prospectus. Investors should base any decision to invest in the Shares on the review of this Prospectus as a whole. Investors in the shares may lose all or part of their invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary, including any translation thereof, but only where this summary is misleading, inaccurate or inconsistent, when read together with the other parts of this Prospectus, or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Shares.

B. Key Information on the Issuer

B.1 – Who is the Issuer of the Securities?

Registration and Applicable Laws – The Company has its registered seat in Frankfurt am Main, Germany, is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main, Germany, under docket number HRB 103516 and has the LEI 529900IRBZTADXJB6757. As a German stock corporation (*Aktiengesellschaft*) it is incorporated in Germany and governed by the laws of Germany.

***Principal Activities* –** The Issuer, flatex AG, (Technologies segment) is a supplier of innovative technologies and IT-services to financial service providers, both hardware as well as software. Its subsidiary, flatex Bank AG (Financial Services segment), operates a fast-growing online brokerage business under its own banking license.

In the Technologies segment, the Group offers business-to-business clients ("**B2B**") a broad range of technology products and banking services as an outsourcing solution through a modular core banking platform and services. In 2019, the Technologies segment generated 14.5% of the Group's gross revenue and 43.6% of the Group's EBITDA* after consolidation effects.

The Financial Services segment mainly comprises the activities of flatex Bank AG. In 2019, the Financial Services segment had approximately 368,133 customers (as of 31 December 2019) and processed approximately 12.27 million securities, foreign exchange ("**FX**") and contract for difference ("**CFD**") transactions, having generated 85.5% of the Group's gross revenue and 56.4% of the Group's EBITDA* after consolidation effects.

The Group provides its online brokerage services through its brands "flatex" and "ViTrade", with the latter predominantly focusing on particularly experienced and active retail clients. As pure online brokers, flatex and ViTrade have no branches. Through these brands, the Group focuses on serving active, well-informed traders and investors who act for their own account, without providing any advice or recommendations in connection with the securities transactions it brokers. The Group's online brokerage services include trading in most types of financial instruments that are tradable on national and international exchanges, as well as OTC trading venues.

In December 2019, flatex AG and DEGIRO announced the acquisition of DEGIRO by flatex AG, creating a pan-European online broker with a presence in 18 European countries. The acquisition closed on 30 July 2020.

* EBITDA is defined as earnings before interest, income tax and depreciation and amortization and it has been calculated based on EBIT, adding back charges taken for depreciation and amortization. EBITDA and EBIT are non-IFRS measures, rather alternative performance measures as defined by the European Securities and Markets Authority. For a description of calculation methodology and reconciliation, see section B.2 below.

flatex believes that the development of its business is supported by the following strengths:

- Fast growing online brokerage businesses across 18 European countries;
- Competitive technology edge ensuring sustainable cost leadership;
- Flat and low pricing model (fixed fee irrespective of transaction volume);
- Extensive and independent product offering;
- Transparent, convenient and trader-focused platforms; and
- Single ecosystem structure drives shared improvement in banking services and technology.

In order to further expand its competitive position, flatex plans to:

- Continue to increase the number of settled transactions through organic growth, opportunistic and strategic acquisitions; and
- Use free liquidity to grow the collateralized credit book.

Major Shareholders **–** 19.66% Mr Bernd Förtsch (1.46% directly held; 12.95% indirectly held through GfBk Gesellschaft für Börsenkommunikation mbH; and 5.25% indirectly held through Heliad Equity Partners GmbH & Co. KGaA); 6.71% Mr. Niels Jacob Klok indirectly through Nola LPE B.V.; 6.71% Mr. Udo Gjis Nagel indirectly through Unguis LPE B.V.; 4.31% Mr. Mark Fransen, indirectly through MaF LPE B.V.; 4.31% Mr. Stephan Keetman, indirectly through Keetman LPE B.V.; 3.34% Mr. Jasper Anderluh indirectly though Anderluh LPE B.V.

Management Board **–** The members of the Company's management board are Frank Niehage (Chief Executive Officer) and Muhamad Said Chahrour (Chief Financial Officer).

Statutory Auditors **–** The Company's statutory auditor is BDO AG Wirtschaftsprüfungsgesellschaft, Fuhlentwiete 12, 20355 Hamburg, Germany.

B.2 – What is the Key Financial Information regarding the Issuer?

The financial information contained in the following tables is taken or derived from the audited consolidated financial statements of the Company as of and for the financial year ended 31 December 2019, 2018 and 2017, the unaudited condensed consolidated interim financial information of the Company as of and for the six-month period ended 30 June 2020, and the Company's accounting records or internal reporting system.

Selected Information from the Consolidated Income Statement

	Six months ended 30 June		**Financial year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
	(in EUR thousand)				
	(unaudited)		*(audited)*		
Revenues	99,778	64,350	131,952	125,100	107,014
Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA)[1]	42,701	19,740	37,580	42,368	32,073
Consolidated earnings from continuing activities	22,374	8,547	14,908	17,474[2]	17,016
Consolidated net profit	22,374	8,547	14,908	17,474[2]	16,796

(1) EBITDA is defined as earnings before interest, income tax and depreciation and amortization and it has been calculated based on EBIT, adding back charges taken for depreciation and amortization. EBIT is defined as earnings before interest and income tax and it is calculated based on Consolidate net profit, adding back earnings from discontinued operations, income tax expense and financial result. The following table shows a reconciliation of Consolidated net profit for the period to EBIT and EBITDA:

	Six months ended 30 June		Financial year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
			(in EUR thousand)		
	(unaudited)			*(audited)*	
Consolidated net profit	**22,374**	**8,547**	**14,908**	**17,474**(2)	**16,796**
Earnings from discontinued operations	–	–	–	–	-220
Income tax expense	11,698	4,079	6,720	10,965	8,179
Financial results	-1,701	-1,153	-3,123	-2,179	-1,288
EBIT	**35,773**	**13,779**	**24,751**	**30,618**(2)	**26,484**
Depreciation and amortization	6,928	5,962	12,829	8,180	5,590
EBITDA	**42,701**	**19,740**	**37,580**	**42,368**	**32,073**

EBITDA and EBIT are non-IFRS measures. These measures are alternative performance measures as defined by the European Securities and Markets Authority. The Group presents these non-IFRS measures as (i) they are used by its management to measure performance, including in presentations to the Management Board and Supervisory Board members and as a basis for strategic planning and forecasting; and (ii) they represent measures that the Group believes are widely used by certain investors, securities analysts and other parties as supplemental measures of operating and financial performance. These non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered as a substitute for analysis of the Group's operating results as reported under IFRS.

(2) 2018 figures have been adjusted following an IAS 8 error correction on receivables from the Group's factoring business due to delayed detection of a case of fraud by the seller of the receivables. The correction of the error led to the disposal of short-term loans to customers in the amount of EUR 3,570 thousand at the expense of the result from the disposal of financial assets measured at amortized cost.

Selected Information from the Consolidated Statement of Financial Position

	As at 30 June	As at 31 December		
	2020	**2019**	**2018**	**2017**
		(in EUR thousand)		
	(unaudited)		*(audited)*	
Assets	**1,780,163**	**1,265,962**	**1,224,168**	**1,107,433**
Current assets	1,608,414	1,086,262	1,091,676(1)	1,009,677
Other current financial assets	657,111	604,302	413,773	603,714
Cash and cash equivalents	932,352	468,616	655,046	397,002
Liabilities	**1,575,780**	**1,083,760**	**1,060,513**	**994,709**
Non-current liabilities	38,058	38,710	30,395	29,392
Current liabilities	1,537,722	1,045,051	1,030,118	965,317
Equity	**204,383**	**182,202**	**163,656**(1)	**112,724**

(1) 2018 figures have been adjusted following an IAS 8 error correction on receivables from the Group's factoring business due to delayed detection of a case of fraud by the seller of the receivables. The correction of the error led to the disposal of short-term loans to customers in the amount of EUR 3,570 thousand at the expense of the result from the disposal of financial assets measured at amortized cost.

Selected Information from the Consolidated Statement of Cash Flows

	Six months ended 30 June		Financial year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
			(in EUR thousand)		
	(unaudited)			*(audited)*	
Net cash flow from operations	473,526	-40,270	-157,246	250,071	112
Net Cash flow from investments	-5,297	-15,165	-33,189	-27,756	-12,587
Cash flow from long-term financing	-4,494	7,666	4,005	35,730	20,273
Cash and cash equivalents at the end of the period	932,352	607,277	468,616	655,046	397,002

Selected Key Indicators

	Six months ended 30 June		Financial year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited)			*(unaudited)*	
Transactions executed (number)	13,119,461	5,791,626	12,274,525	12,483,344	11,272,496
Retail customers (number)	372,556	264,537	368,133	290,288	253,825
Transactions per retail customer/year (number)	65.29	39.86	33.34	43.00	44.41
Customer assets under management (in EUR thousand)	13,634	12,813	14,586	10,995	11,794
of which: securities account volume (in EUR thousand)	12,229	11,869	13,600	10,000	10,910
of which: deposit account volume(in EUR thousand)	1,405	945	986	995	884
Earnings per share (undiluted) (in EUR)	1.14	0.46	0.77	0.98[1]	1.00
Earnings per share (diluted) (in EUR)[2]	1.13	0.45	0.77	–	–
Equity Ratio	11.5	14.4	14.4	13.4[1]	10.2

(1) Adjusted to reflect an IAS 8 correction to receivables reported in the factoring business for the 2018 financial year. For a detailed presentation, see Note 7 to the 2018 Audited Consolidated Financial Statements.

(2) Reflects the diluted average numbers of shares outstanding in the relevant reporting period based taking into account the outstanding options under flatex AG's management stock option plan.

Pro forma Financial Information

In order to present the expected effects that the acquisition of DEGIRO by the Company would have had throughout the fiscal year ended 31 December 2019 and during the six-month period ended 30 June 2020, the Company has prepared pro forma consolidated financial statements, comprised of pro forma consolidated profit or loss data for the period from 1 January 2019 to 31 December 2019 and for the six-month period ended 30 June 2020 and pro forma consolidated financial position data as of 30 June 2020, supplemented by pro forma notes (the "**Pro forma Financial Information**"). The Pro forma Financial Information is prepared solely for illustrative purposes. Due to its nature, the Pro forma Financial Information is only descriptive of a hypothetical situation and is based on assumptions and does not reflect the actual net assets, financial position and results of operations of the Company.

Unaudited pro forma balance sheet of the Group as at 30 June 2020

	flatex Group	**DEGIRO**	**Adjustments**	**Pro forma Financial Information**
		(in EUR thousand)		
Total Assets	1,780,163	307,163	193,941	2,281,267
Total Equity	204,383	50,575	157,034	411,992

Unaudited pro forma income statement for the financial year ended 31 December 2019

	flatex Group	**DEGIRO**	**Adjustments**	**Pro forma Financial Information**
		(in EUR thousand)		
Revenues	131,952	59,819	–	191,771
Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA)	37,580	10,978	397	48,955
Consolidated earnings before interest and income tax (EBIT)	24,751	10,681	-7,532[L]	27,900
Consolidated earnings before income tax (EBT)	21,628	10,681	-7,546	24,763
Consolidated net profit	**14,908**	**8,596**	**-6,101**	**17,403**

Unaudited pro forma income statement for the six months ended 30 June 2020

	flatex Group	**DEGIRO**	**Adjustments**	**Pro forma Financial Information**
		(in EUR thousand)		
Revenues	99,778	68,746	–	168,524
Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA)	42,701	31,392	732	74,825
Consolidated earnings before interest and income tax (EBIT)	35,773	28,664	-3,272	61,166
Consolidated earnings before income tax (EBT)	34,072	28,664	-3,277	59,460
Consolidated net profit	22,374	23,291	-2,654	43,011

B.3 – What are the Key Risks that are Specific to the Issuer?

The Group's operations and industry are subject to the following risks, among others:

- Long-term effects of an economic slowdown could adversely affect the demand for the Group's IT and financial services and decrease its growth.
- The Group relies heavily on technology, which can be subject to interruption and instability due to operational and technological failures, both internal and external. Disruptions to, instability of or other failure to effectively maintain the Group's IT systems or external technology that allows clients to use the Group's products and services or which affect clients' systems could materially adversely affect the business prospects, cash flows, results of operations and financial condition of the Group.
- The Group's future success may depend in part on its ability to develop and enhance products and services. There are significant technical, legal, regulatory and financial costs and risks in the development of new or enhanced products and services, including the risk that the Group might be unable to adapt its platform to disruptive technologies appearing in the markets for online brokerage of financial technologies. The Group faces risks in expanding and enhancing its products and services to remain competitive.
- If the Group loses current key members of management or is unable to attract and retain the talent required for its operations, the Group's business may suffer.
- The Group's banking subsidiary, flatex Bank AG, may fail to successfully manage the diverse sets of regulatory requirements it currently is subject to, particularly requirements under the EU Capital Requirements Directive (2013/36/EU) and the Capital Requirement Regulation (575/2013), and may face regulatory problems entering into new markets.
- The Group may fail to comply with data protection requirements and changes in laws on data protection regulations may have a negative effect on the Group's operations.

C. Key Information on the Securities

C.1 – What are the Main Features of the Securities?

This Prospectus relates to the admission of the Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) of the entire share capital of the Company, in an amount of 27,223,137 fully paid-up, no-par value ordinary registered shares, each with a calculated notional amount of EUR 1.00 per Share.

Number and Nature of Shares – As of the date of this Prospectus, the Company's share capital amounts to 27,223,137 shares. All Shares of the Company are ordinary registered shares with no-par value (*Stückaktien*) each representing a notional value of EUR 1.00 per Share. All existing Shares of the Company are fully paid up.

ISIN and Denomination – The ISIN of the Shares of the Company is DE000FTG1111; German Securities Code (*Wertpapierkennnummer*, "**WKN**"): FTG111; Trading Symbol: FTK. The Shares are denominated in Euro.

Rights Attached to the Shares, relative Seniority and Transferability – Each Share of the Company, carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights. All Shares carry full dividend rights as of 1 January 2020. The Company's Shares are subordinated to all other securities and claims in case of an insolvency of the Company. All Shares are freely transferable in accordance with the legal requirements for ordinary registered shares (*Namensaktien*). The Shares are entitled to a share of any liquidation proceeds or insolvency surpluses at the ratio of their notional share in the Company's share capital.

Dividend Policy – The Company has not paid any dividends in 2019, 2018 or 2017. The Company does not currently intend to pay out dividends due to its growth focused strategy.

C.2 – Where will the Securities be traded?

The Company will apply for admission of the Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange ("**FSE**", *Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard).

The admission of the Shares is expected to take place on 23 October 2020. The commencement of trading of the Shares is expected to take place on 26 October 2020.

The Shares are currently traded on the FSE Scale under the symbol FTK, as well as on the stock exchanges in Berlin, Dusseldorf, Hamburg, Munich, Stuttgart and Tradegate Exchange.

C.3 – What are the Key Risks that are Specific to the Securities?

The Shares are subject to the following key risks:

- There is uncertainty regarding the price development and the liquidity of the Shares. Share prices may be subject to strong fluctuations.
- Future capitalization measures could lead to a substantial dilution, i.e., a reduction in the value of the Shares and the control rights of existing shareholders' interests in the Company.
- Shareholders are subject to the risk of detrimental changes of foreign exchange rates and adverse tax consequences.
- The Group's ability to pay dividends in the future depends on several factors, including asset impairments.

D. Key Information on the Admission to Trading

D.1 – Under which Conditions and Timetable can I invest in this Security?

Total Expenses	The Company estimates that the total costs of the admission to trading will amount to approximately EUR 600 thousand.
Expenses Charged to Investors	None, only customary transaction and handling fees charged by the investors' brokers.

D.2 – Who is the Person asking for Admission to Trading?

Admission to Trading	The admission to listing and trading of the shares is expected to become effective on or around 23 October 2020 with commencement of trading on 26 October 2020. The Listing Agent (as defined below) will, together with the Company, ask for admission to trading on or around 5 October 2020.
Listing Agent	BankM AG, Mainzer Landstraße 61, 60329 Frankfurt am Main, Germany (homepage: www.BankM.de), LEI 5299001H21LR9DLCC127.

D.3 – Why is this Prospectus being Produced?

Reasons for the Admission to Trading	This Prospectus relates to the admission of the Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) ("**FSE Prime**")(the "**Up-Listing**") of the entire share capital of the Company, i.e. 27,223,137 fully paid-up, no-par value ordinary registered shares, each with a calculated notional amount of EUR 1.00 per Share.
Listing Agreement	On 25 September 2020, the Company and the Listing Agent entered into a listing agreement (the "**Listing Agreement**") relating to the Up-Listing. The listing agreement includes customary representations and warranties given by the Company to the Listing Agent.
Material Conflicts of Interest	There are no material conflicts of interest with respect to the listing of the Shares.

II. PROSPEKTZUSAMMENFASSUNG

A. Einleitung und Warnhinweise

Dieser Prospekt ("**Prospekt**") bezieht sich auf den Namen lautende Stammaktien (*Stückaktien*) der flatex AG ("**Gesellschaft**" oder "**Emittentin**" und zusammen mit ihren konsolidierten Tochtergesellschaften "**flatex-Konzern**", der "**Konzern**", "**flatex**" oder "**wir**", "**uns**" oder "**unser**"), Rotfeder-Ring 7, 60327 Frankfurt am Main, Bundesrepublik Deutschland ("**Deutschland**"), Tel.: +49 69 450001-0, Homepage: www.flatex.com, Rechtsträgerkennung (*legal entity identifier*, "**LEI**") 529900IRBZTADXJB6757. Die Internationale Wertpapierkennnummer (*International Securities Identification Number*, "**ISIN**") dieser Aktien ist DE000FTG1111 (jede Aktie der Gesellschaft eine "**Aktie**").

Die Zulassung und Notierung der Aktien der Gesellschaft am regulierten Markt der Frankfurter Wertpapierbörse wird mit Unterstützung von BankM AG, Mainzer Landstraße 61, 60329 Frankfurt am Main, Deutschland (Homepage: www.BankM.de), LEI 5299001H21LR9DLCC127 ("**Listing Agent**") erfolgen.

Jefferies GmbH, Bockenheimer Landstraße 24, 60323 Frankfurt am Main, Deutschland (Homepage: www.jefferies.com), LEI 5493004I3LZM39BWHQ75, ("**Jefferies**" oder "**Financial Adviser**") berät flatex im Zusammenhang mit der Börsennotierung.

Die Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Deutschland (Tel.: +49 228 4108-0, Homepage: www.bafin.de) als zuständige Behörde gemäß Verordnung (EU) 2017/1129 hat diesen Prospekt am 25. September 2020 gebilligt.

Die Emittentin, der Financial Adviser und der Listing Agent übernehmen die Verantwortung für diesen Prospekt, diese Zusammenfassung und ihre deutsche Übersetzung. Die vorliegende Zusammenfassung sollte als Einleitung zu diesem Prospekt verstanden werden. Anleger sollten jede Entscheidung, in die Aktien zu investieren, auf der Grundlage der Durchsicht des Prospekts als Ganzes stützen. Anleger könnten ihr gesamtes angelegtes Kapital oder einen Teil davon verlieren. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der im vorliegenden Prospekt enthaltenen Informationen geltend gemacht werden, könnte der klagende Anleger nach nationalem Recht die Kosten der Übersetzung dieses Prospekts vor Prozessbeginn zu tragen haben. Zivilrechtlich haften nur diejenigen Personen, die die vorliegende Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur in dem Fall, dass die Zusammenfassung, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder dass sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht die Basisinformationen vermittelt, die in Bezug auf Anlagen in die betreffenden Wertpapiere für die Anleger eine Entscheidungshilfe darstellen würden.

B. Basisinformationen über die Emittentin

B.1 – Wer ist die Emittentin der Wertpapiere?

Eintragung und geltendes Recht – Die Gesellschaft hat ihren Sitz in Frankfurt am Main, Deutschland, ist beim Handelsregister des Amtsgerichts Frankfurt am Main unter HRB 103516 eingetragen, und ihre LEI lautet 529900IRBZTADXJB6757. Als deutsche Aktiengesellschaft ist sie in Deutschland eingetragen und unterliegt deutschem Recht.

***Hauptgeschäftstätigkeiten* –** flatex AG bietet in seinem Segment "Technologies" innovative Technologien und IT-Dienstleistungen für Finanzdienstleister an, und zwar im Bereich Hardware und Software. Ihre 100% Tochter flatex Bank AG betreibt über ihr Segment "Financial Services" ein schnell wachsendes Online-Brokerage Geschäft (online Wertpapierhandel) mit eigener Banklizenz.

Das Segment "Technologies" bietet B2B ('Business-to-Business', Geschäftsbeziehungen zwischen mindestens zwei Unternehmen) Kunden ein breites Spektrum an Technologieprodukten und Bankdienstleistungen im Rahmen einer Auslagerungs-(Outsourcing) Lösung über ein modulares Kernbankensystem und den damit verbundenen Dienstleistungen an. 2019 erzielte das Segment "Technologies" 14,5% des Konzern-Bruttoumsatzes und nach Berücksichtigung der Konsolidierungseffekte 43,6% des EBITDA des Konzerns.

Das Segment "Financial Services" beinhaltet hauptsächlich die Tätigkeiten der flatex Bank AG. 2019 hatte das Segment "Financial Services" (Stand 31. Dezember 2019) ca. 368.133 Kunden und wickelte ca. 12,27 Mio. Wertpapier-, Fremdwährungs- (Foreign Exchange, FX) und Differenzkontrakt- (Contract for Difference, CFD)-Transaktionen ab, und erzielte damit 85,5% des Konzern-Bruttoumsatzes und nach Berücksichtigung der Konsolidierungseffekte 56,4% des EBITDA* des Konzerns.

Der Konzern erbringt seine Online-Brokerage-Leistungen durch seine Marken "flatex" und "ViTrade", wobei letztere sich vorwiegend auf besonders erfahrene und aktive Retail-Kunden konzentriert. Als reine Online-Broker haben flatex und ViTrade keine Filialen. Durch diese Marken konzentriert sich der Konzern auf die Betreuung aktiver, gut informierter Händler und Anleger, die auf eigene Rechnung tätig werden, ohne Beratungen oder Empfehlungen in Zusammenhang mit den Wertpapiertransaktionen abzugeben. Zu den Online-Brokerage-Dienstleistungen der Gruppe gehört der Handel mit den meisten Arten von Finanzinstrumenten, die an nationalen und internationalen Börsen sowie an OTC-Handelsplätzen gehandelt werden können.

Im Dezember 2019 verkündete die flatex AG die Übernahme der DEGIRO, wodurch ein pan-europäischer Online-Broker mit Präsenz in 18 europäischen Ländern entstand. Der Vollzug der Übernahme erfolgte am 30. Juli 2020.

* EBITDA ist das Ergebnis vor Steuern, Ertragssteueraufwand und Abschreibung. Es wurde basierend auf dem EBIT unter Hinzurechnung des Aufwands für Abschreibungen berechnet. EBITDA und EBIT sind keine IFRS-Kennzahlen, sondern nach Ansicht der Europäischen Wertpapier- und Marktaufsichtsbehörde (European Securities and Markets Authority), alternative Leistungskennzahlen. Eine Beschreibung der Berechnungsmethodik und des Abgleichs finden Sie in Abschnitt B.2 unten.

Nach Einschätzung von flatex tragen die folgenden Stärken des Konzerns zur Geschäftsentwicklung bei:

- Schnell wachsendes Online-Brokerage-Geschäft in 18 europäischen Ländern;
- wettbewerbsfähige Spitzentechnologie und damit nachhaltige Kostenführerschaft;
- niedrige Pauschalpreise (Pauschalhonorar unabhängig vom Transaktionsvolumen);
- umfassendes und unabhängiges Produktangebot;
- transparente, unkomplizierte und auf den Bedarf der Händler fokussierte Plattformen; und
- Einheitliche Plattform führt zu gleichzeitiger Optimierung von Bankdienstleistungen und Technologie.

Zum weiteren Ausbau ihrer Wettbewerbsposition plant flatex

- eine weitere Steigerung der Anzahl der abgewickelten Transaktionen durch organisches Wachstum, opportunistisch und strategische Übernahmen; und
- die Nutzung freier Liquidität zum Ausbau des besicherten Kreditbuchs.

Hauptaktionäre – 19,66% Bernd Förtsch (1,46% unmittelbar, 12,95% mittelbar über GfBk Gesellschaft für Börsenkommunikation mbH und 5,25% mittelbar über Heliad Equity Partners GmbH & Co. KGaA); 6,71% Niels Jacob Klok, mittelbar durch Nola LPE B.V.; 6,71% Udo Gjis Nagel, mittelbar durch Unguis LPE B.V.; 4,31 % Mark Fransen, mittelbar durch MaF LPE B.V.; 4,31% Stephan Keetman, mittelbar durch Keetman LPE B.V.; 3,34% Jasper Anderluh, mittelbar durch Anderluh LPE B.V.

Vorstand – Die Mitglieder des Vorstands der Gesellschaft sind Frank Niehage (Chief Executive Officer) und Muhamad Said Chahrour (Chief Financial Officer).

Abschlussprüfer – Der Abschlussprüfer der Gesellschaft ist BDO AG Wirtschaftsprüfungsgesellschaft, Fuhlentwiete 12, 20355 Hamburg, Deutschland.

B.2 – Welches sind die wesentlichen Finanzinformationen über die Emittentin?

Die Finanzinformationen in den nachstehenden Tabellen sind aus den geprüften Konzernabschlüssen der Gesellschaft für die zum 31. Dezember 2019, 2018 und 2017 endenden Geschäftsjahre, dem ungeprüften Konzernzwischenabschluss der Gesellschaft für den zum 30. Juni 2020 endenden Sechsmonatszeitraum sowie der internen Buchhaltung oder dem internen Berichtswesen der Gesellschaft entnommen oder daraus abgeleitet.

Ausgewählte Informationen aus der Konzern-Gewinn-und-Verlustrechnung

	Für den zum 30. Juni endenden Sechsmonatszeitraum		Für das zum 31. Dezember endende Geschäftsjahr		
	2020	2019	2019	2018	2017
			(in TEUR)		
	(ungeprüft)			*(geprüft)*	
Umsatzerlöse	99.778	64.350	131.952	125.100	107.014
Konzernergebnis vor Zinsen, Steuern und Abschreibungen (EBITDA)[1]	42.701	19.740	37.580	42.368	32.073
Konzernergebnis aus fortgeführten Geschäftsbereichen	22.374	8.547	14.908	17.474[2]	17.016
Konzernergebnis	22.374	8.547	14.908	17.474[2]	16.796

(1) EBIT ist das Ergebnis vor Zinsen und Ertragssteueraufwand. Es wurde basierend auf dem Konzernergebnis unter Hinzurechnung von Ergebnis aus aufgegebenen Geschäftsbereichen, Ertragssteueraufwand und Finanzergebnis berechnet. EBITDA ist das Ergebnis vor Steuern, Ertragssteueraufwand und Abschreibung. Es wurde basierend auf dem EBIT unter Hinzurechnung des Aufwands für Abschreibungen berechnet. Die folgende Tabelle stellt eine Überleitung des Konzernergebnisses für die Periode zu EBIT und EBITDA dar:

	Für den zum 30. Juni endenden Sechsmonatszeitraum		Für das zum 31. Dezember endende Geschäftsjahr		
	2020	2019	2019	2018	2017
			(in TEUR)		
	(ungeprüft)			*(geprüft)*	
Konzernergebnis	**22.374**	**8.547**	**14.908**	**17.474[2]**	**16.796**
Ergebnis aus aufgegebenen Geschäftsbereichen	–	–	–	–	-220
Ertragssteueraufwand	11.698	4.079	6.720	10.965	8.179
Finanzergebnis	-1.701	-1.153	-3.123	-2.179	-1.288
EBIT	**35.773**	**13.779**	**24.751**	**30.618[2]**	**26.484**
Abschreibungen	6.928	5.962	12.829	8.180	5.590
EBITDA	**42.701**	**19.740**	**37.580**	**42.368**	**32.073**

EBITDA und EBIT sind keine IFRS-Kennzahlen, sondern nach Ansicht der Europäischen Wertpapier- und Marktaufsichtsbehörde (European Securities and Markets Authority), alternative Leistungskennzahlen. Der Konzern legt diese alternativen Leistungskennzahlen vor, weil (i) sie von der Geschäftsleitung des Konzerns als Leistungsindikatoren verwendet werden, insbesondere in Präsentationen vor Vorstand und Aufsichtsrat, und als Grundlage für strategische Planung und Prognosen, und (ii) weil es sich dabei um Kennzahlen handelt, die nach Einschätzung des Konzerns weite Verwendung bei bestimmten Anlegern, Wertpapieranalysten und anderen Dritten als ergänzende Kennzahlen für operative und finanzielle Leistung finden. Diese alternativen Leistungskennzahlen sind möglicherweise nicht mit anderen, ähnlich bezeichneten Kennzahlen sonstiger Unternehmen vergleichbar. Ihre Möglichkeiten der Verwendung als Analysetools sind begrenzt, und sie sind nicht als Ersatz für eine Analyse der Betriebsergebnisse des Konzerns nach IFRS zu betrachten.

(2) Die Zahlen für 2018 wurden nach einer IAS 8 Fehlerkorrektur für Forderungen aus dem Factoring-Geschäft des Konzerns angepasst, da der Verkäufer verspätet einen Betrugsfall der Forderungen entdeckt hat. Die Korrektur des Fehlers führte zur Veräußerung kurzfristiger Kredite an Kunden in Höhe von TEUR 3.570 und zu einem Rückgang des Ergebnisses aus der Veräußerung von finanziellen Vermögenswerten zu fortgeführten Anschaffungskosten.

Ausgewählte Informationen aus der Konzernbilanz

	Zum 30. Juni	Zum 31. Dezember		
	2020	2019	2018	2017
		(in TEUR)		
	(ungeprüft)		*(geprüft)*	
Aktiva	**1.780.163**	**1.265.962**	**1.224.168**	**1.107.433**
Kurzfristige Vermögenswerte	1.608.414	1.086.262	1.091.676[1]	1.009.677
Sonstige kurzfristige finanzielle Vermögenswerte	657.111	604.302	413.773	603.714
Zahlungsmittel und Zahlungsmitteläquivalente	932.352	468.616	655.046	397.002
Passiva	**1.575.780**	**1.083.760**	**1.060.513**	**994.709**
Langfristige Schulden	38.058	38.710	30.395	29.392
Kurzfristige Schulden	1.537.722	1.045.051	1.030.118	965.317
Eigenkapital	**204.383**	**182.202**	**163.656[1]**	**112.724**

(1) Die Zahlen für 2018 wurden nach einer IAS 8 Fehlerkorrektur für Forderungen aus dem Factoring-Geschäft des Konzerns angepasst, da der Verkäufer verspätet einen Betrugsfall der Forderungen entdeckt hat. Die Korrektur des Fehlers führte zur Veräußerung kurzfristiger Kredite an Kunden in Höhe von TEUR 3.570 und zu einem Rückgang des Ergebnisses aus der Veräußerung von finanziellen Vermögenswerten zu fortgeführten Anschaffungskosten.

Ausgewählte Informationen aus der Konzern-Cashflow-Darstellung

	Für den zum 30. Juni endenden Sechsmonatszeitraum		Für das zum 31. Dezember endende Geschäftsjahr		
	2020	2019	2019	2018	2017
			(in TEUR)		
	(ungeprüft)			*(geprüft)*	
Operativer Netto-Cashflow	473.526	-40.270	-157.246	250.071	112
Netto-Cashflow aus der Investitionstätigkeit	-5.297	-15.165	-33.189	-27.756	-12.587
Cashflow aus langfristigen Finanzierungen	-4.494	7.666	4.005	35.730	20.273
Finanzmittelbestand am Ende der Periode	**932.352**	**607.277**	**468.616**	**655.046**	**397.002**

Ausgewählte Kennzahlen

	Für den zum 30. Juni endenden Sechsmonatszeitraum		Für das zum 31. Dezember endende Geschäftsjahr		
	2020	2019	2019	2018	2017
	(ungeprüft)			*(ungeprüft)*	
Ausgeführte Transaktionen (Anzahl)	13.119.461	5.791.626	12.274.525	12.483.344	11.272.496
Privatkunden (Anzahl)	372.556	264.537	368.133	290.288	253.825
Transaktionen je B2C Kunde/Jahr (Anzahl)	65,29	39,86	33,34	43,00	44,41
Betreutes Kundenvermögen (in TEUR)	13.634	12.813	14.586	10.995	11.794
davon: Depotvolumen (in TEUR)	12.229	11.869	13.600	10.000	10.910
davon: Einlagevolumen (in TEUR)	1.405	945	986	995	884
Gewinn je Aktie (unverwässert) (in EUR)	1,14	0,46	0,77	0,98(1)	1,00
Gewinn je Aktie (verwässert) (in EUR)(2)	1,13	0,45	0,77	–	–
Eigenkapitalquote	11,5	14,4	14,4	13,4(1)	10,2

(1) Anpassung aufgrund einer Korrektur nach IAS 8 der im Factoring-Geschäft für das Geschäftsjahr 2018 ausgewiesenen Forderungen. Für detaillierte Informationen wird auf Ziffer 7 des geprüften Konzernabschlusses 2018 verwiesen.

(2) Gibt die verwässerte durchschnittliche Anzahl der in der jeweiligen Berichtsperiode ausstehenden Aktien auf der Grundlage der ausstehenden Optionen im Rahmen des Management-Aktienoptionsplans der flatex AG an.

Pro forma-Finanzinformationen

Um abzubilden, welche Auswirkungen die Übernahme von DEGIRO durch die Gesellschaft in dem am 31. Dezember 2019 endenden Geschäftsjahr und dem am 30. Juni 2020 endenden Sechsmonatszeitraum gehabt hätte, hat die Gesellschaft Pro-Forma-Finanzinformationen erstellt, die aus Informationen aus einer Pro-Forma-Konzernergebnisrechnung für den Zeitraum vom 1. Januar 2019 bis zum 31. Dezember 2019 und einer Pro-Forma-Bilanz zum 30. Juni 2020 bestehen, ergänzt durch einen Pro-Forma-Anhang ("**Pro-Forma-Finanzinformationen**"). Die Pro-Forma-Finanzinformationen dienen lediglich der Veranschaulichung. Es liegt in ihrer Natur, dass die Pro-Forma-Finanzinformationen lediglich eine hypothetische Situation beschreiben, auf Annahmen basieren, und nicht die tatsächliche Vermögens-, Finanz- und Ertragslage der Gesellschaft vermitteln.

Ungeprüfte Pro Forma-Bilanz des Konzerns zum 30. Juni 2020

	flatex-Konzern	DEGIRO	Anpassungen	Pro-Forma-Finanzinformationen
		(in TEUR)		
Summe Aktiva	1.780.163	307.163	193.914	2.281.267
Gesamteigenkapital	204.383	50.575	157.034	411.992

Ungeprüfte Pro Forma Gewinn-und-Verlustrechnung für das am 31. Dezember 2019 endende Geschäftsjahr

	flatex-Konzern	DEGIRO	Anpassungen	Pro-Forma-Finanzinformationen
		(in TEUR)		
Umsatzerlöse	131.952	59.819	–	191.771
Konzernergebnis vor Zinsen, Steuern und Abschreibungen (EBITDA)	37.580	10.978	397	48.955
Konzernergebnis vor Zinsen und Ertragsteuern (EBIT)	24.751	10.681	-7.532(L)	27.900
Konzernergebnis vor Ertragsteuern (EBT)	21.628	10.681	-7.546	24.763
Konzernergebnis	**14.908**	**8.596**	**-6.101**	**17.403**

Ungeprüfte Pro Forma Gewinn-und-Verlustrechnung für den am 30. Juni 2020 endenden Sechsmonatszeitraum

	flatex-Konzern	**DEGIRO**	**Anpassungen**	**Pro-Forma-Finanzinformationen**
		(in TEUR)		
Umsatzerlöse	99.778	68.746	–	168.524
Konzernergebnis vor Zinsen, Steuern und Abschreibungen (EBITDA)	42.701	31.392	732	74.825
Konzernergebnis vor Zinsen und Ertragsteuern (EBIT)	35.773	28.664	-3.272	61.166
Konzernergebnis vor Ertragsteuern (EBT)	34.072	28.664	-3.277	59.460
Konzernergebnis	22.374	23.291	-2.654	43.011

B.3 – Welches sind die zentralen Risiken, die für die Emittentin spezifisch sind?

Für die Geschäfte und die Branche des Konzerns existieren unter anderem die folgenden Risiken:

- Die langfristigen Folgen einer Abschwächung der Konjunktur könnten die Nachfrage nach den IT- und Finanz- dienstleistungen des Konzerns beeinträchtigen und sein Wachstum verlangsamen.

- Der Konzern ist stark abhängig von Technologie, bei der es aufgrund interner und externer betrieblicher und technischer Ausfälle zu Störungen und Instabilität kommen kann. Störungen, Instabilität oder anderweitige mangelnde Verfügbarkeit von IT-Systemen des Konzerns oder externer Technologie, die den Kunden die Inanspruchnahme von Produkten und Dienstleistungen des Konzerns ermöglicht, oder die die Kundensysteme in Mitleidenschaft ziehen, könnten die Geschäftsaussichten, den Cashflow, die Geschäftsergebnisse und die Finanzlage des Konzerns erheblich beeinträchtigen.

- Der künftige Erfolg des Konzerns kann teilweise von seiner Fähigkeit abhängen, Produkte und Dienstleistungen zu entwickeln und zu verbessern. Mit der Entwicklung neuer oder verbesserter Produkte und Dienstleistungen sind erhebliche technische, rechtliche, aufsichtsrechtliche und finanzielle Kosten und Risiken verbunden, insbesondere das Risiko, dass der Konzern möglicherweise nicht in der Lage sein könnte, seine Plattform an neue, disruptive Technologien auf dem Online-Brokerage-Markt anzupassen. Ein Risiko des Konzerns besteht darin, dass er zur Erhaltung seiner Wettbewerbsfähigkeit seine Produkte und Dienstleistungen erweitern und verbessern muss.

- Es kann zu Beeinträchtigungen des Geschäfts des Konzerns kommen, falls zentrale Führungskräfte den Konzern verlassen oder es nicht gelingt, die Talente zu gewinnen und zu halten, die für das Geschäft benötigt werden.

- Es besteht die Möglichkeit, dass der flatex Bank AG, der im Bankgeschäft tätigen Tochtergesellschaft des Konzerns, die erfolgreiche Umsetzung der verschiedenen, gegenwärtig für sie geltenden aufsichtsrechtlichen Anforderungen, insbesondere die Anforderungen der EU-Eigenkapitalrichtlinie (2013/36/EU) und der Eigenkapitalverordnung (575/2013), nicht gelingt, und dass sie beim Eintritt in neue Märkte mit aufsichtsrechtlichen Problemen konfrontiert wird.

- Dem Konzern könnte es möglicherweise nicht gelingen, Datenschutzanforderungen einzuhalten und Änderungen von Datenschutzbestimmungen können negative Folgen für die Geschäfte des Konzerns haben.

C. Basisinformationen über die Wertpapiere

C.1 – Welches sind die wichtigsten Merkmale der Wertpapiere?

Dieser Prospekt bezieht sich auf die Zulassung der Aktien zum Handel am regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung des gesamten Grundkapitals der Gesellschaft – in Form von 27.223.137 voll einbezahlten auf den Namen lautenden Stammaktien mit einem rechnerischen Nennwert von jeweils EUR 1,00 je Aktie (*Stückaktien*) – zu einem Teilbereich des regulierten Marktes der Frankfurter Wertpapierbörse mit weiteren Zulassungsfolgepflichten (*Prime Standard*).

Anzahl und Art der Aktien – Zum Datum dieses Prospekts besteht das Grundkapital der Gesellschaft aus 27.223.137 Aktien. Sämtliche Aktien der Gesellschaft sind auf den Namen lautende Stückaktien mit einem anteiligen Betrag des Grundkapitals von je EUR 1,00 je Aktie. Sämtliche vorhandenen Aktien der Gesellschaft sind voll einbezahlt.

ISIN und Währung – Die ISIN der Aktien der Gesellschaft ist DE000FTG1111; WKN: FTG111; Börsenkürzel: FTK. Die Aktien sind in Euro denominiert.

Mit den Aktien verbundene Rechte, Rangverhältnis untereinander und Übertragbarkeit – Jede Aktie der Gesellschaft gewährt bei der Hauptversammlung der Gesellschaft eine Stimme. Es gibt keine Stimmrechtsbeschränkungen. Alle Aktien sind ab dem 1. Januar 2020 voll dividendenberechtigt. Die Aktien sind im Falle einer Insolvenz der Gesellschaft gegenüber allen anderen Wertpapieren und Forderungen nachrangig. Alle Aktien sind gemäß den gesetzlichen Bestimmungen für Namensaktien frei übertragbar. Die Aktien berechtigen zu einem Anspruch auf einen Anteil am Liquidationserlös oder an einem Insolvenzüberschuss im Verhältnis zu ihrem nominellen Anteil am Grundkapital der Gesellschaft.

Dividendenpolitik – Die Gesellschaft hat 2019, 2018 und 2017 keine Dividenden gezahlt. Die Gesellschaft beabsichtigt wegen ihrer wachstumsbezogenen Strategie gegenwärtig auch nicht, Dividenden zu zahlen.

C.2 – Wo werden die Wertpapiere gehandelt?

Die Gesellschaft wird die Zulassung der Aktien zum Handel am regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zu einem Teilbereich des regulierten Marktes der Frankfurter Wertpapierbörse mit weiteren Zulassungsfolgepflichten (*Prime Standard*) beantragen.

Die Zulassung der Aktien wird für den 23. Oktober 2020 erwartet. Der Beginn des Handels mit den Aktien wird für den 26. Oktober 2020 erwartet.

Die Aktien werden an der Frankfurter Wertpapierbörse gegenwärtig im Börsensegment Scale unter dem Kürzel FTK sowie an den Börsen in Berlin, Düsseldorf, Hamburg, München, Stuttgart und an der Tradegate Exchange gehandelt.

C.3 – Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?

Bei den Aktien bestehen die folgenden zentralen Risiken:

- Die Kursentwicklung und die Liquidität der Aktien sind ungewiss. Aktienkurse können erheblichen Schwankungen unterliegen.
- Künftige Kapitalmaßnahmen könnten zu einer erheblichen Verwässerung und damit zu einem sinkenden Wert der Aktien und der Einflussmöglichkeiten der gegenwärtigen Aktionäre in der Gesellschaft führen.
- Für die Aktionäre besteht das Risiko, dass es zu nachteiligen Wechselkursveränderungen kommt und ihnen steuerliche Nachteile entstehen.
- Ob der Konzern künftig zur Zahlung von Dividenden in der Lage ist, hängt von mehreren Faktoren ab, beispielsweise Wertberichtigungen.

D. Basisinformationen über die Zulassung zum Handel

D.1 – Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?

Gesamtkosten	Die Gesellschaft schätzt, dass sich die Gesamtkosten der Zulassung zum Handel auf ca. TEUR 600 belaufen werden.
Kosten, die Anlegern in Rechnung gestellt werden	Keine, nur übliche Transaktions- und Bearbeitungsgebühren, die von den Brokern der Anleger in Rechnung gestellt werden.

D.2 – Wer ist die die Zulassung zum Handel beantragende Person?

Zulassung zum Handel	Die Zulassung zur Börse und des Handels mit den Aktien wird am oder um den 23. Oktober 2020, der Handelsbeginn für den 26. Oktober 2020 erwartet. Der

	Listing Agent, wird gemeinsam mit der Gesellschaft die Zulassung zum Handel am oder um den 5. Oktober 2020 beantragen.
Listing Agent	BankM AG, Mainzer Landstraße 61, 60329 Frankfurt am Main, Deutschland (Homepage: www.BankM.de), LEI 5299001H21LR9DLCC127.

D.3 – Weshalb wird dieser Prospekt erstellt?

Gründe für die Börsennotierung	Dieser Prospekt bezieht sich auf die Zulassung der Aktien zum Handel am regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung des gesamten Grundkapitals der Gesellschaft – bestehend aus 27.223.137 voll einbezahlten auf den Namen lautenden Stammaktien mit einem rechnerischen Nennwert von jeweils EUR 1,00 je Aktie (*Stückaktien*) – zu einem Teilbereich des regulierten Marktes der Frankfurter Wertpapierbörse mit weiteren Zulassungsfolgepflichten (*Prime Standard*) ("**FSE Prime**") ("**Up-Listing**").
Zeichnungs-vereinbarung	Am 25. September 2020 haben die Gesellschaft und der Listing Agent einen Zulassungsvertrag ("**Zulassungsvertrag**") abgeschlossen, die das Up-Listing zum Gegenstand hat. Der Zulassungsvertrag enthält übliche Zusicherungen und Gewährleistungen der Gesellschaft gegenüber dem Listing Agent.
Wesentliche Interessenkonflikte	In Bezug auf die Börsennotierung der Aktien bestehen keine wesentlichen Interessenkonflikte.

1. RISK FACTORS

*An investment in the shares of flatex AG (the "**Company**" or the "**Issuer**" and, together with its consolidated subsidiaries, "**flatex Group**", the "**Group**", "**flatex**" or "**we**", "**us**" or "**our**") is subject to risks. Investors should carefully consider the risks set forth below and the other information contained in this prospectus prior to making any investment decision.*

*According to Article 16 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, the risk factors featured in a prospectus shall be limited to risks which are specific to the issuer and/or to the securities and which are material for taking an informed investment decision. Therefore, the following risks are only those risks that are specific to flatex and to the Company's shares (the "**Shares**"). In addition, flatex faces various risks generally faced by any company operating in the markets in which flatex operates with a platform similar to its platform. Furthermore, any investment in the Shares bears general risks relevant to investments in this type of security. The market price of the Shares could decline if any of these risks were to materialize, in which case investors could lose some or all of their investment.*

The following risk factors are categorized into subcategories based on their respective nature. Within each such subcategory, the order of risk factors is based on the Company's current assessment with respect to the probability of occurrence and expected magnitude of impact of such risk factors, with at least the two most material risk factors (i.e., those the Company believes are most likely to have a material adverse impact) mentioned at the beginning of each subcategory. Irrespective of this order, however, any of the risks described below, individually or together with other circumstances, could have a material adverse effect on the business, financial condition, cash flows, results of operations and prospects of the Group as well as the price of the Company's shares.

1.1 Risk related to flatex's industry

1.1.1 Long-term effects of an economic slowdown could adversely affect the demand for the Group's IT and financial services and decrease its growth.

flatex Group's business is primarily dependent on the development of capital and financial markets, on the general macroeconomic situation and on its customers' trading habits. The Group's financial services segment ("**Financial Services**") is substantially dependent on the number of active trading clients and the number of transactions they conduct, providing online brokerage and retail and professional banking services mainly to clients in Germany, Austria and, through the acquisition of Dutch brokerage firm DeGiro B.V. ("**DEGIRO**"), clients in the Netherlands and 17 other European countries. Should the Group's existing customer base significantly change their trading behaviour, whether by a decrease in activity or by a change in the types of traded products to less profitable ones, or switch to a competitor of the Group, this would affect the Group's revenue from Financial Services.

The trading activity of the Group's clients depends on, among others, general trading volume and market volatility. Volatility of the financial markets has an impact on client behaviour in the Financial Services segment and periods of low volatility could result in a stagnation of client activity and a corresponding negative impact on the Group's business. The recent spread of the SARS-CoV-2 pandemic has severely impacted global financial and commodity markets and regional and global economies, causing increased market volatility and, as a result, increased trading activity. However, there is a risk that the long-term economic impact of SARS-CoV-2 or future pandemics on the global economy may adversely impact trading volumes, cause low trading volatility and materially affect demand for flatex's Financial Services and Technologies products.

A decline in active clients as a result of low volatility could also lead to impairments of the Group's goodwill provisions on its balance sheet, as these are mostly attributed to the number of clients obtained after the acquisition of DEGIRO. Adverse changes to the economic conditions described above could materially adversely affect the business prospects, cash flows, results of operations and financial condition of the Group.

1.1.2 Competition could reduce the Group's market share and harm its financial performance.

The market for online brokerage services is continually evolving and is intensely competitive. The retail brokerage industry has experienced significant consolidation, which is expected to continue in the future, and which may increase competitive pressures in the industry. In addition, the industry is subject to potential predatory pricing, including potential free trade offers or reduced trading commissions. The Group expects this competitive environment to continue in the future. The Group faces direct competition from numerous German retail brokerage firms. The general financial success of companies within the retail securities brokerage industry might attract new competitors to the industry, such as banks, software development companies, insurance companies, providers of online financial information and others. These companies may develop disruptive technologies or offer new types of services in the markets in which the Group is active, and the Group may not be able to match such technologies in a timely manner. Increased competition, including pricing pressure, could have a material adverse effect on the Group's results of operations and financial condition.

1.2 Risks related to flatex's business activities

1.2.1 The Group relies heavily on technology, which can be subject to interruption and instability due to operational and technological failures, both internal and external.

The Group relies on information technology, particularly the internet and mobile services, to conduct much of its business activity and allow its clients to conduct financial transactions or run their banking operations. The Group's systems and operations, including its primary and disaster recovery data centre operations, are potentially vulnerable to disruptions from human error, natural disasters, power outages, computer and telecommunications failures, software bugs, computer viruses or other malicious software, distributed denial of service (DDoS) attacks, spam attacks, security breaches and other similar events. In addition, extraordinary site usage caused by external events could cause the Group's IT systems to operate at an unacceptably slow speed or even fail. Disruptions to, instability of or other failure to effectively maintain the Group's IT systems or external technology that allows clients to use the Group's products and services or which affect clients' systems could harm the Group's business and reputation. Should the Group's technology operations be compromised, it may have to make significant investments to repair or replace its technology infrastructure and may not be able to make such investments or may not be able to remedy the problems in a timely manner. While the Group has made significant investments designed to enhance the reliability of its information technology environment, the Group cannot ensure that it will be able to maintain, expand and upgrade its systems and infrastructure to meet future requirements and mitigate future risks on a timely basis.

Disruptions in service and slower system response times could result in substantial losses, decreased client service and satisfaction, client attrition, negative publicity of the Group and harm to its business and its reputation. In addition, technology systems, including the Group's own proprietary systems and the systems of third parties on which it relies to conduct portions of its operations, are potentially vulnerable to security breaches and unauthorized usage. An actual or perceived cyber-security attack targeting the Group's IT systems, for example, which resulted in actual or attempted theft of data containing client personal information, could harm its business and its reputation. Further, any actual or perceived cyber-security breach or attack directed at other financial institutions or financial services companies, whether or not the Group is impacted, could lead to a general loss of client confidence in the use of IT to conduct financial transactions, which could negatively impact the Group, including the market perception of the effectiveness of its security measures and technology infrastructure. Additionally, should any of the above risks materialize, the Group may incur contractual liability in respect to its Technologies segment clients as they rely on the Group's technologies and banking services products to conduct their business. The occurrence of any of these events could materially adversely affect the business prospects, cash flows, results of operations and financial condition of the Group.

1.2.2 The Group faces risks in expanding and enhancing its products and services to remain competitive.

The Group's future success may depend in part on its ability to develop and enhance products and services. In addition, the adoption of new internet, networking or telecommunications technologies or other disruptive technological changes, could require the Group to incur substantial expenditures to enhance or adapt its services or infrastructure. There are significant technical, legal, regulatory and financial costs and risks in the development of new or enhanced products and services, including the risk that the Group might be unable to adapt its platform to disruptive technologies appearing in the markets for online brokerage of financial technologies. An inability to develop new products and services, or enhance existing offerings, could have a material adverse effect on the business prospects, cash flows, results of operations and financial condition of the Group.

1.2.3 The Group faces risks in managing its growth and expansion strategy.

The Group's future expansion strategy, including its product portfolio, partnership and geographic expansion strategy, is subject to certain risks. The Group's continued growth is dependent upon several factors, some of which are beyond the Group's control, including:

- the ability to develop and maintain adequate and secured IT-platforms,
- the ability to successfully integrate any operations which may be acquired in the future,
- the ability to develop efficient internal monitoring and control systems,
- the ability to develop and implement "best practices" in response to day-to-day business challenges, the ability to secure adequate financing to successfully establish operations in new markets,
- the ability to turn new operations profitable within the expected time after market entry,
- the ability to correctly assess legal and regulatory requirements in targeted markets and monitor ongoing changes in existing markets, and
- the ability to identify and overcome cultural and linguistic differences which may impact market practices within a given geographic region and other factors.

The Group may not be able to effectively manage the expansion of its operations or the Group's current personnel, systems, procedures, and controls may not be adequate to support the Group's future operations. This could have a material adverse impact on the business prospects, cash flows, results of operations and financial condition of the Group.

1.2.4 flatex is exposed to risks in relation to its acquisition of DEGIRO

In July 2020, flatex completed the acquisition of Dutch-based online brokerage company, DEGIRO. Significant resources have and may continue to be allocated to this acquisition. The success of the acquisition will depend, in significant part, on flatex's ability to realize the anticipated benefits and cost savings from harmonizing the businesses of DEGIRO and flatex. If flatex is not able to successfully manage the businesses of DEGIRO and flatex, the anticipated cost savings and other benefits of the acquisition may not be realized fully or at all or may take longer to realize than expected, the business may not perform as expected and the value of flatex AG shares may be affected.

In addition, at times the attention of certain members of either company's or both companies' management and resources may be focused on subsequent harmonization of the businesses of the two companies and diverted from day-to-day business operations, which may disrupt each company's ongoing business and the business of the Company. It is possible that the harmonization process could result in the loss of key employees, the loss of clients, the disruption of either company's or both companies' ongoing businesses or in other unexpected issues.

Should flatex encounter difficulties in managing the acquisition of DEGIRO or if flatex is not able to fully realize anticipated synergies and efficiencies, this could significantly impact the Group's prospects, cash flows, results of operations and financial condition.

1.2.5 The Group's operations are exposed to liquidity and market price risks.

In order to run its interest-earning assets, the Group uses the clients' cash deposits. The Group uses these cash balances to issue fully collateralized credit lines to its online brokerage clients and to operate a treasury book which predominantly invests in highly rated instruments (sovereign bonds, blue chip companies, etc).

A sudden reduction of available cash balances, for instance due to an instant and permanent reduction or withdrawal of clients' cash deposits, may require the Group to seek other potentially more expensive forms of financing in the short term before it is able to terminate outstanding credit lines and liquidate its treasury book, and may require it to reduce its lending activities in the long term.

The Group's liquidity could be constrained if it is unable to obtain short-term financing on acceptable terms, or at all, including due to a variety of unforeseen market disruptions. Additionally, a not precisely contemporaneous investment of clients' cash deposits in the market and the resultant maturity transformation furthermore could expose the Group liquidity risk. Changes in market interest rates might have a material impact on the valuation of financial instruments of the Group and may therefore have a positive or negative effect on Group liquidity.

The Group's inability to meet its funding needs on a timely basis would have a material adverse effect on the Group's business prospects, cash flows, results of operations and financial condition.

1.2.6 The Group is exposed to credit and collateral risks relating to its credit book business and treasury book.

The Group offers fully collateralized "Lombard" (margin loan) credit facilities to its existing online brokerage clients. The Group may face difficulties in recovering on the collateral as a result of, for example, fraud or loss of value of the collateral. In particular, even though the Group maintains strict loan to value ratios ("**LTV**"), it may face difficulties in recovering the full value of the collateral in periods of severe financial market instability or sudden decline in the creditworthiness of the issuer of the underlying collateral instrument. Moreover, the Group manages a treasury book and is exposed to the credit risk of the issuer underlying instruments. In cases of the issuer's default, the Group may be required to recognize losses on its balance sheet. If the Group is unable to recover the full value of the collateral underlying its credit book or treasury book, this could have a material adverse effect on the Group's business prospects, cash flows, results of operations and financial condition.

1.2.7 flatex is exposed to reputation risks.

flatex is exposed to reputational risks related to the online brokerage industry, including negative news coverage of the Group's or of its competitors' online brokerage businesses, statements from relevant regulatory bodies and general client sentiment. As discount and/or no-fee online brokerages services have increased in popularity in past years among retail clients, there has been an increase in press coverage of competitors' customer trading activities and business models, in particular in the US.

Future negative press coverage of the Group's competitors in Europe or the US, or of the Group, could have a negative impact on flatex's acquisition of new customers, business partners, employees or investors, even if the business practices in question are not used by flatex itself. In addition, in response to negative press coverage or changing public sentiment, EU or national regulators might increase supervision of, or propose new laws or regulations targeting the online brokerage business or the Group, potentially materially impacting flatex's business plan, revenues and profitability.

1.2.8 If the Group loses current key members of management or is unable to attract and retain the talent required for its operations, the Group's business may suffer.

The Group's success depends on its employees, including key management personnel. The Group's employees' familiarity with internal processes and operational expertise, especially in the core banking and IT systems fields, are critical factors in the efficiency of the Group's business operations. The Group applies a variety of approaches to expertise retention and employee loyalty, including but not limited to market adjusted salaries, local hiring, and to a certain extent share participation programs. However, these measures may not be enough to retain key employees, the loss of which could have a significant impact on the Group's business operations.

The Group is especially dependent on the expert knowledge of its current senior management. If any of the key managers or other critical employees were to leave the Group, the Group might be unable to attract and retain suitable replacements. As a result, the Group may be unable to pursue its business operations as planned which could have a material adverse effect on the Group's business prospects, cash flows, results of operations and financial condition.

1.2.9 If the Group incurs a large amount of fraud-related losses, the Group's results of operations and financial condition may be adversely affected.

The Group is exposed to fraud risk associated with information provided by its (potential) clients. The most common fraud risk is identity theft. The Group could suffer losses due to fraud or due to other criminal behaviour of its potential or actual clients, which may be unanticipated or undetected by the Group or its counterparties. A large-scale attack or collusion could result in potentially greater losses if the Group is unable to detect or prevent such behaviour. This could have a negative impact on the Group's business prospects, including its reputation as well as its financial condition and results of operations.

1.2.10 The Group may incur property, casualty or other losses not covered by insurance.

Insurance fully covering political, economic and many other risks relating to the Group's business is not generally available to the Group or to other companies. No assurance can be given that the insurance policies that the Group currently has in place will continue to be available, or that they will be available at economically feasible premiums.

Any actual losses suffered by the Group may exceed the Group's insurance coverage and would be subject to limitations and deductibles, which could be material. The realization of one or more damaging event for which the Group has no, or insufficient insurance coverage may have a material adverse effect on the Group's business, financial condition and results of operations.

1.3 Legal, Tax and Regulatory Risks

1.3.1 The Group's business is dependent on the license to conduct banking business.

The Group is dependent on flatex Bank AG's ("**flatex Bank**") German banking license, which enables it to provide banking services within the European Economic Area ("**EEA**"). If the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**") were to withdraw flatex Bank's license for any reason, the business of the Group would be in jeopardy and it might also have to cease a majority or the entirety of its current operations. Other administrative investigations or sanctions imposed by the BaFin, German Central Bank (*Bundesbank*) or the European Central Bank ("**ECB**") could cause significant reputational risk, which could harm the Group's business, financial condition and results of operations.

1.3.2 The companies in the Group's network may be subject to numerous and stringent regulations concerning financial technology in the jurisdictions where they operate.

The Group operates in the highly regulated financial technology industry. Because these laws and regulations are often ambiguous, and their application is unclear, they are subject to multiple interpretations, particularly by different courts and regulators, which may differ from the current interpretations of the Group. Certain members of the Group or the Group as a whole may be subject to administrative sanctions or may become liable for damage claims or any claims in relation to violation of applicable regulations. Furthermore, new proposals for legislation may be introduced that, if enacted, could substantially increase the regulatory burdens of the financial technology industry and the Group or impose restrictions on the operations of the companies in the Group's network and their ability to implement corresponding business strategies.

1.3.3 flatex Bank may fail to successfully manage the diverse sets of regulatory requirements it currently is subject to, particularly requirements under the EU Capital Requirements Directive

(2013/36/EU) and the Capital Requirement Regulation (575/2013) and may face regulatory problems entering into new markets.

flatex Bank is subject to capital adequacy regulations, which aim to put in place a comprehensive and risk-sensitive legal framework and to ensure enhanced risk management among financial institutions. The bank must always meet the capital requirements in accordance with the EU Capital Requirements Directive (2013/36/EU) ("**CRD IV**") and the Capital Requirements Regulation (575/2013) ("**CRR**"). CRD IV and CRR have imposed significant changes for financial institutions in terms of minimum capital requirements and capital buffers.

These capital requirements could force the Group to acquire additional capital, which may be unavailable in the future or unavailable at an attractive rate or within the timeframe necessary in order to ensure compliance with such requirements, or to limit the Group's ability to further expand its credit business. Failure to comply could lead to administrative sanctions of flatex Bank by regulatory authorities, which may also affect the Group's ability to conduct its business and in turn its financial condition and results of operations.

1.3.4 The Group may fail to comply with data protection requirements and changes in laws on data protection regulations may have a negative effect on the Group's operations.

The Group's operations are subject to a number of national and European laws relating to data privacy, data processing and data storage, including Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC ("**General Data Protection Regulation**") which came into force at the end of May 2018. The Group is also subject to any relevant local data protection and privacy laws in jurisdictions in which it operates. The requirements of these laws may affect the Group's ability to collect, store and use personal data in a way that is of commercial use to the Group. Breach of data privacy legislation could result in claims against the Group by its clients that it has infringed their privacy rights. It could also face administrative proceedings (including criminal proceedings) initiated against it by the data protection regulators of the relevant jurisdictions in which the Group operates. Failure to comply with all these requirements could have a negative impact on the Group's business prospects, including damage to its brand and reputation, as well as the Group's financial condition, cash flows and results of operations.

1.3.5 The Group may fail to comply with the regulation on measures against money laundering and terrorist financing.

The Group's business is subject to the various anti-money laundering and anti-terrorist financing regulations. The requirements under applicable regulation are detailed and demand substantial resources, internal routines and guidelines. During the last decade, regulatory authorities have intensified their monitoring of financial institutions, which has led to several administrative sanctions for such institutions. Furthermore, the legal framework has been revised and is constantly subject to discussions on an international level. It is possible that new or amended requirements would require the Company to further adapt its practices and procedures. While the Group takes comprehensive measures to comply with the legal framework and specific local regulatory requirements of each jurisdiction regarding measures to prevent money laundering and anti-terrorist financing, it is possible that local courts, regulatory agencies and financial supervisory authorities, including the Group's home country supervisory authority, could issue new regulations or interpretations in the future or find the Group's measures to be inadequate or in violation of local or EU-wide legal requirements. Administrative sanctions by regulatory authorities would cause significant reputational risk and could have a material adverse effect on the Group's business, financial condition and results of operations.

1.3.6 The Group is subject to challenges by tax authorities and may not correctly apply all the various tax regimes it is subject to.

The Group's main tax risks are related to changes to or possible erroneous interpretations of tax legislation. Such changes or erroneous interpretations could lead to tax increases or other financial losses. Realization of such risks might have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, corporate income tax, value added tax, sales taxes and other taxes levied upon on the Group's business are subject to change and can be increased, changed or completely restructured at any time. Changes to local tax regimes or challenges to the current tax structure of the Group could have a material adverse effect on the Group's business, financial condition, or results of operations.

1.4 Risks related to the Shares and Shareholder Structure

1.4.1 There is uncertainty regarding the price development and the liquidity of the Shares. Share prices may be subject to strong fluctuations.

The Company's existing Shares are currently traded on the Open Market (*Freiverkehr*) in the Scale segment of the Frankfurt Stock Exchange and on several other German stock exchanges. The Company intends to apply for admission of the Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard).

The Company's share price may be subject to considerable volatility, particularly due to fluctuations in actual or projected operating results of the Company or its competitors, changes in profit forecasts or non-fulfilment of the profit expectations of securities analysts, changes affecting the industry, the overall economy or the financial markets, changes to the shareholder structure, changes in the number of free float shares, market rumours in combination with speculative short selling activities of certain market participants and other factors. The Company cannot guarantee that there will be sufficient liquidity in the Shares once admitted on the regulated market. General price volatility, specifically of shares in companies in the same industry, or a deterioration of the general stock market environment, could also put pressure on the price of flatex AG's shares, without this necessarily having its root cause in the Company's business, financial condition or results of operations.

1.4.2 Future capitalization measures could lead to a substantial dilution, i.e., a reduction in the value of the Shares and the control rights of existing shareholders' interests in the Company.

The Group may require additional capital in the future to finance its business operations and growth, especially to implement its medium-term strategy to expand to new markets. Both the raising of additional equity through the issuance of new or treasury shares and the potential exercise of conversion or option rights by the holders of convertible bonds or bonds with warrants, which may be issued in the future, may dilute shareholder interests in the Company. Additionally, the acquisition of other companies or investments in companies in exchange for newly issued shares of the Company, as well as the exercise of stock options by its employees in the context of future stock option programs or the issuance of shares to employees in the context of future employee stock participation programs could lead to such dilution.

1.4.3 Shareholders are subject to the risk of detrimental changes of foreign exchange rates and adverse tax consequences.

The Company's share capital is denominated in EUR and all dividend payments on the shares of the Company, if any, are payable in EUR. Therefore, every holder of shares outside of countries where the predominant currency is the EUR is subject to the risk that following detrimental changes of the exchange rate between the EUR and such holder's home country currency because of economic, political, or other factors over which the Group has no control, the effective value of dividend distributions and profits realized upon the sale of Shares, if any, may be lower than expected. In addition, such investors could incur additional costs in converting EUR into another currency. There is furthermore a risk that authorities with jurisdiction over the currency in which a shareholder's financial activities are denominated may impose or modify exchange control with the effect that holders may receive fewer dividends than expected. Furthermore, dividend payments on the shares, if any, or profits realized by its holders upon the sale of shares, may be subject to taxation in such holder's home jurisdiction or in another jurisdiction in which he or she is required to pay taxes, further reducing the effective yield of the investment in the shares of the Group.

1.4.4 *The Group's ability to pay dividends in the future depends on several factors, including asset impairments.*

The Company has not paid any dividends since 2011. However, the Company's dividends, if any, are resolved upon by the shareholders' meeting based on recommendations from the Management Board and the Supervisory Board. The shareholders' meeting may not generally resolve to distribute dividends in a larger amount than that recommended or approved by the Management Board and the Supervisory Board. However, the shareholders' meeting, subject to certain limits and conditions, may resolve on distributing dividends out of the profits for the last financial periods ended regardless of the recommendations of the Management Board and the Supervisory Board. The recommendations of the Management Board and the Supervisory Board as to whether, and in what amount, to distribute dividends in the future depends on a number of factors, including but not limited to the Group's results of operations, its financial and capital expenditure requirements, and the availability of distributable profits and reserves based on the statutory financial statements of the Company. If the Company does not have distributable funds available, no dividends may be paid out. Further, no distributions may be made to the shareholders where the Company is insolvent or where the distributions would render the Company insolvent. These restrictions and any possible future restrictions in loans or bonds may further limit the distribution of dividends by the Company.

The Group reviews the recoverability and estimated remaining useful lives of its intangible assets and property plant and equipment on an annual basis. The Group also assesses the carrying amounts for possible impairment whenever circumstances indicate a potential impairment. The Group reviews its loan portfolio on an ongoing basis to assess whether there is any objective evidence of impairment. Potential changes in the regulatory, business, economic, or political environment may result in the need to make changes to past estimates, and to recognize accelerated depreciations, amortizations or impairment losses in intangible assets, property, plant and equipment and credit portfolio. Although the recognition of impairments would result in a non-cash charge on the income statement, it could adversely affect the results of the Group's operations and its ability to pay dividends.

2. GENERAL INFORMATION

2.1 Responsibility Statement

flatex AG, Rotfeder-Ring 7, Frankfurt am Main, Federal Republic of Germany, (telephone +49-69-450001-0, homepage: www.flatex.com, legal entity identifier ("**LEI**") 529900IRBZTADXJB6757) together with Jefferies GmbH, Bockenheimer Landstraße 24, 60323 Frankfurt am Main, Germany (homepage: www.jefferies.com), LEI 5493004I3LZM39BWHQ75 ("**Jefferies**" or the "**Financial Adviser**") and BankM AG, Mainzer Landstraße 61, 60329 Frankfurt am Main, Germany (homepage: www.BankM.de), LEI 5299001H21LR9DLCC127 (the "**Listing Agent**") assume responsibility for the content of this prospectus (the "**Prospectus**") and declare that the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and that this Prospectus makes no omissions likely to affect its import.

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area (the "**EEA**").

The information contained in this Prospectus will not be updated subsequent to the date hereof except for any significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus, which may affect the assessment of the shares of the Company and which arises or is noted between the time when this Prospectus is approved and the completion of the public offering or admission of the securities to trading, whichever occurs later, which will be disclosed in a supplement to this Prospectus pursuant to Article 21 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the "**Prospectus Regulation**") without undue delay.

2.2 Competent Supervisory Authority

This Prospectus has been approved on 25 September 2020 by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**"), Marie Curie Straße 24–28, 60439 Frankfurt am Main, Germany (telephone +49 228 4108-0, homepage: www.bafin.de), as the competent authority under the Prospectus Regulation.

BaFin has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company of the quality of the securities that are the subject of this prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

This Prospectus has been drawn up based on the disclosure regime for equity in accordance with the Prospectus Regulation and has been composed based on the requirements of Annex 1, Annex 11 and Annex 20 of Commission Delegated Regulation (EU) 2019/980 supplementing the Prospectus Regulation.

2.3 Subject matter of this Prospectus

This Prospectus relates to the admission of the Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) ("**FSE Prime**")(the "**Up-Listing**") of the entire share capital of the Company, i.e. 27,223,137 fully paid-up, no-par value ordinary registered shares, each with a calculated notional amount of EUR 1.00 per Share.

The Company's Shares are currently traded on the Open Market (*Freiverkehr*) in the Scale segment of the Frankfurt Stock Exchange and on several other German stock exchanges under the symbol "FTK".

2.4 Forward-Looking Statements

This Prospectus contains various "forward-looking statements" that reflect management's current view with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical fact or present facts or circumstances. The words "aim", "anticipate", "assume", "continue", "expect", "forecast", "guidance", "intend", "plan", "potential", "predict", "projected" and "will" or the negatives of these expressions are intended to identify forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements occur in a number of places in this Prospectus, including, without limitation, in the sections entitled "*I. Prospectus Summary*", "*1. Risk Factors*", "*5. DEGIRO Acquisition*" "*7. Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*8. Pro Forma* Information", "*9. Profit Forecast*" and "*10. Business*" and include, among other things, statements relating to:

- the Group's future financial position;
- the Group's strategy and outlook;
- the Group's liquidity, capital resources and capital expenditure;
- the Group's planned investments;
- acquisition opportunities in the markets in which the Group currently, or may in the future, operate;
- expectations as to future growth in demand for the Group's products and services;
- demographic trends;
- general economic trends and other trends in the consumer finance and in particular the small consumer loan markets within and outside of Europe;
- the impact of regulations on the Group's business and its operations; and
- the competitive environment in which the Group operates.

Although the Company considers that the expectations reflected in such forward-looking statements are reasonable, the Company, its Financial Adviser or its Listing Agent can provide no assurances that such expectations will prove to be correct. Such statements are not guarantees of future performance because they are based on numerous assumptions. Any forward-looking statement speaks only as at the date on which it is made, and the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless as required by law or regulation.

2.5 Information from Third Parties

This Prospectus contains information from third parties, in particular industry, market and statistical data that has been obtained from industry reports and studies, publicly available information and commercial publications. Where information has been sourced from third parties, it has been accurately reproduced, citing the relevant source. As far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would make the reproduced information inaccurate or misleading.

This Prospectus also contains the Company's estimates that are based on published third-party market data or numerical information from publicly available sources. The Company has not independently verified such market data and other information on which third parties have based their studies or the external sources on which the Company's own estimates are based, and therefore neither accepts responsibility nor offers any guarantee as to the accuracy of the information from third-party studies contained in this Prospectus. Therefore, investors should exercise care when considering such information. Market studies are frequently based on information and assumptions that may be neither exact nor appropriate, and their methodology is by nature forward-looking and speculative.

2.6 Rounding

Figures presented in this Prospectus are commercially rounded up or down to whole euros, thousands of euro or millions of euro. All percentages are commercially rounded up or down. Due to rounding, the sum of the individually rounded figures may not equal the rounded total figure in all cases. Accordingly, in certain instances, the sum of the numbers in a column or row in tables may not conform exactly to the total figure given for that column or row.

2.7 Currency Information

In this prospectus, "**euro**", "**EUR**" and "**€**" refer to the single European currency adopted by certain participating member states of the European Union.

2.8 Presentation of Financial Information

This Prospectus includes consolidated financial information for the years ended 31 December 2019, 2018 and 2017 that has been extracted from the Company's audited consolidated financial statements as at and for the years ended 31 December 2019 ("**2019 Audited Consolidated Financial Statements**"), 2018 ("**2018 Audited Consolidated Financial Statements**") and 2017 ("**2017 Audited Consolidated Financial Statements**") (together the "**Annual Financial Statements**"), all prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**").

The unaudited interim financial information of the Company included in this Prospectus has been extracted from the unaudited interim condensed consolidated financial statements of flatex AG as at and for the six months ended 30 June 2020 ("**Unaudited Interim Condensed Consolidated Financial Statements**" and, together with the Annual Financial Statements, the "**flatex Financial Statements**"). The Unaudited Interim Condensed Consolidated Financial Statements were prepared by the Company in accordance with IFRS for interim financial reporting (IAS 34).

The Company's financial year begins on 1 January of a given calendar year and ends on 31 December of that calendar year.

BDO AG Wirtschaftsprüfungsgesellschaft, a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Fuhlentwiete 12, 20355 Hamburg, Germany, ("**BDO**"), has audited the following financial statements and issued in each case an unqualified independent auditor's report (*uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers*):

- the Company's consolidated financial statements in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a (1) in conjunction with Section 315a (3) German Commercial Code ("**HGB**") as at and for the financial years ended 31 December 2019, 31 December 2018 and 31 December 2017.

- the Company's unconsolidated financial statements in accordance with HGB as at and for the financial year ended 31 December 2019 ("**HGB Financial Statements**").

With respect to the Audited Consolidated Financial Statements, BDO conducted its audits in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer e.V.*).

Where financial information in the tables included in this Prospectus is labelled "audited", this means that it has been taken from the Company's Annual Financial Statements mentioned above. The label "unaudited" indicates financial information that has not been taken from the Annual Financial Statements mentioned above but was taken either from the Company's Unaudited Interim Condensed Consolidated Financial Statements or the Company's accounting records or internal reporting systems or is based on calculations of figures from the aforementioned sources.

Unless indicated otherwise, all financial information presented in the text and tables in this Prospectus is shown in Euro thousands (in € thousands).

Certain financial information (including percentages) has been rounded according to established commercial standards. As a result, the aggregate amounts (sum totals or subtotals or differences or if numbers are put in relation) may not correspond in all cases to the aggregated amounts of the underlying (unrounded) figures appearing elsewhere in this Prospectus. Furthermore, rounded figures in tables may not add up exactly to the totals contained in those tables.

A dash ("–") signifies that the relevant figure is not available, while a zero signifies that the relevant figure is available but has been rounded to zero.

2.9 Documents Available for Inspection

For the period during which this Prospectus remains valid, the following documents will be available for inspection on the Company's homepage at www.flatex.com under the "Investor Relations" section:

- the Company's articles of association (the "**Articles of Association**");
- the Company's Unaudited Interim Condensed Consolidated Financial Statements as set forth in this Prospectus.
- the Company's Annual Financial Statements prepared in accordance with IFRS as adopted by the European Union as set forth in this Prospectus; and
- the Company's audited unconsolidated financial statements as at and for the financial year ended 31 December 2019 prepared in accordance with the HGB as set forth in this Prospectus, i.e. the HGB Financial Statements.

Future consolidated and unconsolidated financial statements and interim reports of Company will be available on the Company's website (www.flatex.com). The Company's consolidated and unconsolidated financial statements will also be or are published in the German Federal Gazette (*Bundesanzeiger*).

Information contained on the Group's website does not form part of and is not incorporated into this Prospectus, however supplements to this Prospectus published on the website may form a part of this Prospectus (and the Prospectus itself will be published on the website).

3. THE LISTING

3.1 Admission to Exchange Trading

The Company will apply for admission of the Shares to trading in the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard).

The admission of the Shares is expected to take place on 23 October 2020. The commencement of trading of the Shares is expected to take place on 26 October 2020.

The Shares are currently traded on FSE Scale under the symbol FTK, as well as on the stock exchanges in Berlin, Dusseldorf, Hamburg, Munich, Stuttgart and Tradegate Exchange.

According to the Company's Articles of Association, shareholders are not entitled to demand individual share certificates.

3.2 ISIN, WKN, Trading symbol

As of the date of this Prospectus, the share capital of the Company amounts to EUR 27,223,137.00 and is divided into 27,223,137 Shares. Of such Shares, 7,500,000 were issued on 30 July 2020 and offered to DEGIRO shareholders in the acquisition of DEGIRO (the "**DEGIRO Acquisition Shares**") (for further details see: "*5.1 Description of acquisition of DEGIRO*") and are trading under a separate ISIN (ISIN: DE000FTG1202) and WKN (WKN: FTG120) until the conclusion of flatex's annual general shareholders' meeting ("**General Shareholders' Meeting**"), expected to take place on or around 20 October 2020. After the annual General Shareholders' Meeting, the DEGIRO Acquisition Shares separate ISIN and WKN will be merged into the ISIN and WKN of the Shares. After such point, all Shares (with full dividend rights as of 1 January 2020) can be identified as follows:

International Securities Identification Number (ISIN):	DE000FTG1111
Securities Identification Number (WKN):	FTG111
Ticker symbol:	FTK

3.3 Form, Voting Rights, Disposal Restrictions and Transferability

All of the Shares are ordinary registered shares with no-par value (*auf den Namen lautende nennwertlose Stückaktien*), each such share with a notional value of EUR 1.00 per share, and have been issued based on the provisions of the German Stock Corporation Act (*Aktiengesetz*).

The Company's current share capital in the amount of EUR 27,223,137.00 is represented by a global share certificate without dividend coupons, bearing a blank endorsement (*Blankoindossament*), held with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany ("**Clearstream**").

Each Share confers one vote at the General Shareholders' Meeting of the Company. There are no restrictions regarding the voting rights other than the restrictions provided by law in certain cases and there are no different classes of voting rights. The Shares are freely transferable in accordance with the legal provisions applicable to registered shares.

3.4 Dividend Entitlement and Participation in Liquidation Proceeds

The Shares carry full dividend rights from 1 January 2020. The annual General Shareholders' Meeting of the Company, which is held once annually usually within the first eight months of the respective financial year, decides on the appropriation of any net retained profit and thus on the full or partial disbursement thereof to shareholders. The Management Board and the Supervisory Board are required to submit a recommendation on the appropriation of profit, but the annual General Shareholders' Meeting of the Company is not bound by such recommendation. Individual shareholders have no claim to the disbursement of dividends unless the annual General Shareholders' Meeting of the Company has passed a resolution to that effect. The annual General

Shareholders' Meeting of the Company may decide to make an in-kind distribution in addition to, or instead of, a cash distribution.

By law, claims to the payment of dividends generally become time-barred after three years, after which time the Company may refuse to make any disbursement. Once the global share certificates representing the Shares are deposited with Clearstream, Clearstream will automatically credit any dividends accruing on the Shares in the future to the securities accounts held at the respective custodian banks. Domestic custodian banks are under a corresponding obligation to their clients. Shareholders whose Shares are held in custodial accounts at foreign institutions should inform themselves about the procedure applicable at such institutions. Forfeited dividend claims shall accrue to the Company.

In the event the Company is dissolved, any liquidation proceeds would be distributed to the shareholders in proportion to their interest in the Company's share capital pursuant to Section 271 German Stock Corporation Act (*Aktiengesetz*).

Shareholders have the right to subscribe for new shares issued pursuant to any future capital increases in a ratio proportionate to the respective interest they hold in the Company's current share capital (subscription right). No subscription rights exist in the case of contingent capital increases; otherwise, subscription rights may be excluded by resolution of the annual General Shareholders' Meeting of the Company or, if the annual General Shareholders' Meeting of the Company so authorizes, by resolution of the Management Board, subject to the consent of the Supervisory Board (for further details see "*14. General Information about the Company and the Group*").

3.5 Timetable of the Listing

The anticipated timetable for the Up-Listing of the Shares is as follows:

Date	**Event**
25 September 2020	Approval of the Prospectus by the BaFin. Publication of the Prospectus on the Company's website (www.flatex.com)
5 October 2020	Application for admission to trading of the Shares on FSE Prime
23 October 2020	Admission of the Shares to trading on FSE Prime
26 October 2020	Commencement of trading in the Shares on FSE Prime

3.6 Listing Agreement, Relationship with Listing Agent

In connection with the Up-Listing, the Company and the Listing Agent have entered into a listing agreement. The listing agreement includes customary representations and warranties given by the Company to the Listing Agent.

The listing agreement also stipulates that the Company must release the Listing Agent from certain liabilities and that their obligations under the listing agreement are contingent on the fulfilment of certain conditions, including, for example, the receipt of a standard disclosure letter that the Listing Agent deems satisfactory.

The Listing Agent has a right to terminate the listing agreement for cause under certain circumstances. These circumstances include, in particular, the non-occurrence of conditions precedent under the listing agreement.

Outside the Listing Agent's services under the Listing Agreement, the Group and the Listing Agent have currently, and may from time to time in the future continue to have, business relations with the Company and companies in the Group and may include performance of services in the ordinary course of business. In particular, flatex Bank AG provides white-label banking services (banking products or service that are developed or provided by flatex and marketed and sold by another party, "**white-label**") to the Listing Agent, all on standard market conditions.

3.7 Reasons for the Listing and Costs of the Listing

The Company intends to expand its business in the future. To facilitate this expansion, the Company opted for the Up-Listing, aiming to provide shareholders with the increased transparency levels required as a result of a growing market capitalization and to gain increased access to the capital markets and thus benefit from additional sources for financing of the future growth of the business.

The Company estimates that the total costs of the admission to trading will amount to approximately EUR 600 thousand. The costs of the listing include, *inter alia*, costs for external advice (in particular by Listing Agent, legal and tax advisors), audit fees (auditors), transaction costs and costs of the planned stock exchange admissions, including their preparation. The Company will receive no net proceeds as no securities are being offered through this Prospectus.

3.8 Designated Sponsor

M. M. Warburg & Co., Ferdinandstraße 75, 20095 Hamburg, Germany, MAINFIRST BANK AG, Kennedyallee 76, Frankfurt am Main, Germany and Hauck & Aufhäuser Privatbankiers AG (appointment ends year-end 2020), Kaiserstraße 24, 60311 Frankfurt am Main, Germany are acting as designated sponsors for the Company's Shares (the "**Designated Sponsors**"). Designated sponsors ensure, in particular, greater liquidity in the market for the shares by issuing fixed ask and bid prices.

3.9 Stabilization

In connection with the Up-Listing of the Shares, no stabilization measures will be undertaken by, or on behalf of, the Company on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the over-the-counter market (*Freiverkehr*) or otherwise.

4. DIVIDEND POLICY

The Company has not paid any dividends in 2019, 2018 and 2017. The Company does not currently intend to pay out dividends due to its growth focused strategy.

5. DEGIRO ACQUISITION

The description of DeGiro B.V. contained in this Prospectus, including any indicative financial information and operating data, with the exception of description of the Acquisition Agreement, is based solely upon the information that was provided to flatex Group during the acquisition process or which is publicly available and flatex Group has not independently verified this information.

5.1 Description of acquisition of DEGIRO

On 9 December 2019, the Supervisory Board of flatex approved the acquisition of 100% of the shares in the Dutch online broker DeGiro B.V. (DEGIRO). On 13 December 2019, flatex entered into a share purchase agreement to acquire all the shares of DEGIRO for a total purchase price of EUR 250 million (calculated on a cash and debt free-basis), consisting of approximately EUR 60 million in cash and a capital increase against a contribution in kind (*Sachkapitalerhöhung*) valued at EUR 190 million (the "**Acquisition**"). The capital increase comprised the allocation of 7,500,000 new flatex shares with exclusion of subscription rights to existing flatex shareholders in exchange for all DEGIRO shares.

Upon the conclusion of the purchase agreement, flatex AG immediately acquired 9.4% of the shares in DEGIRO against cash payment of EUR 23,611,111. The remaining 90.6% of the shares, totalling 16,300,000 shares, in DEGIRO were acquired on 30 July 2020. The issuance of 7.5 million new flatex shares under exclusion of subscription rights of existing flatex shareholders, representing 27.6% of the current entire share capital of flatex AG, was settled on 30 July 2020. In addition, flatex paid on a debt-and-cash-free basis EUR 36.4 million in cash.

As a result of the DEGIRO acquisition, flatex holds 100% of the shares and voting rights in DEGIRO and has expanded its presence to 18 European countries and diversified its client base from approximately 424,036 clients (as of 30 June 2020) to more than 1,000,000 clients.

5.2 Description of DEGIRO

DeGiro B.V. is a privately held, regulated investment firm and brokerage service operating under the laws of the Netherlands and is registered with the Chamber of Commerce and Industry in Amsterdam under number 34342820. It has its business address at Amstelplein 1, 9th floor, 1096 HA, Amsterdam, the Netherlands, and is subject to supervision by the Authority for the Financial Markets and prudential supervision of the Dutch Central Bank (*De Nederlandsche Bank*).

DEGIRO was founded in the Netherlands in 2007 as a fund management company, adding brokerage services for professional clients in 2011 and launching its online retail brokerage services in 2013. Since then, DEGIRO has expanded across 18 countries, employing over 250 employees and settling over 19 million transactions in fiscal year 2019.

Using proprietary trading platforms, developed in-house, DEGIRO offers access to almost 50 foreign exchanges, including Australia, Japan and Hong Kong. It offers a full product range of stocks, bonds, futures, options, exchange traded products and exchange traded funds, among others. Through its proprietary technology, DEGIRO offers execution, clearing and settlement services over extended trading hours to almost 700,000 investors.

5.3 Strategy and Reasons for the Acquisition

flatex considers DEGIRO's business as scalable and capable of a wide geographic reach. The DEGIRO acquisition is a milestone in flatex's path to build a pan-European independent online brokerage business. Both brands will be retained and both platforms will continue to be operated.

The strategic rationale behind the acquisition of DEGIRO is to: (i) widen and diversify flatex's client base (from 424,036 clients as of 30 June 2020 to more than 1,000,000 clients); (ii) increase the number of transactions from 13 million to more than 50 million; and (iii) grow the current market positioning to allow immediate access to multiple geographies. The synergies are expected to contribute more than EUR 30 million to EBITDA in 2021. flatex aims to harmonize infrastructure and systems with DEGIRO in order to create cost savings and synergies, such as:

- increased trading flow with more efficient (i) settlement, (ii) custody and (iii) clearing;

- consolidate service centres for flatex's and DEGIRO's operations;
- pursue cost savings in execution costs, system costs and research and development costs by harmonizing the IT systems of the combined Group;
- attempt to streamline, strengthen and expand the joint business through flatex's regulatory set-up (holding a fully-fledged banking license with a European passport);
- offer access to a flatex Bank AG account for DEGIRO clients, potentially reducing DEGIRO's costs due to the phasing out of costly money market fund solutions;
- pursue cost of funding savings for the margin loans by using cash deposits of own Group clients; and
- seek savings as a result of the combined procurement power.

5.3.1 Clients

flatex and DEGIRO together have more than 1 million clients in 18 countries. The Group's aim is to continue growing the customer base to over 2 million clients in Europe in the mid-term. The Group currently targets active clients with a trading activity similar to flatex's existing client base, aiming to attract mature self-directed clients (age 35-50) with a certain level of knowledge and wealth available for investments.

5.3.2 Core products:

flatex has the option to implement cross-selling potentials between the two companies. DEGIRO currently offers its customers futures and options trading; these may also be offered to flatex customers. On the other side, flatex currently offers its customers early- and late-hours trading on stock exchanges and over-the-counter marketplaces. These may also be offered to DEGIRO customers, if in compliance with applicable laws. Furthermore, flatex aims to develop and introduce new products across the flatex and DEGIRO brands that leverage the increased client base resulting from the acquisition and the expected continued growth in client base.

5.3.3 Core geographies

Following the acquisition, the Group's aims to focus on the core German, Dutch and Austrian markets and other European countries in which DEGIRO already has an established presence. flatex aims to continue DEGIRO's growth in key countries, such as France, Spain, Portugal and Italy, through efficient marketing strategies. These markets have a significant growth potential with a combined population of over 200 million. Additionally, flatex will supplement the key country expansion with efforts to develop DEGIRO's presence in further European countries where it already has an established footprint (an additional population of approximately 100 million) in the mid-term.

5.3.4 Strategic alignment

In general, following completion of the acquisition, DEGIRO's business model and operations will align and identify with the strategy and objectives of the flatex Group, to the extent allowed – and with all appropriate adjustments necessary – under EU and Dutch law.

5.3.4.1 Bank accounts

Combined with the flatex regulatory set-up (holding a fully-fledged banking license with a European passport), flatex aims to stream-line, strengthen and expand the joint business.

In this context, flatex Bank enables DEGIRO clients to benefit from direct access to a German flatex bank account. This does not only reduce DEGIRO's costs due to the phasing out of the costly existing financing solutions, but also provides DEGIRO clients with a standard bank account, featuring a deposit guarantee of EUR 100,000, an improvement from the EUR 20,000 guarantee currently in place for the money market funds solution.

5.3.4.2 Sofia service centre

With the acquisition of DEGIRO, flatex has the opportunity to optimize customer support for all flatex and DEGIRO customers through the further harmonization of DEGIRO's service centres, located mainly in Amsterdam, Netherlands and Sofia, Bulgaria, with existing flatex centres in Kulmbach (first level service centre) and Neuss, Germany (special clients service centre). Following completion of the acquisition, Sofia could be further developed as a key satellite for the combined Group for international client support and IT. In addition, the acquisition allows flatex to leverage existing relationships and knowledge in Sofia, to potentially gain access to a wider pool of potential IT applicants from Eastern Europe.

5.4 Financing the Acquisition

To finance the purchase price for 100% of the DEGIRO shares, flatex AG carried out a capital increase against contribution in kind at closing. In this context, 7.5 million new flatex shares were issued to the DEGIRO shareholders precluding the subscription rights of existing shareholders of flatex AG. In addition, flatex paid EUR 60 million (on a cash-and-debt free basis), financed from the Group's own existing funds.

After the Acquisition, DEGIRO founding members and selected employees (approximately 15 beneficiaries) directly or beneficially own approximately 27.6% of flatex AG shares and, as part of the share purchase agreement ("**SPA**"), have agreed, in relation to the DEGIRO Acquisition Shares, to neither directly nor indirectly for a period of 12 months from 29 July 2020 (the "**Lock-Up Period**"):

(i) offer, pledge, allot, distribute, sell, contract to sell, market, transfer or otherwise dispose of any DEGIRO Acquisition Shares held by it or other securities of the Company;

(ii) grant, issue or sell any option or conversion rights on any DEGIRO Acquisition Shares;

(iii) purchase any option to sell, grant any option, right or warrant to purchase, transfer to another person or otherwise dispose of, directly or indirectly (including, but not limited to, the issuance or sale of any securities exchangeable into DEGIRO Acquisition Shares), any DEGIRO Acquisition Shares; or

(iv) enter into a transaction or perform any action economically similar to those described in (i) through (iii) above, in particular enter into any swap or other agreement that transfers to another, in whole or in part, the economic risk of ownership of DEGIRO Acquisition Shares, whether any such transaction is to be settled by delivery of DEGIRO Acquisition Shares, in cash or otherwise.

However, during the Lock-Up Period, the following disposals shall be permissible:

(i) disposals to another party of the SPA using off-market trade (OTC trade), provided, however, that the acquirer (alone or acting together with another shareholder of flatex) must not hold 10% or more of the Shares of flatex;

(ii) transfer of DEGIRO Acquisition Shares to companies which are controlled by, control or are under common control with flatex, or to another shareholder of flatex, provided, however, that the acquirer (alone or acting together with another shareholder of flatex) must not hold 10% or more of the shares of flatex;

(iii) disposals on the occasion of an acquisition of all Shares in flatex by a third party;

(iv) disposals after a change of control in flatex (acquisition of more than 50% of the shares in flatex); and

(v) disposals after a merger of flatex with a third party.

6. CAPITALIZATION AND INDEBTEDNESS

The following tables show the Company's capitalization and indebtedness based on the historical figures as at 30 June 2020. The financial information in the tables below is taken or derived from the Company's internal accounting records. See also "7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements, including the related notes thereto, contained in this Prospectus, and additional financial information contained section "17. Financial Information".

6.1 Capitalization

	As at 30 June 2020
	(in EUR thousand) *(unaudited)*
Total current debt[1]	**1,537,722**
Guaranteed	0
Secured	0
Unguaranteed / Unsecured	1,537,722
Total non-current debt (excluding current portion of long-term debt)	**38,058**
Guaranteed	0
Secured[2]	636
Unguaranteed / Unsecured	37,423
Shareholder's equity	**204,383**
Share capital	19,703
Legal reserve	76,316
Other reserves	85,465
Total	**1,780,163**

(1) Total current debt includes current liabilities, provisions as well as deferred tax liabilities.

(2) Mortgages serve as collateral for the secured non-current debt.

6.2 Net financial indebtedness

Net financial debt	As at 30 June 2020
	(in EUR thousand) *(unaudited)*
A. Cash	838,692
B. Cash equivalent	93,660
C. Other current financial assets	657,110
D. Liquidity (A)+(B)+(C)	**1,589,462**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	1,537,722
F. Current portion of non-current debt	0
G. Current financial indebtedness (E)+(F)	**1,537,722**
H. Net current financial indebtedness (G)-(D)	**-51,740**
I. Non-current financial debt (excluding current portion and debt instruments)	16,266
J. Debt instruments	0
K. Non-current trade and other payables	10,854
L. Non-current financial indebtedness (I)+(J)+(K)	**27,120**
M. Total financial indebtedness (H)+(L)	**-24,620**

6.3 Contingencies and other financial obligations

As at the date of this Prospectus, the Company does not have any material changes in the contingent liabilities from unutilized irrevocable lines of credit compared to 30 June 2020.

Contingent liabilities from unutilized irrevocable lines of credit amounted to EUR 17,106 thousand as at 30 June 2020. (31 December 2019: EUR 216,827 thousand; 31 December 2018: EUR 193,812 thousand). They stem largely from securities-related loan agreements with customers, whereby the loans are fully collateralized by the customers' securities deposits, consisting for example of stocks and bonds (Lombard loans). The funding of potential utilizations is secured by the level of customers' cash deposits.

6.4 Significant Changes in Financial Position

Other than the EUR 36.4 million cash payment related to the DEGIRO Acquisition, which was recorded as of 30 July 2020, there has not been any significant change in the financial position of the Group which has occurred since 30 June 2020.

6.5 Working Capital Statement

The Issuer, in its own opinion and in line with the duration of the validity of the prospectus established in Article 12 of the Prospectus Regulation, has sufficient working capital for a period of at least 12 months.

7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the flatex Financial Statements, the HGB Financial Statements as well as other financial information included in this Prospectus. The discussion below includes an analysis of the Group's financial condition and historical results of operations. The discussion contains forward-looking statements, which, although based on assumptions the Group considers reasonable, are subject to risks and uncertainties that could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties, see "2.4 Forward-Looking Statements" and "1. Risk Factors".

Any financial information in the following tables labelled as "audited" has been taken from the Company's audited consolidated financial statements and any financial information labelled as "unaudited" has been taken from the Company's unaudited consolidated financial statements or from the Company's internal accounting records.

7.1 Overview

The Issuer, flatex AG, (Technologies segment) is a supplier of innovative technologies and IT-services to financial service providers, both hardware as well as software. Its 100% subsidiary flatex Bank AG (Financial Services segment) operates a fast-growing online brokerage business under its own banking license.

In the Technologies segment, the Group offers B2B clients a broad range of technology products and banking services as an outsourcing solution through a modular core banking platform and services. In 2019, the Technologies segment generated 14.5% of the Group's gross revenue and 43.6% of the Group's EBITDA after consolidation effects.

The Financial Services segment mainly comprises the activities of flatex Bank AG. In 2019, the Financial Services segment had approximately 368,133 customers (as of 31 December 2019) and processed approximately 12.27 million securities, FX and CFD transactions, having generated 85.5% of the Group's gross revenue and 56.4% of the Group's EBITDA after consolidation effects.

The Group provides its online brokerage services through its brands "flatex" and "ViTrade", with the latter predominantly focusing on particularly experienced and active retail clients. As pure online brokers, flatex and ViTrade have no branches. Through these brands, the Group focuses on serving active, well-informed traders and investors who act for their own account, without providing any advice or recommendations in connection with the securities transactions it brokers. The Group's online brokerage services include trading in most types of financial instruments that are tradable on national and international exchanges, as well as OTC trading venues.

In December 2019, flatex AG and DEGIRO announced the acquisition of DEGIRO by flatex AG, creating a pan-European online broker with a presence in 18 European countries. The acquisition closed on 30 July 2020.

7.2 Financial Statement Overview

7.2.1 Segment Overview

The Group provides online securities brokerage and software and technology for transaction processing and white-label banking services to its clients. The Group's business is divided into two reporting segments.

The Technologies segment provides IT-Services development, production, distribution and maintenance of software, hardware and IT infrastructure. Technologies includes the Group's core banking system: FTX:CBS and, in addition, includes its own Limit Order System (L.O.X.) and individual authorisation procedures via distributed electronic signatures to multi-client capability.

flatex Bank AG is a licensed bank and covers the business in the Financial Services segment. Financial Services mainly provides B2C products and banking services of the flatex and ViTrade brands, B2B white-label banking, as well as electronic securities settlements through its automated technical transaction processing, securities custody, treasury and investment activities and other banking services to clients across 18 European countries.

Substantially all of the Group's revenues are derived from commission income from the Financial Services segment (approximately 85.5% of revenues in 2019) and sales of products and services in the area of business processing outsourcing. The Group's primary focus is serving retail clients in the Financial Services business and acting in the capacity of service provider vis-a-vis financial institutions in the Technologies business, by providing digital technology and services with straightforward, transparent pricing. The Group's revenues are earned with clients and products primarily from Europe, mainly in Germany, and are mostly in euros.

The following table sets forth the Group's revenues and EBITDA split by segment for the six months ended 30 June 2020 and 30 June 2019 and for the financial years ended 31 December 2019, 31 December 2018 and 31 December 2017:

	Financial Services	**Technology**	**Other and consolidation**	**Total**
		(in EUR thousands) *(audited)*		
Six months ended 30 June 2020				
Revenues	90,500	18,137	-8,859	99,778
Raw materials and consumables	23,299	1,707	-5,564	19,442
Personnel expenses	12,843	10,093	-2,609	20,327
Other administrative expenses	14,536	3,457	-686	17,307
EBITDA	**39,821**	**2,880**	**–**	**42,701**
Six months ended 30 June 2019				
Revenues	55,667	17,627	-8,945	64,350
Raw materials and consumables	24,071	1,750	-5,562	20,259
Personnel expenses	10,116	4,578	-2,148	12,546
Other administrative expenses	8,887	4,152	-1,235	11,804
EBITDA	**12,594**	**7,147**	**–**	**19,740**
		(in EUR thousands) *(audited)*		
Financial year ended 31 December 2019				
Revenues	112,767	36,230	-17,045	131,952
Raw materials and consumables	45,465	5,608	-12,901	38,172
Personnel expenses	21,294	8,018	-3,904	25,409
Other administrative expenses	24,798	6,234	-241	30,791
EBITDA	**21,209**	**16,370**	**–**	**37,580**
Financial year ended 31 December 2018				
Revenues	107,140	39,730	-21,770	125,100
Raw materials and consumables	44,517	5,462	-13,132	36,847
Personnel expenses	17,274	9,470	-4,830	21,914
Other administrative expenses	17,001	10,779	-3,808	23,972
EBITDA	**28,349**	**14,019**	**–**	**42,368**
Financial year ended 31 December 2017				
Revenues	89,113	30,642	-12,742	107,014
Raw materials and consumables	28,688	3,937	-1,640	30,985
Personnel expenses	15,353	2,702	5,088	23,143
Other administrative expenses	25,206	3,050	-7,445	20,812
EBITDA	**19,866**	**20,953**	**-8,745**	**32,073**

7.2.2 Non-IFRS Measures (APMs) and Other Key Financial and Operating Figures

This Prospectus includes non-IFRS measures, including EBITDA and EBIT. These measures are alternative performance measures as defined by the European Securities and Markets Authority ("**ESMA**"). The Group presents these non-IFRS measures as (i) they are used by its management to measure performance, including in presentations to the Management Board and Supervisory Board members and as a basis for strategic planning and forecasting; and (ii) they represent measures that the Group believes are widely used by certain investors, securities analysts and other parties as supplemental measures of operating and financial performance. These non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered as a substitute for analysis of the Group's operating results as reported under IFRS. Non-IFRS measures are not a measurement of the Group's performance or liquidity under IFRS and should not be considered as alternatives to consolidated net profit or any other performance measure derived in accordance with IFRS or other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

The following table shows a reconciliation of Consolidated net profit for the period to EBIT and EBITDA:

	Six months ended 30 June		Financial year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
	(in EUR thousand)				
	(unaudited)		*(audited)*		
Consolidated net profit	**22,374**	**8,547**	**14,908**	**17,474**[(3)]	**16,796**
Earnings from discontinued operations	–	–	–	–	-220
Income tax expense	11,698	4,079	6,720	10,965	8,179
Financial results	-1,701	-1,153	-3,123	-2,179	-1,288
EBIT[(1)]	**35,773**	**13,779**	**24,751**	**30,618**[(3)]	**26,484**
Depreciation and amortization	6,928	5,962	12,829	8,180	5,590
EBITDA[(2)]	**42,701**	**19,740**	**37,580**	**42,368**	**32,073**

(1) EBIT is equal to earnings before interest and income tax. It has been calculated based on Consolidate net profit, adding back earnings from discontinued operations, income tax expense and financial result.

(2) EBITDA is equal to earnings before interest, income tax and depreciation and amortization. It has been calculated based on EBIT, adding back charges taken for depreciation and amortization.

(3) 2018 figures have been adjusted following an IAS8 error correction on receivables from the Group's factoring business due to delayed detection of a case of fraud by the seller of the receivables. The correction of the error led to the disposal of short-term loans to customers in the amount of EUR 3,570 thousand at the expense of the result from the disposal of financial assets measured at amortized cost.

7.2.3 *Key Income Statement Line Items*

The Group's largest sources of revenues are *commission income*, proceeds from the provision of IT services, interest income and other operating income. The primary factors driving the Group's commission income are the total number of clients and client transactions and average commissions per transaction. Proceeds from the provision of IT services are primarily driven by the volume and nature of business processing services that the Group's banking and financial services clients purchase. The Group offers its modular core banking platform to clients on a fee basis, based on the type of products and services purchased. These fees include set-up fees, running fees and development/project fees. IT services revenues tend to be less affected by volatility than commission income due to the long-term nature of the projects and contracts and stable cash flows.

The Group derives *interest income* mainly from its credit business, in which it offers credit products consisting mainly of secured credit lines to its brokerage clients, as well as from its treasury portfolio. The primary factors driving the Group's interest income are the volume of client lending balances and average interest rates charged on such loans.

Raw materials and consumables used generally represent the Group's largest operating expense. These costs are directly linked to revenues and include expenses in connection with the settlement of securities transactions with counterparties. As such, they tend to fluctuate because of fluctuations in client accounts or trades and business volumes. Examples of expenses included in this category are fees paid to the securities exchanges and other market centres, payments to data line providers, IT licensing costs and other costs required to maintain the Group's infrastructure, such as computer hardware and other equipment.

Personnel expenses include wages and salaries, social security contributions, discretionary benefits such as stock-based compensation, expenses for pension plans and other related employee costs.

Other administrative expenses include costs paid to outside firms for legal advice, consulting, IT and marketing, office space and vehicle costs, insurance expenses, travel expenses, expenses related to the Group's banking business (such as mandatory contributions to the German deposit guarantee fund and regulatory costs) and other miscellaneous expenses. These expenses may fluctuate significantly from period to period.

Depreciation and amortization includes depreciation on property and equipment (such as the Group's data centre, IT infrastructure and office equipment) and amortization of capitalized development expenses. Amortization of acquired intangible assets consists of amortization of amounts allocated to the value of intangible assets acquired in business combinations. In the periods under review, the Group did not recognize any goodwill impairments.

Financial results comprise interest expenses (mainly in relation to interest expense on ECB's deposit facilities, pensions and borrowings) and (non-operational) interest income (such as in relation to changes in pension valuation).

7.3 Key Factors Affecting the Group's Results of Operations

The following factors have affected the Group's results of operations in the past three financial years, and may continue to affect its business, results of operations and financial condition. The impact of these and other factors may vary significantly in the future.

7.3.1 Trading volumes

General economic developments, particularly in Germany, and conditions in the capital and financial markets significantly impact the volume of the Group's clients' trading activity. There is a strong relationship between market volatility, the volume of clients' trading activity and the Group's results of operations. The future direction of financial market variables is difficult to predict. Trading volumes are influenced, among other things, by market volatility, interest rates and the attractiveness of other investments. Turbulence in the securities markets, a prolonged sideways trend with low volume, and other market risks can lead to increasing or declining interest among brokerage clients. If client trading activity increases, the Group generally expects that this would have a positive impact on its results of operations. If client trading activity declines, the Group generally expects that this would have a negative impact on its results of operations. Additionally, the economic environment can also influence the willingness of the Group's existing and new B2B customers to place new orders (mainly for IT services) and the agreed-upon fees.

The SARS-CoV-2 pandemic has not yet had any negative impact on the Financial Services segment's performance. The sharp rise in volatility on the stock markets resulted in a significant increase in transactions in flatex's brokerage business. This has impacted the results in the first six months of 2020. Continued volatility may further impact results for the current financial year. However, performance in the Financial Services segment could decrease should the SARS-CoV-2 pandemic result in further global economic slowdown, or if a change in volatility causes low trading volumes.

The following table sets forth several key metrics regarding client trading activity, which the Group utilizes in measuring and evaluating performance and the results of its operations:

	Six months ended 30 June		**Financial Year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited)			*(unaudited)*	
Transactions executed..	13,119,461	5,791,626	12,274,525	12,483,344	11,272,496
Number of retail customers................................	424,036	313,273	368,133	290,288	253,825
Transactions per retail customer/year	61.88	36.97	33.34	43.00	44.41

7.3.2 Customer cash deposit balances and interest rates:

Development of cash balances on customer deposit accounts may impact the Group's results of operations. In particular, the Group uses parts of the cash balances on its brokerage customers' trading/custodian deposit accounts to offer credit products (such as "**flatex flex-credit**") to brokerage customers. The loans, which are an alternative to overdraft loans, are fully collateralized by the securities in the customers' trading accounts. The Group charges interest on such loans, in general, currently at a rate of 4.9% p.a. Increased volumes on client deposit accounts and higher utilization of the credit lines by Group clients generally lead to higher interest income.

Changes in interest rates also impact the Group's results of operations. Firstly, prevailing interest rates determine the amount the Group can charge on its loan book. In addition, the Group is required to maintain a portion of its clients' cash balances in the form of cash deposits with the ECB. Additional client cash balances are invested in treasury securities or factoring. Rising interest rates would increase the amount of interest generated on these funds due to the short-duration (less than 180-day average) of the Group's treasury portfolio. The Group cannot predict the direction of interest rates or the levels of client balances. If interest rates rise, the Group generally expects to earn higher interest income.

The following tables set forth key metrics used by the Group in analysing interest income:

	As at 31 December		
	2019	**2018**	**2017**
		(in EUR million) *(unaudited)*	
Customer assets under management	14,586	10,995	11,794
of which: securities account volume	13,600	10,000	10,910
of which: deposit account volume	986	995	884

7.3.3 Product and services portfolio

The Group operates in a highly competitive environment and seeks to differentiate itself by providing efficient service, stable technical infrastructure and continuous enhancement of the products and services offered to customers. The Group's product and services offering has grown steadily in the past.

In the Technologies segment, the Group is developing its flatex Core Banking System ("**FTX:CBS**") core banking platform to be used for own B2C activities in flatex Bank AG as well as to leverage its ecosystem through offering shared services to B2B customers. The partnership concluded in 2018 with SAP Deutschland SE & Co. KG was expanded to include a reselling component, so that the successful combination of FTX:CBS and SAP can be used for third-party mandates in the future in an uncomplicated manner and from a single source.

In the Financial Services segment, the Group strives to enter into new partnerships and co-operations with issuers, trading platforms and stock exchanges to give customers more alternatives. In 2018, for example, the Group successfully partnered with Goldman Sachs for the ETP trading sector. In addition, a new pricing model for the trades with existing premium partners was introduced in the second half-year 2018. By offering attractive terms and through targeted marketing campaigns, the Group intends to, in a joint effort with its partners, further increase the awareness for the flatex brand, and increase the number of trades as well as revenues.

7.3.4 DEGIRO acquisition

In December 2019, flatex AG concluded a purchase agreement for all the shares in the Dutch online broker DEGIRO for a total purchase price of EUR 250 million on a cash and debt free basis, among other things. Upon the conclusion of the purchase agreement, flatex AG initially acquired 9.4% of the shares in DEGIRO, in order to be able to start the process of future collaboration in a timely manner, with a view to create a pan-European online broker with a presence in 18 European countries (*See also "5 DEGIRO Acquisition"*).

7.4 Results of Operations

The following table summarizes certain data from the Group's consolidated income statement for the years indicated for analysis purposes:

	Six months ended 30 June		Financial year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
			(in EUR thousand)		
	(unaudited)			*(audited)*	
Revenues	99,778	64,350	131,952	125,100	107,014

	Six months ended 30 June		Financial year ended 31 December		
	2020	2019	2019	2018	2017
	(in EUR thousand)				
	(unaudited)		*(audited)*		
Raw materials and consumables used..........................	19,442	20,259	38,172	36,846	30,985
Personnel expenses..	20,327	12,546	25,409	21,914	23,143
Other administrative expenses.....................................	17,307	11,804	30,791	23,972	20,812
Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA)...............	**42,701**	**19,740**	**37,580**	**42,368**	**32,073**
Depreciation..	6,928	5,962	12,829	8,180	5,590
Consolidated earnings before interest and income tax (EBIT)..	**35,773**	**13,779**	**24,751**	**30,618**	**26,484**
Financial results	-1,701	-1,153	-3,123	-2,179	-1,288
Consolidated earnings before income tax (EBT)......	**34,072**	**12,625**	**21,628**	**28,439**	**25,195**
Income tax expense..	11,698	4,079	6,720	10,965	8,179
Results from discontinued operations..........................	–	–	–	–	-220
Consolidated net profit	**22,374**	**8,547**	**14,908**	**17,474**[(1)]	**16,796**

(1) 2018 figures have been adjusted following an IAS8 error correction on receivables from the Group's factoring business due to delayed detection of a case of fraud by the seller of the receivables. The correction of the error led to the disposal of short-term loans to customers in the amount of EUR 3,570 thousand at the expense of the result from the disposal of financial assets measured at amortized cost.

7.4.1 *Six months ended 30 June 2020 and 30 June 2019*

7.4.1.1 *Revenues*

The Group's revenues for the six months ended 30 June 2020 were EUR 99,778 thousand, an increase of EUR 35,428 thousand, or 55.1%, compared to EUR 64,350 thousand in the six months ended 30 June 2019. Significant revenue types for the Group are commission income, interest income, and other operating income, including the provision of IT services, which developed in the first half-year 2020 as follows:

	Six months ended 30 June	
	2020	2019
	(in EUR thousands)	
	(unaudited)	
Commission income	76,915	46,458
Other operating income	12,125	11,347
Interest income	10,738	6,546
Total...	**99,778**	**64,350**

The Group's commission income amounted to EUR 76,915 thousand for the first half of 2020, an increase of 65.6%, or EUR 30,457 thousand compared to EUR 46,458 thousand recorded over the same period in 2019. Net commission income (after deducting commission expenses) was EUR 63,320 thousand, a 106.7% increase compared to EUR 30,634 thousand recorded in half-year 2019. The increase in commission income is mainly due to organic growth as well as the high stock market volatility triggered by the SARS-CoV-2 pandemic and the resulting high number of transactions.

Other operating income, including the provision of IT services amounted to EUR 12,125 thousand a 6.9% or EUR 778 thousand increase compared to EUR 11,347 thousand in the first half-year 2019. After deducting other operating expenses, e.g., for related raw materials and consumables, other net operating income was EUR 6,785 thousand, an 8.6% decrease or EUR 641 thousand less than EUR 7,426 thousand in the first half-year 2019. Revenues are mainly generated with customers in Germany. The sold services are subject to a constant price/volume structure.

In the first half of 2020, gross interest income was EUR 10,738 thousand, an increase of EUR 4,192 thousand or 64.0% compared to EUR 6,546 thousand in the first half of 2019. Net interest income was EUR 10,231 thousand, an increase of 69.6% or EUR 4,199 thousand compared to EUR 6,032 thousand in the first half-year 2019. The increase was primarily attributable to the further expansion of the collateralised loan portfolio.

7.4.1.2 *Raw Materials and Consumables Used*

The Group's raw materials and consumables used for the six months ended 30 June 2020 were EUR 19,442 thousand, a decrease of EUR 817 thousand, or 4.0%, compared to EUR 20,259 thousand in the six months ended 30 June 2019.

7.4.1.3 *Personnel Expenses*

The Group's personnel expenses for the six months ended 30 June 2020 were EUR 20,327 thousand, an increase of EUR 7,781 thousand, or 62.0%, compared to EUR 12,546 thousand in the six months ended 30 June 2019.

7.4.1.4 *Other Administrative Expenses*

The Group's other administrative expenses for the six months ended 30 June 2020 were EUR 17,307 thousand, an increase of EUR 5,503 thousand, or 46.6%, compared to EUR 11,804 thousand in the six months ended 30 June 2019.

7.4.1.5 *EBITDA and EBIT*

The Group's EBITDA for the six months ended 30 June 2020 were EUR 42,701 thousand, an increase of EUR 22,961 thousand, or 116.3%, compared to EUR 19,740 thousand in the six months ended 30 June 2019.

The Group's EBIT for the six months ended 30 June 2020 were EUR 35,773 thousand, an increase of EUR 21,994 thousand, or 159.6%, compared to EUR 13,779 thousand in the six months ended 30 June 2019.

7.4.1.6 *Financial Result*

The Group recorded EUR 1,701 thousand in loss on financial result for the six months ended 30 June 2020, a EUR 548 thousand, or 47.5% increase, as compared to a loss of EUR 1,153 thousand loss recorded in the six months ended 30 June 2019.

7.4.1.7 *Income tax expense*

The Group's income tax expense for the six months ended 30 June 2020 amounted to EUR 11,698 thousand, an increase of EUR 7,619 thousand, or 186.8%, compared to EUR 4,079 thousand in the six months ended 30 June 2019.

7.4.2 *Financial years ended 31 December 2019, 2018 and 2017*

7.4.2.1 *Revenues*

The Group's total revenues grew 16.9% from EUR 107,014 thousand in 2017 to EUR 125,100 thousand in 2018 and 5.5% to EUR 131,952 thousand in 2019. The following table shows the development of the various components of the Group's revenues for the years indicated:

	Financial year ended 31 December		
	2019	**2018**	**2017**
	(in EUR thousands) *(audited)*		
Commission income	90,401	84,861	77,488
Provision of IT services	19,794	18,462	16,006
Interest income	15,147	11,733	10,352
Other operating income	6,610	10,044	3,168
Total	**131,952**	**125,100**	**107,014**

Commission income rose by 9.5% from EUR 77,488 thousand in 2017 to EUR 84,861 thousand in 2018, and further by 6.5% to EUR 90,401 thousand in 2019.

This growth was generated from the flatex and ViTrade securities business and from flatex Bank AGs B2B services and is mainly due to the higher number of transactions and the expansion of B2B business. Revenues from the provision of IT services grew 15.3% from EUR 16,006 thousand in 2017 to EUR 18,462 thousand in 2018 and by 7.2% to EUR 19,794 thousand in 2019. The revenues were generated by the OTC trading systems L.O.X. and the system Tristan, as well as by further development services for customers from the Technologies segment. The increase was in particular the result of the advanced onboarding of the client Vall Banc to FTX:CBS.

Interest income experienced a 13.3% growth from EUR 10,352 thousand in 2017 to EUR 11,733 thousand in 2018 and, further, a 29.1% growth to EUR 15,147 thousand in 2019. This significant increase is primarily the result of the expansion of the loan portfolio, consisting mostly of secured loan products (i.e. the flatex flex loans and other special loans).

Proceeds from commission and interest income are allocable to the Financial Services segment, while revenues for the provision of IT services relate exclusively to the Technologies segment.

7.4.2.2 Raw *materials* and consumables used

Raw materials and consumables used increased by 18.9% from EUR 30,985 thousand in 2017 to EUR 36,846 thousand in 2018 and further by 3.6% to EUR 38,172 thousand in 2019, reflecting the growth in revenues and the expansion in the B2B business.

7.4.2.3 *Personnel* Expenses

The Group's personnel expenses for the financial year ended 31 December 2019 were EUR 25,409 thousand , an increase of 13.8% compared to EUR 21,914 thousand in 2018. The increase is mainly due to the higher number of employees despite a slight decrease in gross personnel costs per capita. In 2018 personnel expenses experienced a decrease of 5.6% compared to EUR 23,143 thousand in 2017.

7.4.2.4 *Other* Administrative Expenses

Other administrative expenses rose by 15.2% from EUR 20,812 thousand in 2017 to EUR 23,972 thousand in 2018, and by 28.4% to EUR 30,791 thousand in 2019, reflecting primarily higher sales and marketing expenses, generally in line with the Group's business expansion.

7.4.2.5 *EBITDA* and EBIT

The Group's EBITDA for the financial year ended 31 December 2019 were EUR 37,580 thousand, a decrease of 11.3% compared to EUR 42,368 thousand in the financial year ended 31 December 2018. The Group's EBITDA for the financial year ended 31 December 2017 were EUR 32,073 thousand.

The Group's EBIT for the financial year ended 31 December 2019 were EUR 24,751 thousand, a decrease of 19.1% compared to EUR 30,618 thousand in the financial year ended 31 December 2018. The Group's EBIT for the financial year ended 31 December 2017 were EUR 26,484 thousand.

7.4.2.6 *Financial* Result

The Group recorded a negative financial result of EUR 3,123 thousand for the financial year ended 31 December 2019, as compared to a negative financial result of EUR 2,179 thousand in the financial year ended 31 December 2018 and a negative financial result of EUR 1,288 thousand in the financial year ended 31 December 2017.

7.4.2.7 *Taxes* on Income

The Group's taxes on income for the financial year ended 31 December 2019 were EUR 6,720 thousand, a decrease of 38.7% compared to EUR 10,965 thousand in the financial year ended 31 December 2018. The Group's taxes on income for the financial year ended 31 December 2017 were EUR 8,179 thousand.

The combined income tax rate for the Group as a fiscal unity was 31.07% in 2019, compared to 34.25% in 2018 and 32.50% in 2017. The variance is due to a change in the weighted average trade tax multiplier.

7.4.2.8 Other administrative expenses

Other administrative expenses rose by 28.4% from EUR 23,972 thousand in 2018 to EUR 30,791 thousand in 2019, reflecting primarily higher sales and marketing expenses, office space costs and IT expenses, generally in line with the Group's business expansion.

7.5 Liquidity and Capital Resources

The Group has historically financed its liquidity and capital needs primarily using funds generated from operations as well as issuance of shares and borrowings.

The Group's equity ratio (equity divided by total assets) was 11.5% as at 30 June 2020 (14.4% as at 30 June 2019).

The Group's equity ratio (equity divided by total assets) was 14.4% as at 31 December 2019 (13.4% as at 31 December 2018 and 10.2% as of 31 December 2017).

7.5.1 Liabilities

The following table provides a break-down of the Group's liabilities:

	As at 30 June 2020	**As at 31 December 2019**
	(in EUR thousands)	
	(unaudited)	*(audited)*
Non-current liabilities	**38,058**	**38,710**
Non-current liabilities to banks	636	3,727
Non-current liabilities to non-banks	15,630	13,495
Pension obligations	10,854	11,012
Deferred tax liabilities	10,939	10,476
Current liabilities	**1,537,722**	**1,045,051**
Trade payables	4,833	5,581
Liabilities to customers	1,429,248	950,777
Liabilities to banks	57,227	71,694
Other financial liabilities	20,108	6,131
Tax provisions	13,815	1,193
Other provisions	12,491	9,674
Total liabilities	**1,575,780**	**1,083,760**

The vast majority of the Group's total liabilities (in the amount of EUR 1,575,780 thousand as of 30 June 2020 and EUR 1,083,760 thousand as at 31 December 2019) are of a short-term nature (EUR 1,537,722 thousand as at 30 June 2020 and EUR 1,045,051 thousand as at 31 December 2019) and consisted mainly of customer deposits at flatex Bank AG (EUR 1,429,248 thousand as at 30 June 2020 and EUR 950,777 thousand as at 31 December 2019).

Long-term (non-current) financial liabilities amounted to EUR 38,058 thousand as at 30 June 2020 (EUR 38,710 thousand as at 31 December 2019) and included liabilities to banks in the amount of EUR 636 thousand as at 30 June 2020 (EUR 3,727 thousand as at 31 December 2019) as well as liabilities from leasing relationships in the amount of EUR 12,537 thousand as at 30 June 2020 (EUR 10,062 thousand as at 31 December 2019). Other non-current liabilities are mainly pension obligations in the amount of EUR 10,854 thousand as at 30 June 2020 (EUR 11,012 thousand as at 31 December 2019) and deferred tax liabilities of EUR 10,939 thousand as at 30 June 2020 (EUR 10,476 thousand as at 31 December 2019).

7.5.2 *Maturity Profile*

The following table shows the maturity profile of the Group's liabilities as at 30 June 2020:

	Within one year	More than one year	Total
	(in EUR thousands) *(audited)*		
Financial liabilities measured at amortized cost...........	1,511,416	16,266	1,527,682

The loan with a maturity of more than one year concerning the financing of the purchase of the XCOM shares and the squeeze-out in 2017 in the amount of EUR 18.0 million with a repayment of EUR 6.0 million p.a. ended on 30 June 2020, such that there are no other operating loan liabilities.

The Group has a liability with a maturity of more than five years relating to a secured mortgage loan for an office building used by the Group in the state of North Rhine-Westphalia. The maturity will end with scheduled repayments amounting to EUR 166 thousand p.a. in the year 2024.

7.5.3 *Off-balance Sheet Commitments*

Contingent liabilities from unutilized irrevocable lines of credit amounted to EUR 17,106 thousand as at 30 June 2020 (EUR 216,827 thousand as at 31 December 2019) and, in 2019, stemmed mainly from securities-related loan agreements with customers, whereby the loans were fully collateralized by the customers' securities deposits, consisting for example of stocks and bonds (Lombard loans), whereas, in the first six months ended 30 June 2020, stemmed mainly from credit exposures of the special financing portfolio.

7.5.4 *Cash Flows*

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

The following table summarizes the Group's cash flows for the periods indicated:

	Six months ended 30 June		Financial year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
	(in EUR thousand)				
	(unaudited)		*(audited)*		
Cash flow from operations - before banking operations...	**52,074**	**30,765**	**49,427**	**17,536**	**23,729**
Cash flow from banking operations	**421,452**	**-71,035**	−206,673	232,535	-23,473
Cash flow from discontinued operations.................	–	–	–	–	-144
Cash flow from operating activities	**473,526**	**-40,270**	**-157,246**	**250,071**	**112**
Net Cash flow from investing activities	**-5,297**	**-15,165**	**-33,189**	**-7,756**	**-12,587**
Cash flow from financing activities	**-4,494**	**7,666**	**4,005**	**35,730**	**20,273**
Cash and cash equivalents at the beginning of the period..	468,616	655,046	655,046	397,002	389,202
Cash and cash equivalents at the end of the period...	**932,352**	**607,277**	**486,616**	**655,046**	**397,002**

7.5.4.1 *Cash flow from operations*

Cash flow from operations is mainly influenced by changes in customer deposits, however, does not affect the internal financing of current operations. The Group's operational cash flow comprises (i) operational cash flow from non-financing activity and (ii) operational cash flow from financing activity. Operational cash flow from non-financing activity represents the cash flows the Group generates from its business operations that are unrelated to the investment it makes as part of its banking business (i.e. investments of customer deposits in financial instruments as part of the Group's treasury activities). Operational cash flow from financing activity, on the other hand, reflects the activities within the Group's treasury portfolio and provision of credit products to its customers.

In the first half of 2020, cash flow from operations was mainly influenced by the change in the cash flow from banking operating activities due to the increase in customer deposits of flatex Bank AG. Changes in cash flow from operating activities before banking operations were in particular a result of the positive development of the operating business and the increase in other financial liabilities from taxes.

The main factors influencing the operating cash flows in fiscal year 2019 were the reduction in the volume of customer loans by EUR 173,607 thousand (EUR 57,917 thousand in 2018) and the reduction in securities measured at fair value by EUR 9,648 thousand (compared to an increase of EUR 37,550 thousand in 2018). In addition, cash inflows from the business with cash loans to municipalities decreased by EUR 4,844 thousand (EUR 216,171 thousand in 2018).

The most significant factors affecting the operating cash flows in the fiscal year 2018 were an increase in cash deposits in the amount of EUR 70,377 thousand (2017: reduction of EUR 454,734 thousand) and inflows from securities deposits of EUR 37,550 thousand (2017: EUR 336,817 thousand). In addition, there were inflows from the reduction of cash loans to municipalities/authorities amounting to EUR 216,171 thousand (2017: EUR 164,006 thousand). At the same time, substantial disbursements occurred for the increase in the volume of customer loans of EUR 57,917 thousand (2017: EUR 70,787 thousand). The resulting net effect is included in the operating cash flow from banking.

In 2017, the Group's operational cash flow reflected a decrease of customer cash deposits, which was offset by inflows from the sale of securities and the reduction of cash loans to local authorities. At the same time, substantial outflows occurred as a result of the increase in volume of customer loans. The resulting net effect is shown in the cash flow from the banking operations line.

7.5.4.2 Cash flow from investments

Cash flow from investments in operating activities reflects principally the Group's capital expenditure ("**Capex**").

In 2019, cash flow from investments mainly included payments for investments in intangible assets amounting to EUR 18,449 thousand (2018: EUR 13,211 thousand). In 2018, cash flow from investments mainly included payments for investments in intangible assets in the amount of EUR 13,211 thousand (2017: EUR 9,343 thousand) and non-cash movements in fixed assets as a result of the factoring.plus acquisition of EUR -11,604 thousand. In 2017, cash flow from investments mainly included payments for investments in intangible assets amounting to EUR -12,587 thousand.

7.5.4.3 Cash flow from long-term financing

In 2019, factors affecting cash from financing mainly include capital increase resulting from exercising options within the framework of the employee stock option plan in the amount of EUR 6,073 thousand as well as the changes of the non-current liabilities to non-banks mainly resulting from leasing liabilities in accordance with IFRS 16 in the amount of EUR 7,919 thousand.

In 2018, factors affecting cash flows from financing mainly include substantial payments made from the capital increase of flatex AG (then FinTech Group AG) in the amount of EUR 34,934 thousand, which is partially offset by disbursements for the repayment of long-term loans in the amount of EUR 6,166 thousand.

In 2017, cash from long-term financing reflects significant payments made for the acquisition of minority interests (EUR 13,340 thousand), offset by inflows from borrowing (EUR 13,165 thousand) and the funds received from the capital increase (EUR 18,158 thousand).

7.6 Investments

7.6.1 DeGiro B.V. acquisition

On 30 July 2020, the Company concluded the acquisition of DeGiro B.V. As part of the total acquisition price, which amounted to EUR 250 million (on a debt and cash free basis), the Company paid approximately EUR 60 million from cash from the Group's assets. EUR 23.6 million were recorded as of 13 December 2019, with the remaining EUR 36.4 million (on a cash and debt free basis) being recorded as of 30 July 2020. (See also section "*5. DEGIRO Acquisition*" for more information).

7.6.2 Investments in intangible and fixed assets

The Group's investments are aimed at ensuring that it maintains innovative leadership in providing technological infrastructure and services for its B2B and B2C customers. Group capital expenditure is financed from current operations. As of the date of this Prospectus, the Group has no material investment commitments.

The following table shows a historical breakdown of the Group's investments:

	Six months ended 30 June		**Financial year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
	(in EUR thousands)				
	(unaudited)		*(audited)*		
Investments in intangible assets	4,621	7,457	18,449	13,211	9,343
Investments in property, plant and equipment	691	7,460	14,564	3,082	3,244
Total	**5,312**	**14,917**	**34,013**	**16,293**	**12,587**

In the first six months of 2020, key investments include the expansion of the FTX:CBS platform, preparing for the technical implementation of DEGIRO B.V. and to prepare the further development of the customer onboarding process (Client Check in Process) of the online broker flatex.

In 2019, key investments include the establishment and expansion of the FTX:CBS platform for the European market, the expansion of the cloud ERP solution SAP Business byDesign© and the completion of the NextGeneration Workplace infrastructure solution. The objective is to achieve higher infrastructure performance and improve accounting risk management. Further consolidation of these investments is planned. In addition, the Group invests in developing and maintaining its own data centres, facilitating redundant and secure operations.

In 2018, intangible assets of EUR 10,060 thousand were invested in the further development of FTX:CBS. EUR 1,912 thousand was invested in the introduction of a group-wide standardised ERP system with connection to FTX:CBS. In addition, a total of EUR 328 thousand was spent on the implementation of a ‘Next Generation Workplace’ to standardise workplace equipment. The objective is to achieve higher infrastructure performance and improve accounting risk management. In fixed assets, major investments in the amount of EUR 3,449 thousand relate to the purchase of hardware and office equipment.

In 2017, a major investment was the purchase of the remaining shares in XCOM AG (EUR 12,657 thousand) which were not owned by the Group at the start of 2017. Under intangible assets, the Group invested in the further development of FTX:CBS by funding further development of its multilingual interface, adding new, essential functions in the banking processes, introduction of a group-wide ERP system and further development of software products.

7.7 Additional financial information from the German GAAP audited, unconsolidated financial statements of the Company

The information provided below is from the audited annual financial statements of flatex AG prepared in accordance with German GAAP for the fiscal year ended 31 December 2019. The German GAAP Financial Statements 2019 are included in this Prospectus under "19. Financial

Information (F-pages)" on page F-1 et seq. Accounting principles set forth in the German GAAP differ from IFRS in material aspects.

Carried losses for the year decreased from EUR -31,024 thousand in the fiscal year 2018 to EUR -23,788 thousand in the fiscal year 2019, in particular due to a decrease in taxes on income and earnings. Total equity and liabilities increased slightly from EUR 120,004 thousand as of 31 December 2018 to EUR 123,797 thousand as of 31 December 2019. Equity increased from EUR 94,864 thousand as of 31 December 2018 to EUR 108,371 thousand as of 31 December 2019.

7.8 Quantitative and Qualitative Disclosures about Market Risk

7.8.1 Overview

The monitoring and management of risks is a central component of the corporate management tools deployed by the Group.

The Group continuously maintains a risk inventory – and, where necessary, updates this in line with recent events – which it uses to address risks to which it is exposed in the course of its business activities. These risks comprise the following risk categories regarding financial instruments:

Counterparty credit risk (also referred to as default risk or credit risk): The risk of losses or forgone profits due to unexpected default by or unforeseeable deterioration in the creditworthiness of counterparties, in particular in the case of customers of the Group and bond issuers.

Market price risk: The risk of losses due to changes in market prices, in particular as a result of changes in interest rates.

Liquidity risk: The risk of losses resulting from liquidity shortfalls.

The Group carries out risk assessments regarding these categories of risk on an ongoing basis, with regard to both measures taken to reduce its risk exposure and the Group's existing equity situation.

Following the acquisition of 51% of the share capital of XCOM AG in 2015 (and the associated acquisition of biw Bank – now flatex Bank), the Group's risk profile was significantly broadened as a result of the inclusion of banking operations. The Group initiated steps to modify its risk management processes and systems to create harmonized and consistent processes across the Group. This was followed by the subsequent acquisition of 98% of XCOM AG and subsequent squeeze-out of remaining minority shareholders in 2017.

The Group has designated a separate Risk Management department for the identification, assessment, limitation, management, communication and monitoring of the aforementioned risks. This department supplements the precautionary measures taken by the Group with regard to the organization of its internal structures and procedures, which are aimed at ensuring the incorporation, on a decentralized basis, of material risk management and control processes in the relevant banking contexts.

7.8.2 Default Risk (Counterparty credit risk)

Default risk generally arises in the context of every transaction entered into by the Group with one of its business partners, particularly with the case of trade receivables, loans from customers and financial institutions, and also bonds in which the Group invests. The maximum extent of the credit and default risk is largely commensurate with the book value of the financial assets concerned. No items of collateral received by way or security or other forms of credit collateralization exist.

The need for valuation adjustments is analysed on an individual basis where warranted in certain circumstances (where impairment triggers are present) and as of every balance sheet date. Valuation adjustments are carried out, for example, in the event that a business partner unexpectedly finds itself in financial difficulty.

Moreover, a number of receivables are divided into homogeneous groups and jointly examined for indications of need for valuation adjustments.

7.8.3 Market Price Risk

The Group has extensive customer deposits. A not precisely contemporaneous investment of these deposits in the market and the resultant maturity transformation expose the Group to interest rate risk. Changes in market interest rates have a material impact on share prices and the valuation of financial instruments of the Group and may therefore have a positive or negative effect on Group liquidity.

An investment of its customer deposits in the market which is conservatively managed in temporal terms ("conservative active/passive management") enables the Group to limit its interest rate risk, such that no hedging transactions are currently required. The Group's management does, however, reserve the right to take measures should the interest rate situation change to its disadvantage or should the risk situation as a whole require this.

7.8.4 Liquidity Risk

The Group regularly monitors its liquidity situation. The Group ensures the continuity of its sources of financing through the use of debt financing arrangements and operating lease agreements. The Group has implemented measures to secure the financing of its ongoing expansion endeavours. The Group has integrated so-called liquidity coverage ratios into its internal reporting structures to ensure regular monitoring of the risk of insufficient funding.

7.8.5 Risk Concentration

Concentrations of risk are relevant to the Group, particularly regarding possible accumulations of counterparty credit risks in the case of bond issuers or partners in the Group's lending business ("cluster risks"). The Group has investment guidelines and a corresponding limit system in place which generally enables the avoidance of concentrations of risks. Furthermore, the credit portfolio model initiated in 2016 and the Group's risk reporting procedures enable countermeasures to be taken should it emerge that there is a possibility of risk concentrations. Possible risk concentration tendencies relating to particular maturities, the location of the headquarters of counterparties and asset classes, but also particularly in view of possible concentrations in the case of individual counterparties (outside of the central banking sector), are also monitored in this connection: No single receivable owed by an individual counterparty was in excess of the nominal amount of EUR 19.6 million as at 31 December 2019 (2018: EUR 26.9 million).

7.8.6 Capital Management

The Group's objectives regarding capital management involve securing the continued operation of the company, with a view to ensuring the satisfaction of the requirements of its shareholders and other stakeholders in relation to the payments owed to them. The Group avails itself of classical forms of equity (e.g., the issuance of new shares) and debt financing. The equity and borrowed capital in its entirety are managed as capital. The control parameter regarding the strategic capital structure is the equity ratio. The Group's stated goal is to reinforce the equity ratio over the next few years to facilitate the attainment of the capital management objectives over the long term.

Individual subsidiaries are subject to the minimum capital requirements imposed by banking regulations. The associated requirements are directly considered in the capital management planning context at the Group level. All existing minimum capital requirements have been satisfied on an ongoing basis.

8. PRO FORMA INFORMATION

*The following pro forma condensed combined financial information (the "**Pro forma Financial Information**") is based on the historical consolidated financial statements of flatex Group and the historical consolidated financial statements of DeGiro B.V. and has been prepared to reflect the Acquisition. The Pro forma Financial Information is presented for illustrative purposes only and does not necessarily reflect the results of operations or the financial position of the combined group that would have resulted had the Acquisition been completed at the dates indicated, or project the results of operations or financial position of the combined group for any future date or period.*

8.1 Introduction

The Acquisition was completed on 30 July 2020 (see "*5. DEGIRO Acquisition*" above). The purpose of the Pro forma Financial Information is to show the material effects that the Acquisition would have had on the historical consolidated income statement of the Group as if the Acquisition had taken place on 1 January 2019 and the balance sheet of the Group as if the Acquisition were in effect as at 1 January 2019.

The presentation of the Pro forma Financial Information of the Group is based on certain pro forma basis of preparation principles and assumptions and has been prepared for illustrative purposes only and, because of its nature, the Pro forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Group's future financial position or results and may differ from the Group's actual financial position or results. Due to rounding, it is possible that individual figures in this Pro Forma Financial Information do not add precisely to the totals shown. Furthermore, the Pro forma Financial Information is only meaningful when read in conjunction with the flatex Financial Statements.

The Pro forma Financial Information does not take into consideration the effects of expected synergies or costs incurred to achieve these synergies as a result of the Acquisition. The Pro forma Financial Information gives no indication of the results and future financial situation of the activities of the Group.

The auditors' report in respect of the Pro forma Financial Information (the "**Auditors' Report**") was prepared by BDO. The Auditors' Report is included in this Prospectus, in the form and context in which it is included, with the consent of BDO and BDO has authorised the contents of the parts of this section that comprise the Auditors' Report. BDO does not have a material interest in the Issuer.

8.2 Historical financial information and basis for preparation

The Pro forma Financial Information should be read in conjunction with the flatex consolidated Financial Statements.

flatex's historical consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union. DEGIRO's historical consolidated financial statements were prepared in accordance with Dutch GAAP. For the purpose of this Pro forma Financial Statements adjustments have been made to DEGIRO's financial statements to conform to flatex's financial statement presentation and to reflect alignment of DEGIRO's accounting policies to those of flatex and were based on limited information available related to the above-mentioned periods. These adjustments reflect flatex's best estimates based upon the information available to date and could be incomplete or/and subject to further changes if more detailed information is obtained. The initial figures of the flatex Group as at 30 June 2020 were subject to a review by the Group auditor.

8.3 Procedures and assumptions

The Pro forma Financial Information is based on the latest available historical annual financial statements of the flatex Group and DEGIRO and represents the pro-forma financial and operating results of the future combined Group resulting from the acquisition of DEGIRO by flatex AG. The combined pro-forma income statement for the year 2020 up to and including 30 June 2020 shows the effects of the acquisition of DEGIRO as if it had taken place at the beginning of 2019. The following pro forma condensed balance sheet as at 30 June 2020 shows the acquisition of DEGIRO as if it had taken place on 1 January 2019.

The Pro forma Financial Information contained in this prospectus is based on certain assumptions that flatex AG considers reasonable and which are described in the notes to the financial information. In the context of the purchase of DEGIRO, an analysis and evaluation estimation was carried out and a preliminary price purchase allocation was made on this basis. This is preliminary and therefore still subject to uncertainty. It reflects the current state of knowledge and is a best estimation of flatex as of the reporting date.

Furthermore, flatex and DEGIRO are in the process of establishing a company information framework to allow the exchange of full financial information. The presented financial information as well as the presented preliminary purchase price allocation may be adjusted at establishing of the company financial framework. These adjustments may be substantial.

The Pro forma Financial Information is for information purposes only. They do not indicate how the consolidated profit and loss account or how the consolidated balance would have looked on the actual closing date 30 July 2020 of the acquisition of DEGIRO or how these results and financial position will look at year end.

No adjustments have been made for measures that may be taken after the completion of the acquisition; the Pro forma Financial Information does not include any costs that the Group expects to incur in connection with the acquisition, nor any cost savings or synergies that may result from the combination of the businesses of flatex AG and DEGIRO, nor the costs necessary to achieve these cost savings and other synergies. As a result, the actual amounts reported in the consolidated financial statements of the Group at 31 December 2020 will differ from the amounts reflected in the Pro forma Financial Information, and these differences may be material.

The following basis of preparation and assumptions were made in preparing the Pro forma Financial Information:

- the operating business of DEGIRO is similar to the business of the online broker flatex AG, therefore the alignment of presentation was based on flatex Group
- the financial information of DEGIRO is prepared in accordance with Dutch national accounting standards, therefore adjustments were necessarily
- the preparation and determination of pro forma information was based on an implemented technical accounting process involving the transfer of DEGIRO's trial balance to the flatex Group's accounting system and chart of accounts.
- the adjustments to the DEGIRO information were also reflected in this accounting system and chart of accounts as a part of the aforementioned implemented process

There is no currency conversion necessary as the balance sheet currency of flatex AG and DEGIRO is EUR.

8.4 Alignment of the historical information of flatex Group and DEGIRO B.V.

Certain adjustments have been made to the historical consolidated income statement and balance sheet of DEGIRO. Although the Group believes these adjustments represent the known material adjustments necessary to present DEGIRO's income statement and balance sheet in conformity with flatex Group, the accompanying pro forma DEGIRO adjustments are preliminary and are subject to further adjustments as additional information becomes available and additional analyses are performed.

8.5 Pro Forma Financial Information

8.5.1 Pro forma balance sheet of the Group as at 30 June 2020

	flatex Group (unaudited)	DEGIRO (unaudited)	Total	Adjustments	Pro forma financial information
			(in EUR thousand)		
Assets					
Non-current assets					
Intangible assets	93,879	153	94,032	261,929	355,961
Goodwill	36,555	–	36,555	121,380(D)	157,935
Internally generated intangible assets	47,492	–	47,492	500(G)	47,992
Customer relationships	6,007	–	6,007	109,213(K/N)	115,220
Other intangible assets	3,825	153	3,978	30,836(C)	34,814
Property, plant and equipment	18,388	2,090	20,478	5,721(L)	26,199
Financial assets and other assets	1,494	0	1,494	–	1,494
Non-Current loans to customers	57,988	–	57,988	–	57,988
Deferred taxes	–	7	7	2,316(H)	2.323
	171,749	**2,250**	**174,000**	**269,966**	**443,966**
Current assets					
Inventories and work in progress	9	–	9	–	9
Trade receivables	11,853	679	12,532	–	12,532
Other receivables	7,089	13	7,101	–	7,101
Other current financial assets	657,111	245,502	902,613	-24,139(B)	878,474
Cash and cash equivalents	932,352	58,720	991,071	-51,886(B)	939.185
	1,608,414	**304,913**	**1,913,326**	-76,025	**1,837,301**
Total Assets	**1,780,163**	**307,163**	**2,087,326**	**193,941**	**2,281,267**
Liabilities					
Non-current liabilities					
Non-current liabilities to banks	636	–	636	–	636
Non-current liabilities to non-banks	15,630(B) (E)	903	16,533	5,730(F/I)	22,263
Pension obligations	10,854	–	10,854	–	10,854
Deferred tax liabilities	10,939	–	10,939	31,176(H)	42,115
	38,058	**903**	**38,962**	**36,906**	**75,868**
Current liabilities					
Trade payables	4,833	245,335	250,169	–	250,169
Liabilities to customers	1,429,248	–	1,429,248	–	1,429,248
Liabilities to banks	57,227	–	57,227	–	57,227
Other financial liabilities	20,108	2,677	22,785	–	22,785
Tax provisions	13,815	6,865	20,680	–	20,680
Other provisions	12,491	807	13,298	–	13,298
	1,537,722	**255,685**	**1,793,407**	–	**1,793,407**
Total Liabilities	**1,575,780**	**256,587**	**1,832,368**	**36,906**	**1,869,274**
Equity					
Subscribed capital	19,703	18	19,721	7,500(A)	27,221
Additional paid-in-capital	107,839	12,574	120,413	158,176(A)	278,589
Retained earnings	76,316	37,983	114,299	-8,642	105,657
Share of minority shareholders	525	–	525	–	525
	204,383	**50,575**	**254,958**	**157,034**	**411,992**
Total Liabilities and shareholders' Equity	**1,780,163**	**307,163**	**2,087,326**	**193,941**	**2,281,266**

8.5.2 *Pro forma income statement for the financial year ended 31 December 2019*

	flatex Group (audited)	DEGIRO (audited*)	Total	Adjustments	Pro forma financial information
			(in EUR thousand)		
Revenues	131,952	59,819	191,771	–	191,771
Raw materials and consumables	38,172	23,172	61,344	–	61,344
Personnel expenses	25,409	14,920	40,329	–	40,329
Other administrative expenses	30,791	10,750	41,541	-397(L)	41,144
Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA)	**37,580**	**10,978**	**48,558**	397	**48,955**
Depreciation	12,829	297	13,126	7,929(N/L)	21,055
Result from the derecognition of financial assets	–	–	–	–	–
Consolidated earnings before interest and income tax (EBIT)	**24,751**	**10,681**	**35,432**	-7,532(M)	**27,900**
Financial result	-3,123	–	-3,123	-14(L)	-3,137
Consolidated earnings before income tax (EBT)	**21,628**	**10,681**	**32,309**	-7,546	**24,763**
Income tax expense	6,720	2,086	8,806	-1,445(N/L)	7,361
Consolidated net profit	**14,908**	**8,596**	**23,504**	-6,101	**17,403**
Minority shareholders' share of income	22	–	22	–	22
Majority shareholders' share of income	14,886	8,596	23,482	-6,101	17,381

* Dutch GAAP audited by MAZARS N.V., DEGIRO's statutory auditor for the 2019 financial year.

8.5.3 *Pro forma income statement for the six months ended 30 June 2020*

	flatex Group (unaudited)	DEGIRO (unaudited)	Total	Adjustments	Pro forma financial information
			(in EUR thousand)		
Revenues	99,778	68,746	168,524	–	168,524
Raw materials and consumables	19,442	18,114	37,556	–	37,556
Personnel expenses	20,327	11,231	31,558	-500(G)	31,058
Other administrative expenses	17,307	8,009	25,316	-232(I)	25,084
Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA)	**42,701**	**31,392**	**74,093**	**732**	**74,825**
Depreciation	6,928	352	7,281	4,004(K)	11,285
Result from the derecognition of financial assets	–	-2,375	-2,375	–	-2,375
Consolidated earnings before interest and income tax (EBIT)	**35,773**	**28,664**	**64,438**	**-3.272**	**61,166**
Financial result	-1,701	–	-1,701	-5(O)	-1,706
Consolidated earnings before income tax (EBT)	**34,072**	**28,664**	**62,737**	**-3.277**	**59,460**
Income tax expense	11,698	5,374	17,072	-622(K/H)	16,450
Consolidated net profit	**22,374**	**23,291**	**45,665**	**-2,654**	**43,011**
Minority shareholders' share of income	13	–	13	–	13
Majority shareholders' share of income	22,361	23,291	45,652	-2,654	42,998

8.6 Notes to the Pro Forma Condensed Financial Information

8.6.1 The pro forma balance sheet of the Group as at 30 June 2020 contained the first adjustments, as of 1 January 2019, in relation to the acquisition and preliminary purchase price allocation of DEGIRO B.V. (as if this acquisition had taken place early) and adoption of IFRS 16 as follows (for further information on the acquisition, see section "5. DEGIRO Acquisition" above):

(A) Capital increase in the amount of EUR 7.5 million by issuing 7.5 million shares for the acquisition of DEGIRO.

(B) Presentation of the preliminary purchase price components from the company's cash and cash equivalents amounting to EUR 76 million.

(C) Preliminary identification of intangible assets (customer relationships EUR 120.5 million and brand rights: EUR 30.8 million) totalling EUR 151.4 million and recognition of corresponding deferred taxes liabilities of EUR 31 million based on DEGIRO´s applicable tax rate. The value as of 30 June 2020 is reduced by regular annual depreciation (see also notes (M) and (N)).

(D) Preliminary allocation of EUR 121.4 million as a goodwill of DEGIRO B.V.

(E) Capitalisation of rights of use for leased goods amounted to EUR 838 thousand in accordance with IFRS 16, representing office rents, vehicles and other (immaterial) rights of use.

(F) The corresponding liabilities for financing the rights of use amounted to EUR 908 thousand. The repayment of the loans results in interest expense, which is recognized in the cumulated amount of EUR 15 thousand.

8.6.2 Adjustments contained in the "Adjustments" column of the pro forma balance sheet as at 30 June 2020 are as follows:

(G) In accordance with IAS 38, expenses of EUR 500 thousand were capitalized as internally generated intangible assets. These relate to the further development of the technical platform and processes in the reporting environment and the connection to banks.

(H) Deferred tax liabilities in the amount of EUR 150 thousand were formed for the item under (G).

(I) Analogous to (E), a further EUR 5,661 thousand was capitalised as rights of use for new office rents and office rentals in accordance with IFRS 16 and recorded on the liabilities side of the balance sheet as a loan in the same amount. The value as of 30 June 2020 is reduced by regular annual depreciation (see also note (L))

(J) The accumulated depreciation of the rights of use for leased assets amounted to EUR 381 thousand as of 31 December 2019.

8.6.3 Adjustments contained in the "Adjustments" column of the pro forma income statement for the year ended 31 December 2019 as well as for the six months ended 30 June 2020 are as follows:

(K) Depreciation of customer relationships from purchase price allocation and recognition of deferred taxes from section (C) in the total amount of EUR 2,994 thousand.

(L) The depreciation of the rights of use for leased assets amounts to EUR 397 thousand.

(M) The resulting interest expense from note (E) of EUR 99 thousand was included in the current result.

(N) Depreciation of customer relationships from preliminary purchase price allocation and recognition of deferred taxes from section (C) in total amount of EUR 5,988 thousand.

(O) The resulting interest expense from (I) of EUR 5 thousand was included in the current result.

For information on the figures of the individual companies, refer to the audited and published financial statements.

8.7 Auditor Report

To flatex AG,

We have audited whether the Pro Forma Financial Information as of September 23, 2020 of flatex AG has been properly prepared on the basis of the principles set out in the pro forma notes and whether these principles are consistent with the accounting policies and the presentation, accounting and valuation methods of the Company. The pro forma financial information comprises a pro forma income statement for the period from January 1, 2019 to December 31, 2019, a pro forma income statement for the period from 1January 2020 to 30 June 2020, and a pro forma balance sheet as of 30 June 2020 and pro forma notes.

The purpose of the pro forma financial information is to illustrate the material effects that the corporate transaction presented in the pro forma notes would have had on the historical financial statements if the company had remained in the structure created by the corporate transaction throughout the entire reporting period of the pro forma income statements or at the reporting date of the pro forma balance sheet. Because pro forma financial information describe a hypothetical situation, they do not convey in all detail the presentation that would have resulted if the events to be considered had actually occurred at the beginning of the reporting period of the pro forma income statements or at the reporting date of the pro forma balance sheet. Consequently, we do not express an opinion on the actual effects of the business transaction described in the pro forma notes. The preparation of the pro forma financial information in accordance with the principles promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany, IDW): The preparation of pro forma financial information (IDW RH HFA 1.004) is the responsibility of the Company's management.

Our responsibility is to express an opinion, based on our audit, as to whether the pro forma financial information has been properly prepared on the basis of the principles set out in the pro forma notes and whether these principles are consistent with the accounting policies and the presentation, accounting and valuation methods of the Company. This also includes assessing the overall presentation of the pro forma financial information. Our engagement does not include the audit or review of the initial figures, including their adjustment to the accounting policies and the presentation, accounting and valuation methods of the Company and the pro forma assumptions presented in the pro forma notes.

We conducted our audit in accordance with the IDW auditing practice statement: Audits of Pro-Forma Financial Information (IDW PH 9.960.1), promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany, IDW). We planned and performed the audit such that material errors in the preparation of the pro forma financial information on the basis of the principles presented in the pro forma notes and in the preparation of these principles in accordance with the accounting principles and accounting and valuation methods of the Company are detected with reasonable assurance.

In our opinion, the pro forma financial information has been properly prepared on the basis of the principles set out in the pro forma notes. Those policies are consistent with the accounting policies and the presentation, accounting and valuation principles of the Company.

The contractual relationship with flatex AG is based on the Special Terms and Conditions of Contract of BDO dated 1 January 2020 (BAB) as well as the General Terms and Conditions of Contract of IDW for Auditors and Auditing Companies dated 1 January 2017 (AAB).

Kind regards,

Frankfurt am Main, September 23, 2020

BDO AG

Wirtschaftsprüfungsgesellschaft

Wolfgang Otte	ppa. Tim Hebel
Wirtschaftsprüfer	Wirtschaftsprüfer

9. PROFIT FORECAST

9.1 Overview

On 9 September 2020, the Group published its interim half year report for the six months ended 30 June 2020. As part of this, the Group published its revised forecast on expected revenue and EBITDA margin on a consolidated basis for fiscal year ended 31 December 2020 (the "**2020 Forecast**").

The 2020 Forecast is not a presentation of facts and should not be interpreted as such by prospective investors. Rather, it reflects the forward-looking expectations of the Management Board with respect to the future development of the Company. Potential investors should not place undue reliance on this 2020 Forecast. Prospective investors should also read the section "*2.4 Forward-Looking Statements*" of this Prospectus.

The 2020 Forecast is based on the following assumptions made by the Management Board. These assumptions relate to factors (i) outside of the Company's influence, or (ii) that can be influenced either fully or to a limited extent by the Company. Even though the Company considered these assumptions as appropriate when preparing the 2020 Forecast, they may prove in retrospect to be inappropriate or unfounded in the future. If one or more of these assumptions should prove to be inappropriate or unfounded, the actual results can deviate materially from the 2020 Forecast. The 2020 Forecast reflects any effects from the DEGIRO acquisition.

9.2 2020 Forecast

On the basis of the developments for the six-month period ended 30 June 2020, the Management Board further anticipates continued positive business developments for the second half of 2020, in particular for the Group's revenues and EBITDA margin. This expectation is based on an anticipated continued organic growth as well as continuing the high stock market volatility triggered by the SARS-CoV-2 pandemic and continued high number of transactions, complemented by the effects of the successful DEGRIO acquisition, which closed on 30 July 2020.

9.2.1 Revenues

As a result, the Management Board estimates a strong increase (more than 20%) of consolidated Group revenues for the financial year ending 31 December 2020, from EUR 131,952 thousand as of 31 December 2019 (EUR 99,778 thousand as of 30 June 2020).

9.2.2 EBITDA Margin

Additionally, the Management Board estimates a significant increase (between 10% and 20%) of the Group's consolidated EBITDA margin for the financial year ending 31 December 2020, from 28.5% as of 31 December 2019 (42.8% as of 30 June 2020).

9.3 Factors and Assumptions

The 2020 Forecast is based on a number of factors. The development of these factors is based on specific assumptions made by the Management Board, which are set out below.

9.3.1 Factors beyond flatex's control and related assumptions

The 2020 Forecast is subject to factors beyond flatex's control. These factors and the Management Board's assumptions regarding their development and impact on flatex are as follows:

9.3.1.1 High stock market volatility triggered by the SARS-CoV-2 pandemic and continued high number of transactions

The SARS-CoV-2 pandemic has not yet had any negative impact on the Financial Services segment's performance. The sharp rise in volatility on the stock markets resulted in a significant increase in transactions in flatex's brokerage business. This has positively impacted the Group's results in the first six months of 2020.

The 2020 Forecast assumes that volatility and trading levels for the rest of the year will remain in line with levels observed in the first six months of 2020. However, performance in the Financial Services segment could decrease should the SARS-CoV-2 pandemic result in further global economic slowdown, or if a change in volatility causes low trading volumes. This will impact the Group's revenues and EBITDA margin forecast.

9.3.1.2 Unforeseen Events

flatex assumes that no unforeseen events will occur that could result in material or lasting constraints on the ongoing operations of the Group or any of its subsidiaries, or data centres, such as force majeure, including natural disasters, cybercrime or other event or market disruptions that would slow down or stop online brokerage transactions or other material macroeconomic events with a material negative impact on demand for online brokerage services, or war.

9.3.2 Factors that can be influenced fully or partially by flatex and related assumptions

In addition to the factors and assumptions that are beyond flatex's control, the 2020 Forecast is subject to the following key factors that can be influenced by flatex and the related assumptions.

9.3.2.1 DEGIRO acquisition

flatex AG has held 100% of the shares in DeGiro B.V., Amsterdam, since 30 July 2020. The purchase price allocation is currently being prepared; therefore, further details of the company transaction will be provided on the next reporting date. In this respect, the Management Board estimates that DEGIRO will have a positive impact on the Financial Services segment in the second half of 2020.

The Management board assumes that information received from DEGIRO is comparable with its own metrics and method of accounting and that the factors contributing to the development and growth of DEGIRO before the acquisition will continue for the remainder of the 2020 financial year.

9.3.2.2 Continued increase key non-financial metrics such as: number of customers, accounts and transactions

Based on development of key non-financial metrics used in the Financial Services segment for the six-month period ended 30 June 2020, the Management Board estimates a continued strong increase (more than 20%) for the year ending 31 December 2020 for each of: number of customers (368,113 as of 31 December 2019 and 424,036 as of 30 June 2020), number of accounts (454,484 as of 31 December 2019 and 527,126 as of 30 June 2020) and number of transactions (12,274,525 as of 31 December 2019 and 13,119,461 as of 30 June 2020).

Management assumes that such development in the above metrics, should it be realized, would be a significant contributing factor to the realization of the 2020 Forecast.

9.3.2.3 Third-party costs for processing fees

Third party costs for processing fees are a factor in the Group's EBITDA margin calculation. The Company's Management Board assumes that these costs will remain in line with levels observed in the first six months of 2020. An increase in commission expenses – without a corresponding commission income increase – could have a negative impact on the Group's EBITDA margin.

10. BUSINESS

10.1 Overview

The Issuer, flatex AG, (Technologies segment) is a supplier of innovative technologies and IT-services to financial service providers, both hardware as well as software. Its 100% subsidiary flatex Bank AG (Financial Services segment) operates a fast-growing online brokerage business under its own banking license.

In the Technologies segment, the Group offers B2B clients a broad range of technology products and banking services as an outsourcing solution through a modular core banking platform and services. In 2019, the Technologies segment generated 14.5% of the Group's gross revenue and 43.6% of the Group's EBITDA after consolidation effects.

The Financial Services segment mainly comprises the activities of flatex Bank AG. In 2019, the Financial Services segment had approximately 368,133 customers (as of 31 December 2019) and processed approximately 12.27 million securities, FX and CFD transactions, having generated 85.5% of the Group's gross revenue and 56.4% of the Group's EBITDA after consolidation effects.

The Group provides its online brokerage services through its brands "flatex" and "ViTrade", with the latter predominantly focusing on particularly experienced and active retail clients. As pure online brokers, flatex and ViTrade have no branches. Through these brands, the Group focuses on serving active, well-informed traders and investors who act for their own account, without providing any advice or recommendations in connection with the securities transactions it brokers. The Group's online brokerage services include trading in most types of financial instruments that are tradable on national and international exchanges, as well as OTC trading venues.

In December 2019, flatex AG and DEGIRO announced the acquisition of DEGIRO by flatex AG, creating a pan-European online broker with a presence in 18 European countries. The acquisition closed on 30 July 2020.

10.2 Strengths

10.2.1 Fast Growing Online Brokerage Businesses in Germany, Austria and Netherlands

The Group operates a fast growing online brokerage business in Germany, Austria, and the Netherlands, with the number of brokerage clients increasing at a compound annual growth rate ("**CAGR**") of 22.3%, from approximately 134,403 clients in 2014 to approximately 368,133 clients in 2019, and the number of retail transactions increasing at a CAGR of 15.3%, from approximately 6.0 million transactions in 2014 to approximately 12.3 million transactions in 2019. With an average of between 20 and 50 trades per year per customer, the Group's clients can be considered very active. The success of the online brokerage business has been driven by the Group's flat pricing model, extensive and independent product offering and transparent, convenient and trader-focused platforms.

The Group's brokerage has earned recognition in numerous publications over the years. For the sixth year in a row, flatex was named the best online broker in 2018 by Handelsblatt. In addition, Euro am Sonntag recognized flatex as the most economical online broker for active traders, normal traders and direct brokers in 2019, and flatex was also named "Best ETF and Leveraged Certificate Broker" in 2020 by Börse Online.

Furthermore, the DEGIRO acquisition widened and diversified flatex's client base from approximately 424,036 clients (as of 30 June 2020) to more than 1,000,000 clients, increasing the number of transactions from 12.3 million to more than 31.4 million (pro forma 2019) and expanding current market positioning to allow an access to multiple geographies (See also: "*5. DEGIRO Acquisition*").

10.2.2 Competitive Technology Edge Ensuring Sustainable Cost Leadership

The Group's self-developed, standardized banking system (FTX:CBS), including its fully-automated security ordering and settlement infrastructure, requiring limited employee oversight, is the basis for sustainable cost leadership in the online brokerage business (*See 10.6.1 FTX:CBS* *platform)*. This proprietary infrastructure was fully developed in-house, accommodating the Group's targeted growth in settled transactions without significant additional capital expenditures. Due to its high scalability and leverage potential, each additional trade reduces the Group's internal cost per settlement. As an illustrative example, the Group estimates that doubling the number of transactions would reduce its internal cost per trade significantly. This allows the Group to maintain its flat pricing model while increasing profit margins per additional trade. In addition, the Group's technology platform allows it to provide its fully modular core banking platform and services to the Group's B2B clients. Finally, the FTX:CBS platform creates potential synergies between flatex and potential acquisitions, as in the case of DEGIRO.

10.2.3 Flat and Competitive Pricing model

Thanks to a fully integrated in-house IT and banking infrastructure, the Group's online brokerage business has a low cost per trade, which allows it to maintain fees that are among the lowest in the market. The online brokerage's pricing model, which was established in 2006, does not include volume-dependent fees that are used on other securities trading platforms, but instead charges a genuine flat price, to which only generally exchange fees are added and passed through to the client in a fully transparent manner.

10.2.4 Best-in-class Product Portfolio and Extensive and Independent Product Offering

A key differentiator of the Group's product offering is its independence, as the Group is the last remaining major bank-independent broker in Germany. The Group's clients can trade in the structured products of many issuers. This means that the Group's clients have a wide range of trading opportunities at favourable prices. Furthermore, through its premium partnership with Goldman Sachs, the Group provides a market-leading offering of more than 140,000 exchange traded products ("**ETPs**") under the "flatex-select" brand without fees (*see 10.5.6 Premium partners in the ETP segment – 10.5.6.1 Platinum Partnership – Goldman Sachs*). Partnerships with Morgan Stanley, Société Générale, UBS, BNP Paribas, HSBC and Vontobel allow the Group's clients to trade in a large number of various securities for a reduced flat price.

The Group offers its B2C clients a wide range of trading opportunities in the German, Austrian and Dutch online brokerage market, including exchange and over-the-counter ("**OTC**") trading in stocks, certificates, equity warrants, ETPs, exchange-traded-funds ("**ETFs**"), mutual funds and foreign currencies. Exchange trading is possible on German, Austrian and Dutch and most international exchanges, including the online exchanges Xetra, Frankfurt Zertifikate and Euwax. On OTC trades, the Group works with numerous direct trading partners to allow clients to trade shares, certificates, equity warrants, funds and ETFs.

10.2.5 Transparent, Convenient and Trader-Focused Platforms

The Group provides traders with its in-house developed transparent, convenient and trader-focused platforms, allowing clients to execute trades in as few as three clicks. flatex's base trading platform "WebFiliale" was built in 2006 and re-designed in 2016, featuring a fully responsive design and functionality to meet clients' mobile-centred demands. The platform is designed to be free of distractions and focus on the needs of experienced traders, without providing any advice or recommendations in connection with the transactions. In addition to multifunctional watch lists at various stock exchanges, clients can keep track of their custodian and other accounts at any time, search for securities, obtain real-time data in the form of prices, charts and news, network with other users and experts, and place orders on German, Austrian and Dutch and most international exchanges.

10.3 Strategies

10.3.1 Continue to increase the number of settled transactions mainly through organic growth and opportunistic strategic acquisitions

Based on historical growth in the number of settled transactions over the past five years, the Group aims to continue the increase in number of trades in the mid-term from pro forma 31 million trades as of 31 December 2019 to over 60 million through organic growth. This is not only expected to increase revenue, but also to achieve further economies of scale, thereby reducing costs per settlement significantly and improving profit margins. Additionally, opportunistic strategic acquisitions could further accelerate growth in number of trades.

In the Financial Services segment, the Group intends to pursue this strategy mainly through organic growth. Following the DEGIRO acquisition in July 2020, the Group intends to grow organically in its current markets (currently active in 18 European countries) by attracting new clients with its flat pricing model, extensive and independent product offering, as well as transparent, convenient and trader-focused platforms. As the quality of clients matters more than quantity, the Group engages in a targeted marketing strategy focused on attracting active clients who execute more than 25 trades per year.

Nevertheless, the Group also sees a significant potential to grow its market share in the segment of average traders, with 15-25 trades per year. Therefore, the Group is currently developing 'flatex Next', aimed to widen the addressable target group and to develop flatex from a product for mainly active traders to rather a mass market product.

Within the online investment market, there is a clear distinction between clients that use an online brokerage service to create portfolios that serve as long-term investments on one hand and clients that use the brokerage service for trading which results in portfolios with a more short-term oriented character on the other. With the acquisition of DEGIRO, flatex aims to further grow the strong brand of DEGIRO into both directions. The Group further plans to use efficient marketing strategies focused on widening the brand awareness of flatex and DEGIRO in Europe and aims to further leverage its product partnerships by offering new products and expanding access to the Group's products to new clients.

In addition, the Group continually looks for further opportunities to penetrate new markets mainly through organic growth but also opportunistic acquisitions in Europe. Organic growth will focus on countries with favourable competitive landscapes that are susceptible to disruption by the Group's business model. Growth through opportunistic acquisitions will target online brokers with higher costs per transaction, higher costs per client acquisition, inefficient product partnerships or difficulties managing increasing regulatory requirements, where the Group's processes and systems, marketing strategies, award-winning product portfolio and experienced management team have the potential to increase profits and add value.

10.3.2 Use free liquidity to grow the fully collateralized credit book

As a by-product of the Financial Services segment's online brokerage business, the Group currently holds approximately EUR 2 billion in its clients' trading money deposits at no cost of capital, as the Group has never paid interest on clients' deposits. Putting these cash deposits to work through a credit portfolio diversified over risk, maturity and duration provides an opportunity for the Group to generate additional income on a low-risk basis, given that the current credit portfolio is fully collateralized by the respective client's securities. In 2016, the Group successfully introduced its "flatex flex" credit line, which provides flatex clients with a fully collateralized overdraft facility of currently up to EUR 250,000 and an average LTV ratio of 30%. Unlike products from other market participants, the "flatex flex" credit line can be transferred externally and used by clients for non-trading purposes. The Group has since expanded its credit book to include other products, such as its Lombard credit line, and a highly collateralized factoring portfolio consisting of debtors with top credit ratings (*see also 10.5.7 Credit Book*).

The Group aims to expand its credit book (EUR 432 million as of 31 December 2019) in the mid-term (including DEGIRO), while maintaining its fully collateralized approach, by increasing the volume of "flatex flex" loans and Lombard loans, as well as providing alternative credit products.

10.4 History

The below outlines the key milestones in the Group's history:

2006: ***Launch –*** Online brokerage platform flatex goes live.

2009: ***IPO*** – flatex AG's launches IPO in Frankfurt at an offer price of EUR 3.90 per share.

2014: ***Rebranding and new management*** – flatex Holding AG changes its name to FinTech Group AG and introduces new management.

2015: ***Business combination –*** The Group acquires a 51% stake in XCOM AG founded in 1988 in Langen, Germany as a software and systems provider (including its subsidiaries biw AG and ViTrade GmbH). biw Bank für Investments und Wertpapiere AG (biw AG), which later becomes flatex Bank AG, was formed and received a banking license from the BaFin in 2005.

2016: The Group purchases a further stake in XCOM AG to control 98% of its shares.

2017: ***XCOM Squeeze out –*** Remaining XCOM AG shareholders are squeezed out; FinTech Group AG now owns 100% of XCOM AG. The Company restructures its business, integrating XCOM's business into FinTech Group AG and rebrands the banking entity to FinTech Group Bank.

2018: ***Streamlined corporate structure –*** The Group launches its new corporate structure, featuring one technology and one financial entity.

2019: *FinTech Group becomes flatex –* FinTech Group AG changes its name to flatex AG, alongside this change, FinTech Group Bank AG is renamed flatex Bank AG.

2019: *Market entry in the Netherlands –* With the market entry of flatex in the Netherlands in June 2019, the flatex Group lays a significant foundation for the intended pan-European internationalisation strategy and is now directly represented in three European countries. The implementation confirms the advantage of the fully integrated approach of FIN and TECH in FTX:CBS.

2020: ***flatex acquires DeGiro B.V.*** – In December 2019, flatex AG and DeGiro B.V. announce the acquisition to create a pan-European online broker with a presence in 18 European countries. To this end, flatex AG initially acquires 9.4% of the shares in DEGIRO to be able to start the process of future collaboration in a timely manner. The acquisition closed on 30 July 2020. Through the acquisition of DEGIRO, flatex comes significantly closer to its vision of being the leading online broker in Europe.

10.5 Financial Services Segment

10.5.1 Performance of the Financial Services segment

In 2019, the Group settled approximately 12.3 million transactions, a slight decrease of 1.7% on prior year figures (2018: approximately 12.5 million; 2017: approximately 11.3 million). The trading volume of securities transactions declined by 6.6% from EUR 77.0 billion in 2018 to EUR 71.9 billion in 2019 (2017: EUR 78.9 billion).

In 2019, the number of B2C customers rose to 368,133, an increase of 26.8% from 290,288 in 2018 (2017: 253,825). The number of accounts of flatex Bank AG rose to 454,484 in 2019, compared to 366,487 in 2018 (2017: 314,207).

10.5.2 Online Brokerage

The Group provides its online brokerage services through its brands "flatex" and "ViTrade", with the latter predominantly focusing on particularly experienced and active retail clients. As pure online brokers, flatex and ViTrade have no branches. Through these brands, the Group focuses on serving active, well-informed traders and investors who act for their own account, without providing any advice or recommendations in connection with the securities transactions it brokers. The Group's online brokerage services include trading in most types of financial instruments that are tradable on national and international exchanges, as well as OTC trading venues.

In 2019, the number of securities, forex and CFD transactions executed amounted to approximately 11.2 million transactions compared with approximately 11.4 million transactions in 2018, a slight decrease of 1.3%. The trading volume of securities transactions declined from EUR 77.0 billion to EUR 71.9 billion (-6.6%). The decline was limited to the less profitable FX and CFD business, which accounted for 1.5 million transactions in 2019 compared to 2.2 million transactions in 2018 (-32.7%). This development is ultimately the result of regulatory requirements, with which the

German Federal Financial Supervisory Authority (BaFin) and the European Financial Supervisory Authority (ESMA) have gradually restricted CFD and Forex trading since 2017.

10.5.3 Platforms

The Group's flatex brand is accessible to clients in Germany through www.flatex.de, in Austria through www.flatex.at and in the Netherlands through www.flatex.nl. The Group has developed its platforms to be free of distractions and focused on the needs of traders. flatex's "WebFiliale" trading platform was built in 2006 and re-designed in 2016, featuring an intuitive design and functionality to meet clients' mobile-centred demands. In addition to multi-functional watch lists at various stock exchanges, WebFiliale allows flatex clients to keep track of their custodian and other accounts at any time, to search for securities, examine prices, charts, and custodian account statuses, and to place orders on German, Austrian and Dutch and most international exchanges. Clients can use all order types and order instructions made available by an exchange.

In addition to WebFiliale, flatex offers clients high-performance trading platforms with direct access to exchanges that are tailored to the needs of heavy traders and day traders. Among other things, "flatex trader 2.0" offers real-time quotes, a news ticker, a price alarm, an extensive chart tool and key data.

The Group's ViTrade brand is accessible to clients through www.vitrade.de. ViTrade's proprietary trading platform "HTX" offers highly active clients a tailored and professional trading platform and services that are designed for heavy traders. HTX's user interface can be fully configured and easily adapted to each user's needs. Easy-to-use features and professional charting allow clients to react quickly to market events, and they are supplemented with useful applications.

10.5.4 Pricing Model

In the securities trading industry, clients typically pay a fee to brokers that increases with the volume of the transaction. For more than thirteen years, flatex has used a guaranteed flat price per trade, regardless of transaction volume and asset type, to which generally only exchange fees are added and passed through to the client in a fully transparent manner. In addition, partnerships with leading investment banks allow flatex clients to trade more than 400,000 securities at a reduced flat price or without any fee at all.

10.5.5 Products and Services

The Group offers its clients an extensive and independent range of trading opportunities, including the following:

(i) ***Exchange trading***. The Group enables its clients to trade on German, Austrian and Dutch and most international exchanges, including the online exchanges Xetra, Frankfurt Zertifikate and Euwax.

(ii) ***OTC trading***. On OTC trades, flatex makes direct trading partners available to its clients. flatex offers partnerships with leading investment banks that allow clients to trade securities at a reduced flat price. In addition, the Group's partnership with Morgan Stanley allows customers to make OTC trades in mini-futures, open-end products, knock-out warrants and certificates without fees for the client.

(iii) ***ETPs***. The Group provides its clients with a market-leading offering of ETPs issued by leading banks (see "*10.5.6 Premium partners in the ETP segment*" below).

(iv) ***Fund and ETF Savings Plans***. In addition to one-time investments in securities, clients can also enter into fund and ETF savings plans. Via partnerships with Comstage and BlackRock, flatex clients are able to invest in a large number of savings plans without fees for the client.

10.5.6 Premium partners in the ETP segment

In 2016, flatex introduced an exclusive partnership program with leading investment banks, beginning with Morgan Stanley, to provide flatex clients with market-leading offering of ETPs.

This program was expanded further and in the second half of 2018 with the introduction of a new pricing model for the trades with premium partners by flatex. By offering attractive terms and through targeted marketing campaigns, the Group will, in a joint effort with their partners, increase awareness of the flatex brand, and increase the number of trades and revenue. Through these partnerships flatex's benefits from economies of scale and improved economics together with the issuing banks – improving the revenue split from approximately 10% to approximately 40%.

10.5.6.1 Platinum Partnership – Goldman Sachs

With Goldman Sachs, flatex gained a renowned partner for the ETP Trading sector in 2018. By working with Goldman Sachs as a preferred ETP partner, flatex clients can trade Goldman Sachs ETPs free of charge, starting from an order volume of EUR 500.

10.5.6.2 Gold Partnership – Morgan Stanley, Société Générale and UBS

Under this partnership, flatex clients can trade ETPs (such as warrants and certificates) issued by Morgan Stanley, UBS or Société Générale for a flat fee of EUR 1.90 per order in OTC direct trading without additional fees or third-party charges, starting from an order volume between EUR 500 to EUR 1,000.

10.5.6.3 Silver Partnership – BNP Paribas, HSCB and Vontobel

BNP Paribas HSBC and Vontobel, are renowned providers of warrants and certificates. flatex customers can trade silver products for 3.90 EUR per order in OTC direct trading without additional fees or third-party fees - from 1,000 EUR order volume. HSBC products can also be traded on the gettex exchange for 3.90 EUR flat per order, starting from an order volume of EUR 1,000.

10.5.7 Credit Book

As a consequence of its online brokerage business, the Group currently holds approximately EUR 2 billion (pro-forma including DEGIRO) in its clients' trading money deposits at no cost of capital, as the Group has never paid interest on clients' deposits. The Group makes these funds available to clients through its fully collateralized lending products. As at 31 December 2019, the Group's credit book amounted to EUR 432 million.

The lending products offered by the Group include the following:

- ***flatex flex Credit Line***. flatex provides its clients with a significantly less expensive alternative to overdrafts with the fully collateralized flatex flex Credit Line. Clients maintaining assets with flatex automatically receive a flatex flex Credit Line of up to EUR 250,000 and conservative LTV ratios on the value of the securities in the client's account. This flatex flex Credit Line is provided to clients without fees for a guaranteed annual interest rate of currently 4.9%. The securities in the client's account serve as collateral for the flatex flex Credit Line. As in the case of an overdraft, the terms of the flatex flex Credit Line are flexible and the customer determines the amount and duration and use of the drawdown.

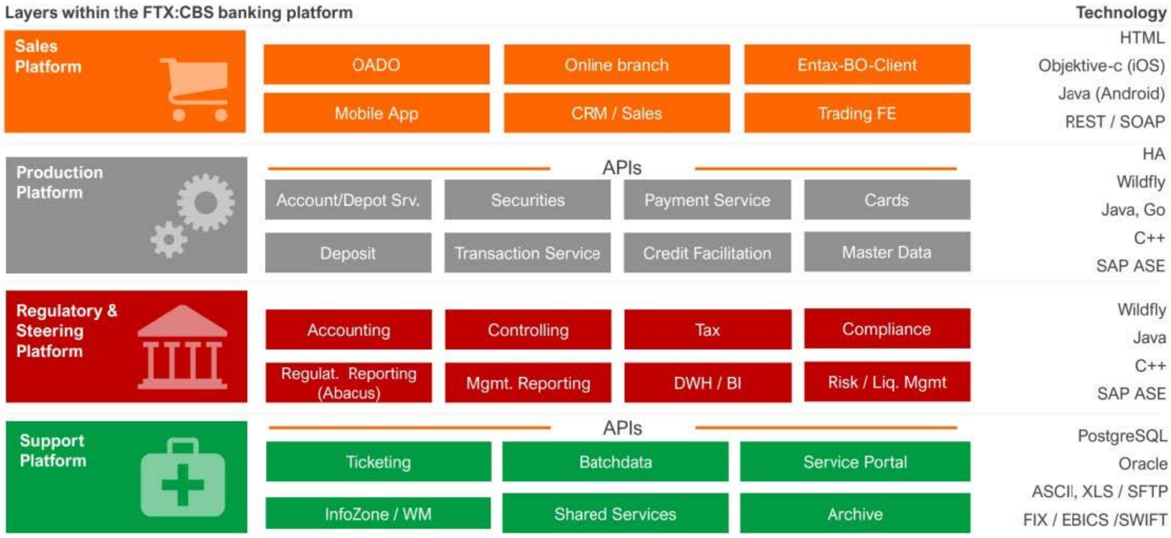
- ***Lombard Credit Line (margin loan)***. Alongside the flatex flex Credit Line, flatex offers its clients a Lombard Credit Line, a margin loan, starting from EUR 250,000 at an annual interest rate of currently 4.9% and without additional fees. As with the flatex flex Credit Line, the Lombard Credit Line is fully collateralized, with the securities in the client's account serving as collateral. Unlike the flatex flex Credit Line, the Lombard Credit Line is not granted automatically and must be applied for by the client.

10.6 Technologies Segment

10.6.1 FTX:CBS platform

As a result of its business operations in the Financial Services segment, the Group has developed an extensive banking platform and services ecosystem, which the Group offers to B2B clients in the banking and financial services industry through its modular core banking platform.

The further development of the core banking system FTX:CBS by flatex AG is the result of the experience and understanding customer needs of recent years in the area of business process outsourcing and the close integration between the Financial Services and the Technologies segments. The figure below provides a schematic overview of the FTX:CBS system:



(Source: Company presentation)

The core banking platform includes the following platform layers:

- ***Sales:*** The sales platform (front office) is the basis for customer contacts, with components relating to cash and securities custody account opening (KDE), customer relationship management (CRM), online banking front-end, trading front-end, support and call centre, as well as (marketing) campaign management.

- ***Production***: The production platform (back office) includes all technical processes for cash and securities custody account maintenance, cash deposits, securities settlements, payments, money market and foreign exchange transactions, loans, and ready cash (ATM) logistics.

- ***Regulatory Steering:*** The regulatory & steering platform (middle office) covers business processes in accounting, regulatory reporting, management reporting and risk management.

- ***Support***: The support platform assists the other three platforms with archiving, release management, fulfilment and authentication processes.

The Group's B2B clients are able to choose among these platform layers based on their needs, from a complete package of banking infrastructure to individual components. In exchange for the Group's technology and banking services, B2B clients pay the Group fees, including set-up fees, running fees and development/project fees.

10.6.2 Banking as a Service

The Group's banking license enables it to offer "banking as a service," which includes a broad range of regulated products and services of a full-service bank as an outsourcing solution for its clients. This category of services includes the production and regulatory & steering platform layers. The Group provides these services through a white-label approach, whereby the Group remains in the background and carries out all processes in the name of the B2B client. The banking services the Group provides to B2B clients include settlement and custodian services, deposit and credit facilitation services, regulatory services (e.g., reporting to various European regulators), as well as KYC and anti-money laundering services.

10.6.3 *Software as a Service*

In addition to banking as a service, the Group provides "software as a service" to B2B clients to support their operations technologically. This category of services includes the sales and support platform layers. The Group provides its B2B clients with core banking system software, digital solutions for online banking, applications for securities processing, corporate payment systems and electronic signature solutions.

10.6.4 *Key White-Label Products and Processes*

The Group's key white-label products and processes include the following:

(i) ***Transaction and Market Maker Systems.*** The Group leverages the transaction and market maker systems of its online brokerage business by making them available to its B2B clients. The Group's products and services in this area include trading systems, market maker systems, trading platforms and the supply of market and price data. The Group maintains and operates one of the leading securities processing systems in Europe. The Group not only processes securities transactions for its partners, but also provides valuable securities transaction support to heavy traders. In this area, flatex Bank also functions as a settlement bank for flatex and ViTrade. Its technology can be easily and inexpensively scaled such that other banks and white-label clients can benefit from it.

For example, the Group developed, maintains and runs LOX, an OTC trading platform for exchange-traded products. LOX was developed in cooperation with Deutsche Bank and Commerzbank (following the acquisition of the relevant Commerzbank business, now owned by Société Générale). Each day, approximately 2 billion price feeds (bid-ask price settings) are processed, which result in an average of 15,000 transactions per day.

(ii) ***Settlement and Custody Services.*** The Group's products and services in this area include transaction settlement, custody services, online banking, transaction processing and the provision of SEPA and payment platforms. For example, the Group was chosen by Equatex, one of the leading European stock option plan administrators, to provide banking and custody services. The Group settles a significant number of transactions annually for its B2B clients.

(iii) ***Retail Banking Infrastructure.*** The Group provides a full range of white-label banking infrastructure services to retail banks. The Group's products and services in this area include providing infrastructure for retail deposits, lending infrastructure, brokerage accounts, customer services and regulatory reporting. For example, in 2017 the Group was chosen by a specialist bank for infrastructure financing based in Vienna, to set up the technological infrastructure for retail brokerage clients who want to deposit their savings at attractive conditions. The Group provides a broad range of fully digital solutions and interfaces, from front-end processes such as online account openings, e-banking and identification solutions, to back-end processes such as running its data warehouse and carrying out compliance monitoring and regulatory reporting.

10.7 Research and Development ("R&D")

The Group's R&D activities are concentrated in its Technologies segment. R&D fields include the development of its core banking system, the improvement of its settlement and transaction systems, as well as research in new settlement technologies. The Group does not provide R&D services to third parties or make use of R&D services provided by third parties. flatex personnel capacities in product and project management, system architecture, development and quality assurance amounted to an average of 190 employees in 2019 (2018: 169 employees). Based on the average number of employees in 2019, this corresponds to 36% of all flatex employees (2018: 34%).

The Group's pure development expenses amounted to EUR 14.8 million in 2019, compared to EUR 12.3 million in 2018 (2017: EUR 7.9 million). The development cost ratio (in relation to total revenue from continuing operations) amounts to 11.0% in 2019, compared to 9.8% in 2018 and 7.3% in 2017. Amortization of finished intangible assets amounted to EUR 4.2 million in 2019 (2018: EUR 3.2 million; 2017: EUR 2.6 million).

10.8 Intellectual Property and IT

10.8.1 Intellectual Property

The Group's success depends on its intellectual property. The Group relies on copyright, trade secret, trademark, domain name, patent and contract laws to protect its intellectual property and uses various methods, including filing applications for patents and trademark registrations with the German Patent and Trademark Office (*Deutsches Patent- und Markenamt*). Of particular importance are the trademarks that protect the Group's brand "flatex" and associated trademarks, as well as brands for other products and services. The source and object code for the Group's proprietary software is also protected using applicable methods of intellectual property protection and general protections afforded to confidential information. In addition, the Group enters into confidentiality and intellectual property ownership agreements with its employees and confidentiality and noncompete agreements with its independent contractors and business partners to control access to and distribution of intellectual property. The Group also owns, among others, the internet domains flatex.de, flatex.at, flatex.nl, vitrade.de and vitrade.at. The Trademark of DEGIRO is registered with the Benelux Office for Intellectual Property (BOIP) and the World Intellectual Property Organization (WIPO).

10.8.2 IT

The Group has a competitive technology edge due to its self-developed, highly scalable security ordering/settlement infrastructure. The Group relies on this technology to handle complex financial transactions for its clients with speed and accuracy. The Group's ability to effectively leverage and adopt new technology to improve its services is a key component of its success. To provide continuity in the event of a system outage, the Group maintains back-up systems.

10.9 Insurance

The Group is of the opinion that it maintains the types and amounts of insurance customary in its industry and in the jurisdictions in which it operates. The Group considers its insurance coverage to be adequate for its business, but it cannot guarantee that its insurance coverage will adequately protect it from all risks that may arise or in amounts sufficient to prevent material loss.

10.10 Banking License

flatex Bank has a German banking license, which allows the Group to provide banking services to B2C clients throughout the EEA. In addition, as part of its Technologies client services, the Group uses its banking license to offer its partners the complete range of products of a full-service bank as an outsourcing solution. DEGIRO is an investment firm licensed under Dutch law and under the supervision of the Dutch National Bank and the Authority for the Financial Markets (AFM).

10.11 Property, Plants and Equipment

The following table provides an overview of the material real property owned or leased by the Group:

Location	Floor space (in sqm)	Leased / owned	End of lease	Primary Use
Andernach, Germany	710	leased	05/2021	Banking
Berlin, Germany	530	leased	12/2024	Service/Infrastructure Trading
Dusseldorf, Germany	a) 907 b) 322	a) leased b) leased	a) 12/2020 b) 12/2025	Data Center System
Frankfurt am Main, Germany	2,407	leased	08/2022	Headquarters FinTech Campus Administration Banking Sales Finance
Kulmbach, Germany	1,922	leased	10/2023	Finance/Administration Regulatory Reporting Customer Support
Leverkusen, Germany	63	leased	12/2022	Data Center System
Neuss, Germany	3,695	leased	03/2027	Banking Backoffice Finance/Administration Regulatory Reporting Controlling
Vienna, Austria	70	leased	06/2026	Branch office
Willich, Germany	964	owned	-	Marketing Finance/Administration Controlling
Zwickau, Germany	a) 1,138 b) 1,669 c) 2,750	a) leased b) leased c) leased	a) 06/2022 (cancelled) b) 04/2021 (cancelled) c) 07/2028 (starting 03/2021)	eBanking Banking Trading Payment System Debitor Accounting Service/Infrastructure
Leipzig, Germany	a) 600 b) 99	a) leased b) leased	a) 09/2022 b) 03/2024	Factoring Processing
DEGIRO Amsterdam Office, The Netherlands	a) 970 b) 971	a) leased b) leased	a) 05/2025 b) 05/2025	DEGIRO Headquarters
DEGIRO Sofia office, Bulgaria	a) 1136 b) 1136	a) leased b) leased	a) 06/2022 b) 06/2022	DEGIRO branch office

10.12 Employees

On average, the Group had 527 employees in 2019, compared to 497 in 2018 and 453 employees in 2017. As at 30 June 2020, the Group had 544 employees. As of the date of this Prospectus and following the Acquisition, the Group has approximately 869 employees.

As of the date of this Prospectus, there have been no material changes in the number of employees and the Company has not experienced any strikes or other labour disturbances that have materially affected its operations.

10.13 Legal and Arbitration Proceedings

The Company is not currently, and has not been in the past twelve months, a party to any governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the Company is aware), which may have, or have had in the recent past, significant effects on the Company's or the Group's financial position or profitability.

10.14 Material Contracts

Other than described in section "*5. DEGIRO Acquisition*", the Group has neither been party to any material contracts outside the ordinary course of business in the past two years preceding the date of this Prospectus nor entered into any material contracts outside the ordinary course of business which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus.

11. REGULATORY AND LEGAL ENVIRONMENT

The Group's operations throughout the European Union are regulated and supervised by the relevant authorities in each of the jurisdictions where it conducts business. Such regulation relates to licensing, data protection, capital adequacy, liquidity, risk concentration, business conduct as well as organizational and reporting requirements. It affects the type and scope of the business the Group conducts in a country and how it structures specific operations. The regulatory environment has undergone and is still undergoing significant changes.

Further changes continue to be under consideration in the jurisdictions in which the Group operates. While the extent and nature of these changes cannot be predicted now, they may include a further increase in regulatory oversight and enhanced prudential standards relating to capital, liquidity, leverage, employee compensation, conduct of business, limitations on activities and other aspects of the Group's operations that may have a material effect on its business and the services and products that it will be able to offer.

The following sections present a description of the regulation and supervision of the Group's business by the authorities in Germany, its home market, and in the European Economic Area, which the Group views as the most significant markets.

11.1 Regulation and supervision of the Group's banking activities

11.1.1 Overview

The set of comprehensive changes to the capital adequacy framework published by the Basel Committee on Banking Supervision ("**Basel Committee**"), known as Basel 3, was implemented into European Union law by a legislative package referred to as "**CRR/CRD IV**". The CRR/CRD IV legislative package includes a European Union regulation (which is referred to as the Capital Requirements Regulation ("**CRR**")) which is directly enforceable as law in every member state of the European Union, and a European Union directive (which is referred to as the Capital Requirements Directive ("**CRD IV**")), which has been implemented into national (in the Group's case, German) law. CRR/CRD IV contains, among other things, detailed rules on regulatory banking capital, increased capital requirements and the introduction of additional capital buffers, tightened liquidity standards and a non-risk-based leverage ratio. Most of the new rules came into effect on 1 January 2014, with some of the regulatory requirements being gradually phased in through 1 January 2019.

The CRR/CRD IV legislative package is substantially amended through a revised banking package. This package consists of Regulation (EU) 2019/876 amending the CRR (the "**CRR II**") and Directive (EU) 2019/878 amending the CRD IV (the "**CRD V**") as well as Regulation (EU) 2019/877 amending Regulation (EU) No. 806/2014 ("**SRM Regulation**") (the "**SRM II**") and Directive (EU) 2019/879 amending the Directive for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU, the "**BRRD**") (the "**BRRD II**") (together the "**CRD V Package**"). The CRD V Package entered into force on 27 June 2019. The SRM II will apply from 28 December 2020. The CRR II will apply from 28 June 2021 while CRD V and BRRD II shall be implemented into national law by 28 December 2020. The required amendments to the German legislation will be implemented through the German Risk Reduction Act (*Gesetz zur Reduzierung von Risiken und zur Stärkung der Proportionalität im Bankensektor*), which is currently available as a draft bill. It is likely that the implementation of the CRD V Package will result in additional difficulties for banks in general and, hence, also flatex Bank regarding the fulfilment of its capital and any other regulatory requirements in connection therewith.

In addition, the European Union is pursuing a deeper integration and harmonization of banking regulation and supervision by establishing a banking union. Currently, the banking union consists of two pillars, the Single Supervisory Mechanism ("**SSM**") and the Single Resolution Mechanism ("**SRM**") for banks domiciled in the Eurozone as well as for banks domiciled in other member states of the European Union that decide to participate in the SSM and the SRM. The banking union shall be complemented by a third pillar, a common European Deposit Insurance Scheme ("**EDIS**") and is underpinned by an increasingly harmonized regulatory framework (the so-called "single rulebook") for financial services in the European Union. While the SSM and the SRM have already become effective, the EDIS is still debated among European Union member states, based upon a proposal of the European Commission published on 24 November 2015.

Under the SSM, the ECB is the primary supervisor of "significant" credit institutions and their banking affiliates in the relevant member states. The competent national authorities supervise the remaining, "less significant" banks (such as flatex Bank) under the oversight of the ECB. Under the SRM, broad resolution powers are granted to the Single Resolution Board ("**SRB**") as the central European resolution authority and to the competent national resolution authorities. Resolution powers in particular include the power to reduce, including to zero, the nominal value of shares, or to cancel shares outright, and to write down certain eligible subordinated and unsubordinated unsecured liabilities, including zeroing, or converting them into equity (commonly referred to as "bail-in"). The SRB is also in charge of the Single Resolution Fund ("**SRF**"), a pool of money financed by the banking sector which is set up to ensure that medium-term funding support is available for the purpose of restructuring banks under the SRM. The SRM is based on a European Union regulation (referred to as the "**SRM Regulation**") which is directly enforceable as law in every participating member state and a European Union directive (referred to as the Bank Recovery and Resolution Directive or "**BRRD**") which has been implemented into national (in the Group's case, German) law. The BRRD is also applicable to member states that do not participate in the SRM.

11.1.2 Regulation and Supervision in Germany – Basic Principles

The Group's banking subsidiary, flatex Bank, is authorised to conduct banking business and to provide financial services as set forth in the German Banking Act (*Kreditwesengesetz*) and is subject to comprehensive regulation and supervision by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**") and the Deutsche Bundesbank ("**Bundesbank**"), the German central bank.

The BaFin is flatex Bank's competent supervisor and responsible for most tasks of prudential supervision, such as compliance with regulatory requirements set forth in CRR/CRD IV concerning own funds, large exposure limits, leverage, liquidity, securitizations, corporate governance, business organization and risk management requirements. In addition, BaFin is responsible for supervising the rules on business conduct in the securities markets, in particular when providing securities services to clients, the regulation of anti-money laundering, terrorist financing and payment services. The Bundesbank supports and closely coordinates with the BaFin in the day to day supervision. The cooperation includes the ongoing review and evaluation of reports submitted by the Group and of its audit reports as well as assessments of the adequacy of its capital base and risk management systems. The BaFin and the Bundesbank receive comprehensive information from the Group in order to monitor its compliance with applicable legal requirements and to obtain information on its financial condition. Generally, supervision by the BaFin and the Bundesbank applies on an unconsolidated basis (flatex Bank only) and on a consolidated basis (the company and the entities consolidated with it for German regulatory purposes).

BaFin has extensive supervisory and investigatory powers, including the ability to issue requests for information, to conduct regulatory investigations and on-site inspections, to impose monetary and other sanctions, to request the replacement of members of the bank's management or supervisory board, or to repeal the license of a bank.

11.1.3 Banking Legislation

The German Banking Act and the CRR contain the principal rules for German banks, including the requirements for a banking license, and regulate the business activities of German banks. In particular, the German Banking Act requires that an enterprise that engages in one or more of the activities defined in the German Banking Act as "banking business" or "financial services" in Germany must be licensed as a "credit institution" (*Kreditinstitut*) or "financial services institution" (*Finanzdienstleistungsinstitut*), as the case may be. flatex Bank is licensed as a credit institution.

Significant parts of the regulatory framework for banks in the European Union are governed by the CRR. The CRR primarily sets forth the requirements applicable to the Group related to regulatory capital, risk-based capital adequacy, monitoring and control of large exposures, consolidated supervision, leverage, liquidity and public disclosure. Certain other requirements applicable to the

Group, including those with respect to capital buffers, organizational and risk management requirements, are set forth in the German Banking Act and other German laws, partially implementing European Union directives such as CRD IV.

11.1.4 *Securities Trading Legislation*

Under the German Securities Trading Act (*Wertpapierhandelsgesetz* – "**WpHG**"), the BaFin regulates and supervises securities trading, including the provision of securities services, in Germany. The WpHG contains, among other things, disclosure and transparency rules for issuers of securities that are listed on a German exchange and organizational requirements as well as rules of conduct which apply to all businesses that provide securities services. Securities services include, in particular, the purchase and sale of securities or derivatives for others and the intermediation of transactions in securities or derivatives and investment advice. The BaFin has broad powers to investigate businesses providing securities services to monitor their compliance with the organizational requirements, rules of conduct and reporting requirements. In addition, the WpHG requires an independent auditor to perform an annual audit of the securities services provider's compliance with its obligations under the WpHG.

On 3 July 2016, a new legal regime on market abuse entered into force consisting of a directly applicable European Union regulation on market abuse ("Market Abuse Regulation" or "**MAR**") and a European Union directive on criminal sanctions for market abuse ("**MAD**") which has been implemented in the WpHG. The MAR establishes a common European Union framework for, *inter alia*, insider dealing, the public disclosure of inside information, market manipulation, and managers' transactions.

The European Union has enacted several legislative proposals which result in further regulation of securities trading and the trading in derivatives in particular. Notably, the European Union adopted the European Regulation on OTC Derivatives, Central Counterparties and Trade Repositories ("**EMIR**"), which became effective on 16 August 2012 and was amended by Regulation (EU) No 2019/834 ("**EMIR Refit**") and Regulation (EU) 2019/2099 ("**EMIR 2.2**"). EMIR introduced requirements for standardized over-the-counter derivatives to be centrally cleared and derivative transactions to be reported to trade repositories. EMIR also includes additional capital and margin requirements for non-cleared trades. Further legislative measures such as the overhauled Markets in Financial Instruments Directive ("**MiFID 2**") and the new Markets in Financial Instruments Regulation ("**MiFIR**") and corresponding delegated legislation provide for, among other things, greater regulation and oversight by covering additional markets and instruments, extension of pre- and post-trade transparency rules from equities to all financial instruments, greater restrictions on operating trading platforms, and greater sanctioning powers. MiFID 2/MiFIR, also introduce a trading obligation for those OTC derivatives which are subject to mandatory clearing and which are sufficiently standardized, and new investor protection rules which will significantly impact the way the Group distributes products. MiFID 2 needs to be implemented into national law, whereas MiFIR is a directly applicable European Union regulation.

Furthermore, European securities regulation is to a large extent based on technical standards, guidelines and recommendations developed by the ESMA.

11.1.5 *Capital Adequacy Requirements*

Minimum Capital Adequacy Requirements (Pillar 1)

The minimum capital adequacy requirements for banks are primarily set forth in the CRR. The CRR requires banks to maintain an adequate level of regulatory capital in relation to their risk positions. Risk positions (commonly referred to as "risk-weighted assets") include credit risks, market risks and operational risks (including, among other things, risks related to certain external factors, as well as to technical errors and errors of employees). The most important type of capital for compliance with the capital requirements under the CRR (see below) is "Common Equity Tier 1" capital. Common Equity Tier 1 capital primarily consists of share capital, retained earnings and other reserves, subject to certain regulatory adjustments. Another component of regulatory capital is "Additional Tier 1" capital which includes, for example, certain unsecured subordinated perpetual capital instruments and related share premium accounts. Generally, the terms and conditions of all instruments recognized as Additional Tier 1 capital must require that the principal amount of the instruments will be written down, or converted into Common Equity Tier 1 capital when the Common Equity Tier 1 capital ratio of the financial institution falls below a minimum of 5.125% (or such higher level as the issuing bank may determine), although regulators may require an earlier conversion, for example for stress-testing purposes. Common Equity Tier 1 capital and Additional Tier 1 capital together constitute "Tier 1" capital. Tier 1 capital requirements are aimed at ensuring the ability to absorb losses on a "going concern" basis. The other type of regulatory capital is "Tier 2" capital which generally consists of long-term subordinated debt instruments and must be able to absorb losses on a "gone concern" basis. Tier 1 capital and Tier 2 capital together constitute "own funds". Pursuant to the CRR, hybrid capital instruments that qualified as Tier 1 or Tier 2 capital under what is known as Basel 2.5 cease to qualify as such and will be gradually phased out through the end of 2021.

Under the CRR, banks are required to maintain a minimum ratio of Tier 1 capital to risk-weighted assets of 6% and a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 4.5%. The minimum total capital ratio of own funds to risk-weighted assets is 8%.

Capital Buffers

The German Banking Act also requires banks to maintain a mandatory capital conservation buffer and authorizes BaFin to require credit institutions to build an additional countercyclical buffer during periods of high credit growth. In July 2019, the additional countercyclical buffer has been set by BaFin to be 0.25% but has subsequently been reduced to zero in April 2020 as a result of the SARS CoV-2 pandemic crisis. In addition, BaFin may require credit institutions to build up a systemic risk buffer as a matter of prevention against long-term non-cyclical systemic or macro-prudential risks, in particular if risk aspects are not fully covered by the capital requirements under the CRR or if the risk-bearing capability is endangered. The provisions in the German Banking Act on capital buffers are generally being phased in gradually through 1 January 2019. If a bank fails to build up the required capital buffers, it will be subject to restrictions on the pay-out of dividends, share buybacks and discretionary compensation payments.

11.1.6 Supervisory Review and Evaluation Process or "SREP" (Pillar 2)

Furthermore, BaFin may impose capital requirements on individual credit institutions within the SSM which are more stringent than the statutory minimum requirements set forth in the CRR, the German Banking Act or the related regulations. In connection with the supervisory review and evaluation process ("**SREP**"), competent supervisory authorities, including BaFin, are required to review the arrangements, strategies, processes and mechanisms of supervised banks on a regular basis, in order to evaluate risks to which they are or might be exposed, risks they could pose to the financial system, and risks revealed by stress testing, taking into account the nature, scale and complexity of their activities. At the end of the process, the competent supervisory authority takes an SREP decision in relation to each relevant bank setting out, depending on the outcome of the SREP, specific capital and liquidity requirements for each affected bank. Any additional bank-specific capital requirements resulting from the SREP are referred to as "Pillar 2" requirements and must be fulfilled in addition to the statutory minimum capital and buffer requirements. The "Pillar 2" requirement must be met with Common Equity Tier 1 capital. Also following the SREP, BaFin may communicate to individual banks an expectation to hold a further "Pillar 2" Common Equity Tier 1 capital add-on, the so-called "Pillar 2" guidance. Finally, also based on the outcome of the SREP, the competent supervisory authority may take a range of other measures in response to shortcomings in a bank's governance and risk management processes as well as its capital or liquidity position, such as prohibiting dividend payments to shareholders or distributions to holders of regulatory capital instruments.

11.1.7 Liquidity Requirements

Additionally, flatex Bank is subject to further regulatory requirements such as the Liquidity Coverage Ratio (the "**LCR**") (which requires credit institutions to maintain certain liquid assets for a 30-day period against the background of a stress scenario) and the Net Stable Funding Ratio (the "**NSFR**") (which requires credit institutions to refinance their long term assets under regular as well as under stressed market conditions with respective long term stable funding). The Issuer is required to maintain a minimum LCR of 100%. The NSFR (binding minimum quota of 100% from

28 June 2021) is calculated as the ratio of available funding resources across all maturities to the funding required and imposes further obligations on the Issuer.

11.1.8 Audits

Under German law, the Group is required to be audited annually by a certified public accountant (*Wirtschaftsprüfer*). The Bank's auditor is appointed each year at the annual shareholders' meeting. However, the supervisory board mandates the auditor and supervises the audit. The BaFin must be informed of and may reject the auditor's appointment. The German Banking Act requires that a bank's auditor inform the BaFin of any facts that come to the auditor's attention which would lead it to refuse to certify or to limit its certification of the bank's annual financial statements or which would adversely affect the bank's financial position. The auditor is also required to notify the BaFin in the event of a material breach by management of the articles of association or of any other applicable law. The auditor is required to prepare a detailed and comprehensive annual audit report (*Prüfungsbericht*) for submission to the bank's supervisory board, the BaFin and the Bundesbank.

11.1.9 Investigative and Enforcement Powers Investigations and Supervisory Audits

BaFin may conduct audits of banks on a random basis, as well as for cause. BaFin may audit flatex Bank's compliance with applicable regulatory requirements such as those set forth in CRR/CRD IV and those relating to business conduct in the securities markets and the regulation of anti-money laundering, to counter terrorist financing and payment services.

BaFin may require a bank to furnish information and documents in order to ensure that the bank is complying with applicable bank supervisory laws. BaFin may conduct investigations without having a specific cause therefor.

BaFin has a wide range of enforcement powers in the event it discovers any irregularities concerning adherence to requirements with respect to which it supervises us. It may, for example,

- impose additional own funds or liquidity requirements in excess of statutory minimum requirements;
- restrict or limit a bank's business;
- require the cessation of activities to reduce risk;
- require a bank to use net profits to strengthen its own funds;
- restrict or prohibit dividend payments to shareholders or distributions to holders of Additional Tier 1 instruments; or
- remove the members of the bank's management or supervisory board members from office.

If these measures are inadequate, BaFin may revoke the bank's license.

In addition, if a bank is in danger of defaulting on its obligations to creditors, BaFin may take emergency measures to avert default.

These emergency measures may include:

- issuing instructions relating to the management of the bank;
- prohibiting the acceptance of deposits and the extension of credit;
- prohibiting or restricting the bank's managers from carrying on their functions;
- prohibiting payments and disposals of assets;
- closing the bank's customer services; and

- prohibiting the bank from accepting any payments other than payments of debts owed to the bank.

BaFin may also impose administrative pecuniary penalties under the German Banking Act and other applicable laws. Penalties under the German Banking Act may amount to generally up to EUR 5 million or, in certain cases, EUR 20 million, depending of the type of offense. If the economic benefit derived from the offense is higher, the BaFin may impose penalties of up to 10% of the net turnover of the preceding business year or twice the amount of the economic benefit derived from the violation.

Finally, violations of the German Banking Act may result in criminal penalties against the members of the Management Board or senior management.

11.1.10 Recovery and Resolution Planning, Restructuring Powers

Germany participates in the SRM, which centralizes at a European level the key competences and resources for managing the failure of banks in member states of the European Union participating in the banking union. The SRM is based on the SRM Regulation and the BRRD, which was implemented in Germany through the German Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*, "**SAG**"). In addition, the German Resolution Mechanism Act (*Abwicklungsmechanismusgesetz*) adapted German bank resolution laws to the SRM. The SRM Regulation and the German Recovery and Resolution Act require the preparation of recovery and resolution plans for banks and grant broad powers to public authorities to intervene in a bank which is failing or likely to fail. The resolution scheme would be addressed to and implemented by the competent national resolution authorities (in Germany: BaFin).

Resolution measures that could be imposed upon a failing bank may include a range of measures including the transfer of shares, assets or liabilities of the bank to another legal entity, the reduction, including to zero, of the nominal value of shares, the dilution of shareholders of a failing bank or the cancellation of shares outright, or the amendment, modification or variation of the terms of the bank's outstanding debt instruments, for example by way of deferral of payments or a reduction of the applicable interest rate. Furthermore, certain eligible unsecured liabilities, in particular certain senior unsecured debt instruments specified by the German Resolution Act, as amended by the German Resolution Mechanism Act, may be written down, including to zero, or converted into equity ("**bail-in**").

To prevent banks from structuring their liabilities in a way that impedes the effectiveness of the bail-in or other resolution tools, the SRM Regulation and the SAG, provide for a requirement for banks to meet minimum requirements for own funds and eligible liabilities ("**MREL**"). The MREL is to be determined by the competent resolution authorities for each supervised bank individually. MREL applies to all banks across the European Union.

Finally, in addition to resolution proceedings under the SRM and the German Recovery and Resolution Act, a German bank can become subject to reorganisation measures and restructuring proceedings under the German Credit Institution Reorganization Act (*Gesetz zur Reorganisation von Kreditinstituten*).

11.1.11 Deposit Protection and Investor Compensation in Germany

The Deposit Protection Act and the Investor Compensation Act

The German Deposit Protection Act (*Einlagensicherungsgesetz*) and the German Investor Compensation Act (*Anlegerentschädigungsgesetz*) provide for a mandatory deposit protection and investor compensation system in Germany, based on a European Union directive on deposit guarantee schemes ("**DGS Directive**"), recast in 2014, and a European Union directive on investor compensation schemes.

The German Deposit Protection Act requires that each German bank participates in one of the statutory government-controlled deposit protection schemes (*Entschädigungseinrichtungen*). Entschädigungseinrichtung deutscher Banken GmbH acts as the deposit protection scheme for private sector banks such as the Group, collects and administers the contributions of the member banks, and settles any compensation claims of depositors in accordance with the German Deposit Protection Act.

Under the German Deposit Protection Act, deposit protection schemes are liable for obligations resulting from deposits denominated in any currency in an amount of up to EUR 100,000 per depositor and bank (in certain cases up to EUR 500,000). Deposit protection schemes are not liable for liabilities the existence of which can be proven only by financial instruments such as transferable securities that are not repayable at par or the principal of which is repayable at par only under a particular guarantee or agreement provided by the bank or a third party. Deposits by certain entities, such as banks, financial institutions (*Finanzinstitute*), insurance companies, investment funds, the Federal Republic of Germany, the German federal states and municipalities, as well as liabilities arising from own acceptances (*eigene Akzepte*) and sola bills (*Solawechsel*) are not protected.

Deposit protection schemes are financed by annual contributions of the participating banks. They must have "available financial means" proportionate to their potential liabilities and must reach a target level of 0.8% of such means of the total covered deposits of their participating banks by 3 July 2024. The "financial means" must be contributed by the banks participating in the deposit protection scheme. The amount of contributions of each bank will be based upon the amount of its covered deposits and the degree of risk the bank is exposed to. Deposit protection schemes may also levy special contributions if required to settle compensation claims. There is no absolute limit on such special contributions.

Deposit protection schemes will be required to contribute to bank resolution costs where resolution tools are used. The contribution made by the deposit protection scheme is limited to the compensation it would have to pay if the affected bank had become subject to insolvency proceedings. Furthermore, deposit protection schemes under certain circumstances may provide funding to its participating banks to avoid their failure.

European Deposit Insurance Scheme

On 24 November 2015, the European Commission proposed a regulation to establish a European Deposit Insurance Scheme for bank deposits of all credit institutions which are members of any of the current national statutory deposit guarantee schemes of member states participating in the banking union. The Commission's proposal envisages a progressive integration of existing national deposit guarantee schemes in three stages, from a re-insurance of national deposit guarantee schemes, to a co-insurance system, and then to the final stage, which would be reached in 2024, when EDIS would fully insure all relevant national deposit guarantee schemes in case of a bank failure. EDIS would be administered by the SRB in all stages jointly with participating national deposit guarantee schemes or, where a deposit guarantee scheme does not administer itself, by the national designated authority responsible for administering the respective participating deposit guarantee scheme. The proposal is still being negotiated at the European Union level and the ultimate impact on the Group is uncertain.

11.1.12 Further Regulation and Supervision in the European Economic Area

Since 1989 the European Union has enacted several regulations and directives to create a single European Union-wide market with almost no internal barriers on banking and financial services. Within this market flatex Bank generally operates under the so-called "European Passport". Under the European Passport, the Group is subject to regulation and supervision primarily by BaFin. To the extent that activities are carried out within its jurisdiction, the authorities of the host country supervise the conduct of such activities. This includes, for example, rules on treating clients fairly and rules governing a bank's conduct in the securities market. In this context, flatex Bank operates a branch office in Austria, which also meets the national regulatory requirements in supervision by the FMA.

A major focus of German governmental policy relating to financial institutions is aimed at preventing money laundering and terrorist financing. Failure of an institution to have policies and procedures and controls in place to prevent, detect and report money laundering and terrorist financing could in some cases have serious legal, financial and reputational consequences for the institution.

11.1.13 Further Regulation worldwide

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (so called foreign passthru payments) to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Germany) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs on the services the Group provides or to instruments such as the Shares, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Shares, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Shares, such withholding would not apply prior to 1 January 2019.

11.2 Data protection

In May 2018, the new EU General Data Protection Regulation ("**GDPR**") entered into force. The GDPR involves a shift in the legal framework for data protection in the EU and replaces the outdated EU Data Protection Directive (95/46/EC) ("**DPD**"). GDPR established one set of rules across the EU as it replaces national laws that implement the DPD. The GDPR strengthens individual's rights and imposes stricter requirements not only on data controllers but also on companies processing personal data. Other key components of the GDPR include (i) new consent requirements; (ii) obligations to appoint a data protection officer; (iii) a new mandatory notification regime requiring data controllers to notify authorities about a data breach without undue delay (when feasible, no later than 72 hours after becoming aware of the breach) and to inform the affected data subjects about the breach; and (iv) substantial fines of up to EUR 20 million or 4% of annual global turnover on a group basis (whichever is higher) for breaches of the GDPR provisions.

With the entry into force of GDPR, the Group no longer needs to deal with the data protection authorities in each of the member states in which it operates in, but instead the Group will be accountable to a single national data protection authority in Germany (the EU member state in which the Group has its main establishment).

12. SHAREHOLDER INFORMATION

12.1 Current Major Shareholders

The below table shows the current composition of the shareholders of the Company, as of the date of this Prospectus, according to the information available to the Company and in accordance with the German Securities Trading Act (***Wertpapierhandelsgesetz***, "**WpHG**"), of persons holding hold more than 3% of the shares and/or more than 5% of instruments pursuant to Section 38 WpHG and/or an aggregate of more than 5% of the shares and instruments pursuant to Section 39 WpHG in the Company:

	Ownership of the Company (in %)[1]		
Name of Shareholder (ultimate controlling person)	**Shareholdings[2]**	**Instruments[3]**	**Total**
Mr Bernd Förtsch[4]	19.66	−	19.66
GfBk Gesellschaft für Börsenkommunikation mbH[4]	12.95	−	12.95
Heliad Equity Partners GmbH & Co. KGaA[4]	5.25	−	5.25
Mr. Niels Jacob Klok[5]	6.71	−	6.71
Mr. Udo Gjis Nagel[6]	6.71	−	6.71
Mr. Mark Fransen[7]	4.31	−	4.31
Mr. Stephan Keetman[8]	4.31	−	4.31
Mr. Jasper Anderluh[9]	3.34	−	3.34

(1) The percentage of voting rights and instruments has been calculated on the basis on the Company's total number of voting rights as of the date of this Prospectus.

(2) Includes direct and indirect shareholdings pursuant to Sections 33, 34 WpHG.

(3) Includes directly and indirectly held instruments pursuant to Section 38 WpHG.

(4) Based on information available to the Company, Mr Bernd Förtsch directly holds 1.46% of the Company's shares and indirectly holds 12.95% through his ownership and control of GfBk Gesellschaft für Börsenkommunikation mbH and 5.25% through his ownership and control of Heliad Equity Partners GmbH & Co. KGaA.

(5) Based on information available to the Company, all shares are indirectly held through Nola LPE B.V. via Nola Investments B.V.

(6) Based on information available to the Company, all shares are indirectly held through Unguis LPE B.V. via Unguis B.V.

(7) Based on information available to the Company, all shares are indirectly held through MaF LPE B.V. via MaF Invest B.V.

(8) Based on information available to the Company, all shares are indirectly held through Keetman LPE B.V. via Keetman Software B.V.

(9) Based on information available to the Company, all shares are indirectly held through Anderluh LPE B.V. via Anderluh B.V.

12.2 Controlling Interest

To the knowledge of the Company, the Company is not directly or indirectly owned or controlled by any shareholder or third person.

13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same group as the Company or that are in control of or controlled by the Company must be disclosed unless they are already included as consolidated companies in the Company's audited consolidated financial statements. Control exists if a shareholder owns more than half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of the Company's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies, including joint ventures, as well as transactions with persons who have significant influence over the Company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Management Board and the Supervisory Board and close members of their families, as well as those entities over which the members of the Management Board and the Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

This section sets out details of transactions with related parties that the Company has entered into since 31 December 2016.

Set forth below are all related party transactions entered into between Group companies and its related parties for the 2019, 2018 and 2017 fiscal years (shown figures are rounded):

- The company Event Horizon Capital & Advisory GmbH controlled by supervisory board member Martin Korbmacher, and flatex AG had transactions related to M&A advisory services during the 2017-2019 period in the amount of EUR 3 thousand in 2019 (2018: EUR 0 thousand; 2017: EUR 158 thousand).

- Companies controlled by Mr. Bernd Förtsch, and Group companies had transactions related to advertising and PR activities and the lease of commercial space totalling EUR 1,241 thousand in 2019 (2018: EUR 1,600 thousand and 2017: EUR 1,111 thousand). For the purposes of IAS 24, Mr. Förtsch was deemed to have significant influence over the Company's financial and operating policies, and as a result is considered a related party for the purposes of this disclosure.

All transactions were completed under standard market conditions (at arm's length).

At year-end 2019, the Group had receivables against related parties in the amount of EUR 2 thousand (2018: EUR 28 thousand and 2017: EUR 0 thousand); liabilities to related parties amounted to EUR 0 thousand (2018: EUR 45 thousand and 2017: EUR 58 thousand). In addition, a number of related parties maintain cash and / or securities custody accounts with flatex Bank AG. All transactions (securities transactions and loan / deposit business) are carried out on end-customer terms or on the employee terms applicable throughout the group.

The Company has not entered into any material related party transactions since 1 January 2020 up to and including the date of this Prospectus.

14. GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

14.1 Formation, registration with the Commercial Register, name and registered office

The Company was initially incorporated on 27 July 1999 under the legal name "PRE.IPO Aktiengesellschaft". After several name changes in the following years, the Company changed its legal name into "FinTech Group AG" on 4 August 2014. In March 2019, the Company renamed its subsidiary, FinTech Group Bank AG, as "flatex Bank AG." Following the annual General Shareholders' Meeting in August 2019, the Company changed its legal name into "flatex AG." The commercial name of the Company and the Group is "flatex."

flatex AG, with its registered seat in Frankfurt am Main is a German stock corporation (Aktiengesellschaft) registered with the Commercial Register under docket number HRB 103516. The registered business address of the Company is Rotfeder-Ring 7, 60327 Frankfurt am Main, Germany.

The financial year of the Company is the calendar year. The term of the Company is unlimited. However, in addition to the opening of insolvency proceedings, the Company can be dissolved, in particular, but not limited to, by a resolution of the shareholders' meeting which requires a majority of not less than three fourths of the share capital represented at the passing of the resolution.

The Company is the parent company of the Group.

14.2 Business objective

According to Section 2 of the Company's articles of association, the Company's business objective is:

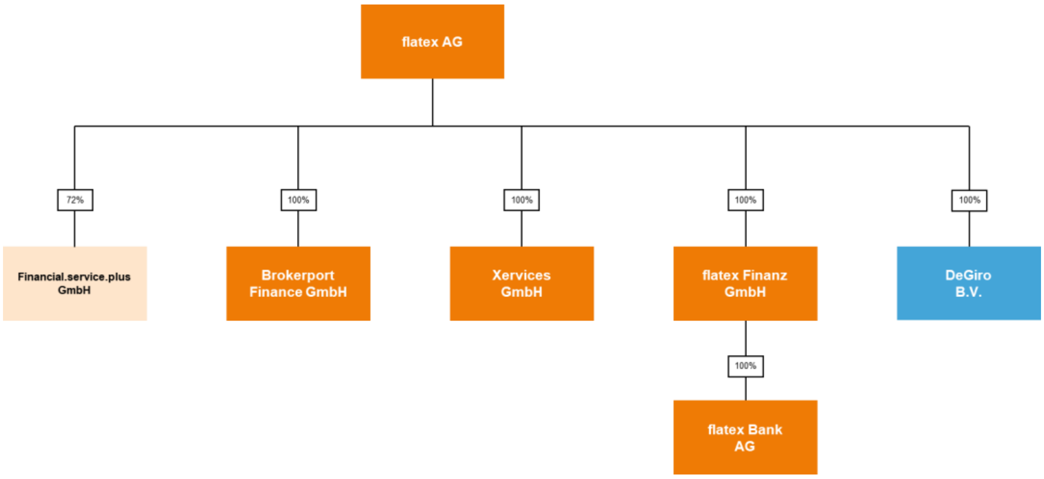
- the development, manufacture, sale and maintenance of innovative software and hardware, telematics products (in the sense of wireless data transmission and evaluation) and office technology systems of all kinds;
- data processing and the provision of office, accounting and management services, in particular for the business and organizational processing of financial transactions, especially securities transactions, and payment transactions of all kinds;
- the acquisition, management and sale of interests in companies, in particular in the financial services sector, as well as the provision of management, consulting and other services, in particular for the aforementioned companies and third parties, focusing in particular on the financial services sector;
- as well as all activities related to the aforementioned activities.

The Company is empowered to use all measures and businesses which are appropriate to achieve this business purpose. Among others, this can include the establishment of branch offices in Germany and abroad, as well as the establishment, purchase or participation in similar or related types of businesses.

14.3 Group structure and development of the Group structure

As the parent company of the Group, the Company exercises certain group management functions, such as strategy, risk management, Group accounting and controlling, treasury, legal, taxation, investor relations, Group marketing and public relations.

The following chart shows the current structure of the Group with all subsidiaries of the Company and its respective shareholdings:



14.4 Significant subsidiaries

The following table provides an overview of the significant subsidiaries in the Group as at 31 December 2019. As of the date of the Prospectus, the shareholdings remain unchanged, unless indicated otherwise.

Company name, registered office	**Field of Activity**	**Participation of the Company (directly and indirectly)**
DeGiro B.V. Amstelplein 1 9th floor, (1096 HA) Amsterdam, the Netherlands	Online Brokerage	9.4%[(1)]
Brokerport Finance GmbH Rotfeder-Ring 7, 60327 Frankfurt am Main, Germany	Financial services	100%
Xervices GmbH Rotfeder-Ring 7, 60327 Frankfurt am Main, Germany	Software development	100%
financial.service.plus GmbH Martin-Luther-Ring 13, 04109 Leipzig, Germany	Financial services	72%
flatex Finanz GmbH Rotfeder-Ring 5, 60327 Frankfurt am Main, Germany	Holding company	100%
flatex Bank AG Rotfeder-Ring 7, 60327 Frankfurt am Main, Germany	Banking processes	100%

(1) On 30 July 2020, flatex acquired 100% of DEGIRO. As of the date of this Prospectus, flatex AG directly owns 100% of DEGIRO.

14.5 Announcements

According to the Company's articles of association, announcements are to be published in the German Federal Gazette (*Bundesanzeiger*). For statements or information that must be made available to the shareholders by law but that are not subject to specific form requirements, posting on the Company's website is sufficient. Information to shareholders may also be transmitted via electronic media, to the extent permitted by law.

In compliance with Article 21 of the Prospectus Regulation, this Prospectus, as well as any supplements thereto and notices in connection with the approval of this Prospectus, will be published on the website of the Company (https://www.flatex.com/en/investor-relations/) and by making print versions available free of charge at the Company's office and the offices of the Listing Agent during regular business hours.

Publications concerning the Shares will be published in the German Federal Gazette and, if required by mandatory provisions, by media suitable for publication in the European Economic Area.

15. SHARE CAPITAL OF THE COMPANY AND APPLICABLE REGULATIONS

15.1 Share Capital and Description of Shares

The share capital of the Company amounts to EUR 27,223,137.00 and is divided into 27,223,137 ordinary registered shares with no par value (*Stückaktien*) with a calculated value of EUR 1.00 per Share in the share capital.

Each Share entitles the shareholder to one vote at the General Shareholders' Meeting of the Company. There are no restrictions on voting rights. Voting rights are the same for all of the Company's shareholders. Voting rights, however, do not attach until the respective capital contribution has been fully paid up. The Shares carry full dividend rights as from 1 January 2020. In the event of the Company's liquidation, the Company's assets remaining after satisfaction of all liabilities of the Company will be distributed to the shareholders in proportion to their interest in the Company's share capital.

As of the date of the Prospectus, the Company and its subsidiaries hold no shares in the Company.

The form of the share certificates, the dividend coupons and the renewal coupons, if any, are, with the consent of the Supervisory Board, determined by the Management Board. The Company is entitled to issue share certificates embodying individual shares or multiples of shares. The Company's articles of association stipulate that the shareholders' right to the issuance of share certificates shall be excluded, unless such issuance is required in accordance with regulations applicable at a stock exchange to which the Shares are admitted for trading.

15.2 General provisions governing a change in the share capital, subscription rights and a liquidation of the Company

15.2.1 General provisions governing a change in the share capital

According to the German Stock Corporation Act (*Aktiengesetz*), the share capital of a stock corporation may be increased against contributions in cash or in kind by resolution of the General Shareholders' Meeting which must be adopted by a simple majority of the votes cast and a majority of at least three-quarters of the share capital represented at the adoption of the resolution, unless the corporation's articles of association require a different majority; if the share capital is increased by issuing non-voting preference shares or the subscription rights of the shareholders are excluded, the articles of association may only require a larger majority. Pursuant to the Company's articles of association, an increase of the share capital against contributions in cash or in kind requires a simple majority of the votes cast and a simple majority of the share capital represented at the adoption of the resolution unless a higher majority is required by mandatory law (*e.g.*, in case of capital increases with a dilutive effect without shareholders' subscription rights) or the Articles of Association, which particularly but not exclusively includes all resolutions of the shareholders' meeting regarding (i) capital increases with subscription rights of the shareholders against contributions; (ii) capital increases from reserves; and (iii) the issuance of convertible bonds, participating bonds and other instruments, to which the shareholders are entitled to subscription rights.

Furthermore, according to the German Stock Corporation Act, the General Shareholders' Meeting may adopt a resolution, with a majority of at least three-quarters of the share capital represented at the time the resolution is adopted, to issue authorized capital, which authorizes the Management Board to issue shares within a period of not more than five years following the registration of the amendment of the articles of association. The articles of association may provide for a larger majority and other requirements. The nominal value of the authorized capital may not exceed half of the share capital existing at the time of the time the authorization is granted (i.e., at the time the authorized capital is registered with the commercial register (*Handelsregister*)).

The General Shareholders' Meeting may also resolve to issue contingent capital for the purpose of issuing shares to the holders of convertible bonds or other securities which grant a subscription right, or for the purpose of issuing shares that serve as consideration for a merger with another company, or for the purpose of issuing shares which are to be offered to executive managers and employees. According to the German Stock Corporation Act, such resolution of the General

Shareholders' Meeting requires a majority of three-quarters of the share capital at the time the resolution is adopted. The nominal value of the contingent capital may not exceed one tenth of the share capital existing at the time of the resolution if the contingent capital is created to issue shares to executive managers and employees; in all other cases, it may not exceed half of the share capital existing at the time the resolution is adopted.

In accordance with the German Stock Corporation Act, a reduction of the share capital may be resolved. In general, the German Stock Corporation Act stipulates that such a resolution requires a majority of three-quarters of the share capital represented at the resolution. The Company's Articles of Association may provide for a larger majority and further requirements.

15.2.2 General provisions governing subscription rights

According to the German Stock Corporation Act (*Aktiengesetz*), each shareholder has, in principle, a right to subscribe for new shares issued in a capital increase (including securities convertible into shares, securities with warrants to purchase shares, securities with profit participation or participation certificates) to maintain their existing share in the share capital. Subscription rights are freely transferable and may be traded on German stock exchanges during a fixed period before the expiration of the subscription period. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), the subscription period may not be shorter than two weeks. The General Shareholders' Meeting may exclude subscription rights with a majority of the votes cast and, at the same time, at least three-quarters of the share capital represented at the adoption of the resolution. An exclusion of subscription rights further requires a report of the management board, which must show, in order to justify the exclusion of subscription rights, that the company's interest in excluding the subscription rights outweighs the interest of the shareholders being granted in the subscription rights. In the absence of such objective justification, an exclusion of subscription rights may be permissible for an issuance of new shares if:

- the company increases the capital against cash contributions;
- the amount of the capital increase does not exceed 10% of the existing share capital; and
- the issuance price of the new shares is not substantially lower than the stock exchange price.

It is not considered an exclusion of subscription rights if new shares are acquired by a credit institution, which undertakes to offer the new shares to those persons who would otherwise have subscription rights.

15.2.3 General provisions governing a liquidation of the Company

Apart from liquidation following insolvency proceedings, the Company may be liquidated in particular, but not limited to, by shareholders' resolution, but only with a vote of 75% or more of the share capital represented at the General Shareholders' Meeting at which such a vote is taken. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), in the event of the Company's liquidation, any assets remaining after all of the Company's liabilities have been settled will be distributed. The German Stock Corporation Act (*Aktiengesetz*) provides certain protections for creditors which must be observed in the event of liquidation.

15.3 Authorized Capital

Pursuant to Section 4(3) of the Company's articles of association, the Management Board, with the consent of the Supervisory Board, is authorized to increase the Company's share capital on one or several occasions on or before 6 August 2023 in a total amount of up to EUR 29,677.00 by issuing up to 29,677 new Shares against contributions in cash and/or in kind ("**Authorized Capital 2018**" or the "**Authorized Capital**"). In general, shareholders must be granted subscription rights in a capital increase. However, subject to the Supervisory Board's consent, the Management Board is authorized to exclude the shareholders' statutory subscription rights in relation to the Authorized Capital in whole or in part in the following events:

- for fractional amounts,

- if the capital increase is made against contributions in cash and if the overall prorated amount of the share capital attributable to the new shares for which the subscription right is being excluded does not exceed 10% of the share capital available at the time of the resolution as well as at the time of the issue of the new shares and if the issuing price of the new shares, for purposes of Section 203 (1) and (2), § 186 (3) sentence 4 of the German Stock Corporation Act, is not significantly lower than the price quoted for the already quoted shares of the same class and with the same rights at the time the Management Board finally determines the issuing price,

- if the Company increases its capital against contributions in kind, in particular in order to grant shares for purposes of acquiring any entities, partial entities or interests in entities.

- to the extent required to grant a subscription right to new Shares to holders or creditors of notes with conversion or option rights respectively obligations which were issued previously by the Company to the extent to which they would be entitled as shareholders if they had exercised their conversion or option right respectively had met a conversion respectively option obligation.

Subject to the Supervisory Board's consent, the Management Board is authorized to determine the further details for executing capital increases out of the Authorized Capital.

The Management Board is authorized to determine that the new Shares shall be transferred in accordance with Section 186 (5) German Stock Corporation Act (*Aktiengesetz*) to a credit institution or a company operating pursuant to Section 53 (1) sentence 1 or Section 53 b (1) sentence 1 or (7) of the German Banking Act (*Kreditwesengesetz*) with the obligation to offer them for subscription to the existing shareholders of the Company (indirect subscription right).

The Supervisory Board is authorized to amend the version of the Company's articles of association in accordance with the amount of the capital increase from the Authorized Capital after complete or partial implementation of the capital increase from the Authorized Capital or after expiry of the authorization period.

15.4 Contingent Capital

By resolution of the General Shareholders' Meeting on 30 October 2014, the share capital of the Company has been contingently increased by up to EUR 1,390,000.00 by issuing up to 1,390,000 new Shares ("**Contingent Capital 2014**"). The resolution of the General Shareholders' Meeting on the creation of the Contingent Capital 2014 was entered in the commercial register on 5 November 2014.

The exclusive purpose of the Contingent Capital 2014 is to secure subscription rights which are granted to members of the Company's Management Board and to the Company's employees as well as to members of the management boards and to employees of the Company's subsidiaries during the period up to and including 30 September 2019 within the Stock Option Plan 2014, which is based on the authorization of the General Shareholders' Meeting on 30 October 2014, also with modifications by the General Shareholders' Meeting on 27 July 2016 and also as amended by the resolution on Agenda Item 4 of the General Shareholders' Meeting on 4 December 2017, and also to the extent that after the issuance of the subscription rights the conditions underlying the subscription rights in question have been or will be revised in accordance with the respective resolution on Agenda Item 4 of the General Shareholders' Meeting on 4 December 2017. As of the date of this Prospectus, pursuant to several exercised subscription rights, the Contingent Capital 2014 amounts to EUR 456,000.00 and Sec. 4 (4) of the Company's articles of association have been amended respectively.

By resolution of the General Shareholders' Meeting on 28 August 2015, the share capital of the Company has been contingently increased by up to EUR 230,000.00 by issuing up to 230,000 new Shares ("**Contingent Capital 2015**"). The resolution of the General Shareholders' Meeting on the creation of the Contingent Capital 2015 was entered in the Commercial Register on 27 October 2015.

The exclusive purpose of the Contingent Capital 2015 is to secure subscription rights granted to members of the Company's Management Board and to the Company's employees as well as to members of the management boards and to employees of companies affiliated with the Company during the period up to and including 27 August 2020 within the Stock Option Plan 2015, which is based on the authorization of the General Shareholders' Meeting on 28 August 2015, also with modifications by the General Shareholders' Meeting on 27 July 2016 and also as amended by the resolution on Agenda Item 4 of the General Shareholders' Meeting on 4 December 2017, and also to the extent that after the issuance of the subscription rights the conditions underlying the subscription rights in question have been or will be revised in accordance with the respective resolution on Agenda Item 4 of the General Shareholders' Meeting on 4 December 2017. As of the date of this Prospectus, pursuant to several exercised subscription rights, the Contingent Capital 2015 amounts to EUR 177,500.00 and Sec. 4 (5) of the Company's articles of association have been amended respectively.

By resolution of the General Shareholders' Meeting on 4 December 2017, amended by resolution of the General Shareholders' Meeting on 7 August 2018, the share capital of the Company has been contingently increased by up to EUR 3,500,000 by issuing up to 3,500,000 new Shares ("**Contingent Capital 2017**"). The resolution of the General Shareholders' Meeting on the creation of the Contingent Capital 2017 was entered in the commercial register on 25 January 2018, the respective amendment on 15 August 2018. Due to the date of registration in year 2018, in the Commercial Register the Contingent Capital 2017 is referred to as *Contingent Capital 2018/I*.

The Contingent Capital 2017 shall be used only on the extent to which the holders or creditors of convertible notes, options or participation rights or obligations, which are issued by the Company or by one of its subsidiaries until 3 December 2022 on the basis of the authorization resolution of the General Shareholders' Meeting on 4 December 2017 as amended by the General Shareholders' Meeting on 7 August 2018, exercise their conversion respectively subscription rights or fulfil a conversion obligation.

By resolution of the General Shareholders' Meeting on 7 August 2018, the share capital of the Company has been contingently increased by up to EUR 3,600,000.00 by issuing up to 3,600,000 new Shares ("**Contingent Capital 2018/II**"). The resolution of the General Shareholders' Meeting on the creation of the Contingent Capital 2018/II was entered in the Commercial Register on 15 August 2018.

The contingent capital increase shall only be implemented to the extent that under convertible or option bonds, profit participation rights or profit participation bonds (respectively combinations of these instruments) in each case providing for conversion or option rights respectively conversion or option obligations, that have been issued by the Company until 6 August 2023 based on the respective authorization of the General Shareholders' Meeting on 7 August 2018,

- conversion or option rights are exercised, respectively
- bondholders, which are obliged to convert or exercise their options fulfil their respective obligation, respectively
- the Company makes use of its right to grant the holders of the respective bonds, upon maturity of the bonds, Shares in the Company in whole or in part in lieu of payment of the cash amount due

and to the extent that no other forms of fulfilment are used.

15.5 Development of Share Capital

The initial share capital of the Company amounted to EUR 50,000.00.

After several capital increases in the following years, on 2 June 2015, the Management Board, with the consent of the Supervisory Board, resolved to increase the share capital from EUR 15,394,815.00 by EUR 810,000.00 to EUR 16,204,815.00 by issuing new shares against cash contribution under exclusion of subscription rights, based on the authorization granted by the General Shareholders' Meeting on 30 April 2015 and utilising part of authorized capital. The implementation of the capital increase and the corresponding changes to the Company's articles of association were entered into the commercial register, and thus entered into force, on 15 June 2015.

By two resolutions as of 10 December 2015 and a further resolution as of 11 December 2015, the Management Board, each time with the consent of the Supervisory Board, resolved to increase the share capital against cash contribution by EUR 606,061.00 to EUR 16,810,876.00 by issuing new shares under exclusion of subscription rights, based on the authorization granted by the General Shareholders' Meeting on 28 August 2015 and utilising part of authorized capital. The implementation of the capital increase and the corresponding changes to the Company's articles of association were entered into the Commercial Register, and thus entered into force, on 15 December 2015.

On 13 December 2017, the Management Board, with the consent of the Supervisory Board, resolved to increase the share capital against cash contribution under exclusion of subscription rights by EUR 700,000.00 to EUR 17,510,876.00 on the basis of the resolution passed by the General Shareholders' Meeting on 5 July 2017 and utilising part of authorized capital. The implementation of the capital increase and the corresponding amendments to the Company's articles of association were entered into the Commercial Register, and thus entered into force, on 22 December 2017.

On 10 September 2018, the Management Board, with the consent of the Supervisory Board, resolved to increase the share capital against cash contribution by EUR 1,225,761.00 to EUR 18,736,637.00, based on the authorization granted by the General Shareholders' Meeting on 7 August 2018 and utilising part of authorized capital. The Company issued 1,225,761 new Shares under exclusion of subscription rights in a total issue amount (*Gesamtausgabebetrag*) of EUR 34,934,188.50. The implementation of the capital increase and the corresponding amendments to the Company's articles of association were entered into the Commercial Register, and thus entered into force, on 24 September 2018.

In the course of 2019, until 16 May 2019, the Company's share capital increased by EUR 819,000.00 to EUR 19,555,637.00 as a result of the issuance of 819,000 subscription shares, utilizing part of the Contingent Capital 2014.

Further, until 31 December 2019, the Company's share capital increased by EUR 40,000.00 to EUR 19,559,637.00 as a result of the issuance of 40,000 subscription shares, utilizing part of the Contingent Capital 2014.

Until 20 January 2020, the Company's share capital increased by EUR 20,000.00 to EUR 19,615,637.00 as a result of the issuance of 20,000 subscription shares, utilizing part of the Contingent Capital 2015.

Further, until 22 July 2020, the Company's share capital increased by EUR 107,500.00 to EUR 19,723,137.00 as a result of the issuance of: (a) 75,000 subscription shares utilizing part of the Contingent Capital 2014 and (b) 32,500 subscription shares utilizing part of the Contingent Capital 2015.

On 30 July 2020, in connection with the Company's acquisition of DEGIRO, the Company's share capital increased by EUR 7,500,000.00 to EUR 27,223,137.00 as a result of the Management Board's decision with the consent of the Supervisory Board's decision to issue 7,500,000 shares against a contribution in kind (*Sachkapitalerhöhung*) consisting of shares in DEGIRO held by previous DEGIRO owners (valued at approximately EUR 190 million). For further information on the acquisition see also "*5.1. Description of acquisition of DEGIRO*". The issuance of 7,500,0000 shares is composed of: (a) EUR 4,898,115 by issuing 4,898,115 new Shares from the authorized capital 2017 as approved in the 5 July 2017 General Shareholders' Meeting ("**Authorized Capital 2017**"), utilizing all available amounts under Authorized Capital 2017; and (b) EUR 2,601,885.00 by issuing 2,601,885 new Shares from the Authorized Capital 2018, reducing the available amount to EUR 29,677.00 or 29,677 Shares.

15.6 Convertible Bonds, Options and Participation Rights

Based on the authorization granted by the General Shareholders' Meeting on 4 December 2017, as amended by the General Shareholders' Meeting on 7 August 2018 with the consent of the Supervisory Board, the Management Board is authorized to issue once or repeatedly bearer or registered convertible and/or option bonds with or without time restrictions to the holders or creditors in the total amount of up to EUR 175,000,000.00 and to grant them conversion or option rights (as well as conversion obligations) on shares with a proportionate amount of the share capital of up to EUR 3,500,000.00 in accordance with the conversion or option conditions until 3 December 2022.

Based on the authorization granted by the General Shareholders' Meeting on 7 August 2018, with the consent of the Supervisory Board, the Management Board is authorized to issue once or repeatedly, also simultaneously in different series, bearer or registered subordinated or non-subordinated convertible bonds and/or option bonds, profit participation rights and/or profit participation bonds (or combinations of these instruments) to the holders or creditors in the total amount of up to EUR 180,000,000.00 and to grant them conversion or option rights on up to 3,600,000 shares in total with a proportionate amount of the share capital of up to EUR 3,600,000.00 in accordance with the conversion or option conditions until 6 August 2023.

15.7 Mandatory takeover bids, exclusion of minority shareholders, share ownership notification requirements, director's dealings

15.7.1 Mandatory takeover bids

After the Shares are admitted to trading on FSE Prime, the Company will be subject to the provisions of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz* – "**WpÜG**").

Under the provisions of the WpÜG, shareholders who acquire 30% or more of the voting rights in a listed stock corporation (the "**Offeror**") are obligated to publish this fact, including the percentage of their voting interest, within seven calendar days and subsequently (provided no exemption from this obligation has been granted by the BaFin) make a mandatory tender offer to all shareholders of the target company. The WpÜG contains a series of provisions intended to ensure the attribution of shareholdings to the person who actually controls the voting rights connected with the shares.

If a shareholder fails to disclose that the 30% threshold was reached or exceeded or fails to submit a mandatory public offer, the shareholder will be precluded from exercising the rights associated with these shares (including the voting right and in case of wilful failure to send the notice and failure to subsequently send the notice in a timely fashion, the right to receive dividends) while such default subsists. In addition, an administrative fine may be imposed in the event of failure to comply with duties of notification.

15.7.2 Exclusion of minority shareholders

Pursuant to the provisions in Sections 327a *et seqq*. of the German Stock Corporation Act (*Aktiengesetz*) regarding the so-called "squeeze-out" process, the General Shareholders' Meeting of a stock corporation may resolve upon the request of a shareholder holding at least 95% of the share capital (the "**Majority Shareholder**") on the transfer of the shares of the remaining minority shareholders to the Majority Shareholder in exchange for granting reasonable cash compensation.

The amount of the cash compensation to be granted to the minority shareholders must take into account "the circumstances of the company" at the time the resolution is adopted by the General Shareholders' Meeting. The amount of the compensation is determined by the full value of the enterprise which is normally determined using the capitalized earnings method (*Ertragswertverfahren*).

The shareholding requirements for a squeeze-out are lowered if the squeeze-out takes place in connection with the merger of a subsidiary into the parent company. According to Section 62 (5) of the German Transformation Act (*Umwandlungsgesetz*), the General Shareholders' Meeting of a transferring stock corporation may, within three months after the signing of the merger agreement, adopt a squeeze-out resolution in accordance with Section 327a of the German Stock Corporation Act (*Aktiengesetz*) if the acquiring company is a German stock corporation, partnership limited by shares (*Kommanditgesellschaft auf Aktien*) or European public company (*Societas Europaea*) that holds at least 90% of the registered share capital. After registration of the squeeze-out with the commercial register, the merger can be implemented without a further resolution by the General Shareholders' Meeting of the subsidiary.

In addition to the squeeze-out process under the German Stock Corporation Act (*Aktiengesetz*) summarized above, the WpÜG permits the so-called squeeze-out under the law on takeovers. Under these provisions, a bidder holding at least 95% of the voting share capital in a target company (within the meaning of the WpÜG) after a public takeover offer or mandatory offer can generally file a motion with the district court (*Landgericht*) of Frankfurt am Main for the transfer of the other voting shares in exchange for the grant of reasonable compensation by means of a court order within three months after expiration of the acceptance period. A resolution of the General Shareholders' Meeting is not necessary. The type of compensation must correspond to the consideration in the takeover offer or the mandatory offer; cash compensation must always be offered as an alternative. The consideration offered in connection with the takeover or mandatory offer is deemed to be reasonable if the bidder has acquired shares equal to at least 90% of the share capital affected by the offer. In addition, shareholders have a sell-out right. During squeeze-out proceedings under the law on takeovers initiated upon the motion of the bidder, the provisions on a squeeze-out under stock corporation law do not apply, and they are only applicable after a final conclusion of the squeeze-out proceedings under takeover law.

Pursuant to the provisions in Sections 319 *et seqq*. of the German Stock Corporation Act (*Aktiengesetz*) regarding the so-called integration process (*Eingliederung*), the General Shareholders' Meeting of a stock corporation can resolve upon the integration into another company if the future principal company holds at least 95% of the shares in the company to be integrated. The existing shareholders in the integrated company have a claim for reasonable compensation which must as a general rule be granted in the form of own shares in the principal company. The amount of the compensation must be determined using the so-called merger value ratio (*Verschmelzungswertrelation*) between the two companies, i.e., the exchange ratio which would be considered reasonable in the event of merging the two companies. In contrast to the rules governing squeeze-outs, integration is only possible if the future principle company is a stock corporation domiciled in Germany.

15.7.3 Share ownership notification requirements

15.7.4 Notification Thresholds and Attribution Rules

After the Shares are admitted to trading on FSE Prime, the Company is subject to the provisions of the WpHG.

Pursuant to Section 33 para. 1 WpHG, anyone who acquires, sells or whose shareholding in any other way reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the total number of voting rights in the Company, as an issuer whose country of origin (*Herkunftsstaat*) is Germany, is required to notify the Company and BaFin at the same time.

All such notifications must be submitted in electronic form (to BaFin via their MVP portal) without undue delay, and no later than within four trading days. The four-day notification period starts at the time the person or entity subject to the notification requirement has knowledge of or, in consideration of the circumstances, should have had knowledge of his proportion of voting rights reaching, exceeding or falling below the aforementioned thresholds. The WpHG contains a conclusive presumption that the person or entity subject to the notification requirement has knowledge two trading days after such an event occurs. Moreover, a person or entity is deemed to already hold shares as of the point in time such person or entity has an unconditional and due claim of transfer related to such shares pursuant to Section 33 para. 3 WpHG. In the case that a threshold has been reached or crossed due to a change in the total number of voting rights, the notification period starts at the time the person or entity subject to the notification requirement has knowledge about such change or upon the publication of the revised total number of voting rights by the Company, at the latest.

In connection with these requirements, Section 34 WpHG contains various attribution rules. For example, voting rights attached to shares held by a subsidiary are attributed to its parent company. Similarly, voting rights attached to shares held by a third party for the account of a person or entity are attributed to such person or entity. Voting rights which a person or entity is able to exercise as a proxy according to such person's or entity's discretion are also attributed to such person or entity. Further, any coordination by a person or entity with a third party on the basis of an agreement or in any other way generally results in an attribution of the full amount of voting rights held by, or attributed to, the third party as well as to such person or entity. Such acting in concert generally requires a consultation on the exercise of voting rights or other efforts designed to effect a permanent and material change in the business strategy of the Company (*e.g*., fundamental changes to the Company's business model or a sale of a substantial part of the Company's assets). Accordingly, the exercise of voting rights does not necessarily have to be the subject of acting in concert. Coordination in individual cases, however, is not considered as acting in concert.

Similar obligations to notify the Company and the BaFin apply pursuant to Section 38 para. 1 WpHG to anyone who reaches, exceeds or falls below the aforementioned thresholds, except for the 3% threshold, by directly or indirectly holding instruments either (i) giving their holder the unconditional right or discretion to acquire already issued shares of the Company to which voting rights are attached or (ii) relating to such shares and having a similar economic effect, whether or not conferring a right to a physical settlement. Pursuant to Section 38 para. 2 WpHG, such instruments include, in particular, transferable securities, options, futures, swaps, forward rate agreements and contracts of difference.

In addition, anyone whose aggregate number of voting rights and instruments pursuant to Sections 33 para. 1 and 38 para. 1 WpHG reaches, exceeds or falls below the aforementioned thresholds, except for the 3% threshold, has to notify the Company and the BaFin pursuant to Section 39 para. 1 WpHG.

15.7.4.1 Exceptions to Notification Requirements

There are certain exceptions to the notice requirements. For example, a company is exempt from its notification obligation if its parent company, or if its parent company is itself a subsidiary, the parent's parent company, has filed a group notification pursuant to Section 37 para. 1 WpHG. Moreover, shares or instruments held by a credit institution or a credit securities services company with a registered seat in the EU or in a non-EU member state that is a party to the agreement in the EEA are not taken into account for determining the notification obligation or proportion of voting rights held, provided (i) they are held in such credit institution's or credit securities services company's trading book, (ii) they amount to no more than 5% of the voting shares, do not grant the right to acquire more than 5% of the voting shares, or do not have a similar economic effect and (iii) it is ensured that the voting rights held by them are not exercised or otherwise made use of.

15.7.4.2 Fulfilment of Notification Requirements

If any notification obligation is triggered, the notifying person or entity is required to fully complete the notification form set forth as an annex to the German Securities Trading and Insider List Regulation (*Wertpapierhandelsanzeige- und Insiderverzeichnisverordnung*). The notice may be submitted either in German or English, in writing or via fax. Irrespective of the event triggering the notification, the notice must include (i) the number and proportion of voting rights, (ii) the number and proportion of instruments and (iii) the aggregate number and proportion of voting rights and instruments held by, or attributed to, the notifying person or entity. In addition, the notice must include certain attribution details (*e.g.*, the first name, surname and date of birth of the notifying individual or the legal name, seat and state of a notifying entity, the event triggering the notification, the date on which the threshold was reached or crossed and whether voting rights or instruments are attributed).

As a domestic issuer in Germany, the Company is required to publish such notices without undue delay, but no later than three trading days after receipt, via media outlets or outlets where it can be assumed that the notice will be disseminated in the entire European Union and in all member states of the EEA. Such publications shall only be made in the English language. The Company is also required to transmit these publications to BaFin, specifying the time of publication and the media used and to the German Company Register (*Unternehmensregister*) for storage.

15.7.4.3 *Consequences of Violations of Notification Requirements*

If a shareholder fails to file a notice or provides false information with regard to shareholdings pursuant to Sections 33 and 34 WpHG, the rights attached to shares held by or attributed to such shareholder, particularly voting and dividend rights, do not exist for the duration of the failure. This does not apply to entitlements to dividend and liquidation gains if the notifications were not omitted wilfully and have since been made. If the shareholder fails to disclose the correct proportion of voting rights held and the shareholder acted wilfully or was grossly negligent, the rights attached to shares held by or attributed to such shareholder do not exist for a period of six months after such shareholder has correctly filed the necessary notification, except if the variation in the proportion of the voting rights notified in the preceding incorrect notification was less than 10% of the actual voting right proportion and no notification with respect to reaching, exceeding or falling below the aforementioned thresholds pursuant to Section 33 para. 1 WpHG was omitted. The same rules apply to shares held by a shareholder, if such shareholder fails to file a notice or provides false information with regard to holdings in instruments or aggregate holdings in shares and instruments pursuant to Sections 38 para. 1, 39 para. 1 WpHG. In addition, a fine may be imposed for failure to comply with notification obligations.

15.7.4.4 *Special Notification Requirements for More than 10% of the Voting Rights*

Pursuant to Section 43 WpHG, a shareholder who reaches or exceeds the threshold of 10% of the voting rights of the Company, or a higher threshold, is required to notify the Company within 20 trading days regarding the objective being pursued through the acquisition of such voting rights, as well as regarding the source of funds used for the purchase. Changes in those objectives must also be reported within 20 trading days. The Articles of Association have not made use of the option to release shareholders from this disclosure obligation. In calculating whether the 10% threshold has been reached, the aforementioned attribution rules apply. The Company is required to publish any notification pursuant to Section 43 WpHG without undue delay following the receipt of such notification, and in any event no later than within three trading days therefrom.

15.7.5 ***Short Selling Regulation***

Pursuant to Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps (the "**Short Selling Regulation**"), the European Commission's delegated regulation for the purposes of detailing the Short Selling Regulation, and the German EU Short Selling Implementation Act (*EU-Leerverkaufs-Ausführungsgesetz*) of November 15, 2012, the short-selling of the Company's shares is only permitted under certain conditions. In addition, under the provisions of the Short Selling Regulation, significant net short-selling positions in the Company's shares must be reported to BaFin and published if they exceed a specific percentage. The reporting and publication process is detailed in the German Regulation on Net Short Positions (*Netto-Leerverkaufspositionsverordnung*) of December 17, 2012. The net short-selling positions are calculated by offsetting the short positions of a natural person or legal entity in the Company's shares with its long positions in such shares. The details are regulated in the Short Selling Regulation and the other regulations the European Commission enacted on short-selling. In certain situations described in the Short Selling Regulation, BaFin may restrict short-selling and comparable transactions.

15.7.6 ***Managers' Transactions***

According to the Market Abuse Regulation, persons discharging managerial responsibilities ("**Manager**") within the Company are obliged to notify the Company and BaFin within three working days regarding any of their transactions in shares of the Company or financial instruments linked to them, particularly derivatives. This obligation also applies to persons closely associated with a Manager. The Company is obliged to promptly publish the information received in accordance with the foregoing and to simultaneously notify BaFin of the publication no later than three business days after the transaction. Notification is not required if the sum of all transactions involving a Manager and persons closely related to him or her is less than EUR 20,000 in a given calendar year.

A "Manager" is any member of the Company's administrative, management or supervisory body or another senior executive who has regular access to inside information relating directly or indirectly to the Company and power to take managerial decisions affecting the future developments and business prospects of the Company. Persons closely related to a Manager are spouses, registered civil partners, dependent children as well as other relatives who have been living in the same household as the Manager for at least one year when the relevant transaction is made. Notification is also required for transactions by legal entities in which a Manager or any of the aforementioned parties holds management responsibilities, which are directly or indirectly controlled by a Manager or such a party, which were established for the benefit of a Manager or such a party or whose economic interests are substantially equivalent to those of a Manager or such party. Non-compliance with the notification requirements may result in a fine.

Furthermore, the Market Abuse Regulation ("**MAR**") imposes a closed period of 30 calendar days prior to the announcement of an interim financial report or a year-end report which the Company is obliged to publish, during which a Manager shall not conduct any transactions in shares of the Company or financial instruments linked to them, particularly derivatives, or act on behalf of a third party in relation to such transactions.

15.7.7 MAR Sanctions

For infringements of the following obligations under MAR, the WpHG provides for the sanctions described below:

- Infringements against the prohibition of insider dealing and market manipulation will be subject to a fine of up to a maximum amount of EUR 5 million for individuals and of the higher of EUR 15 million or 15% of the consolidated annual revenues for corporations.

- If the Company fails to comply with its duties to publish ad-hoc announcements, it may be subject to fines up to a maximum amount of the higher of EUR 2.5 million or 2% of the consolidated annual revenues of the Group. Additionally, if the Company has received economic advantages through the non-publication, BaFin may impose penalties of up to a maximum of three times the economic advantage.

- Infringements with regard to managers' transactions will be sanctioned with a fine of up to EUR 500,000 for individuals and for corporations with a fine of up to EUR 1 million.

Additionally, criminal sanctions are possible in case of wilful (*vorsätzliche*) or reckless (*leichtfertige*) non-compliance.

16. DESCRIPTION OF THE COMPANY'S GOVERNING BODIES

16.1 Overview

The administration of the Company is, in accordance with the German Stock Corporation Act, divided between the General Shareholders' Meeting (*Hauptversammlung*) of the Company, the Supervisory Board (*Aufsichtsrat*), and the Management Board (*Vorstand*).

The shareholders of the Company exercise rights belonging to them mainly in the General Shareholders' Meeting. The General Shareholders' Meeting is usually convened by the Management Board but can, in addition, be convened if the auditors or shareholders of the Company, whose shares represent at least one tenth of all issued shares, which are not in the possession of the Company, demand in writing the holding of the General Shareholders' Meeting.

Currently there are two Management Board members, Frank Niehage (CEO, Chairman of the Management Board) and Muhamad Said Chahrour (CFO, Board Member) and three Supervisory Board members, Martin Korbmacher (Chairman), Stefan Müller (Deputy Chairman) and Herbert Seuling.

16.2 Responsibilities of the Management and Supervisory Boards

The Management Board is responsible for managing the Company in accordance with applicable law, the Articles of Association and its internal rules of procedure and represents the Company in dealings with third parties.

The Supervisory Board determines the exact number of members of the Management Board and oversees appointments and dismissals and advises and oversees the Management Board's administration of the Company. The Supervisory Board also monitors matters concerning the performance of the Company and any key events in the business. All significant business transactions are taken in consultation with the Supervisory Board.

The right to represent the Company is vested with the Management Board. In addition, the CEO has the right to represent the Company in its day-to-day business. The Management Board can additionally grant representation rights to named persons. Representation right holders are individually authorized to represent the Company.

The following table sets forth the current members of the Management and Supervisory Boards as of the date of this Prospectus:

Members of the Executive Board	Age	Member since	Appointed until	Responsibility
Frank Niehage......................	52	1 August 2014	31 May 2025	CEO Chairman of the Management Board
Muhamad Said Chahrour.....	34	1 January 2017	31 May 2025	CFO Member of the Management Board

Members of the Supervisory Board	Age	Member since	Appointed until	Responsibility
Martin Korbmacher..............	55	30 October 2014	End of the General Shareholders' Meeting deciding on the ratification of the actions of	Chairman of the Supervisory Board

Members of the Supervisory Board	Age	Member since	Appointed until	Responsibility
			the Supervisory Board for fiscal year 2020	
Stefan Müller	51	23 February 2017	End of the General Shareholders' Meeting deciding on the ratification of the actions of the Supervisory Board for fiscal year 2020	Deputy Chairman of the Supervisory Board
Herbert Seuling....................	62	2 May 2016	End of the General Shareholders' Meeting deciding on the ratification of the actions of the Supervisory Board for fiscal year 2020	Member of the Supervisory Board

The following description provides summaries of the curricula vitae of the current members of the Company's Management and Supervisory Board.

Frank Niehage

Frank Niehage has vast experience across all segments of retail and commercial banking, having previously been Managing Director at Goldman Sachs until August 2014. Previous positions include CEO in Germany of Bank Sarasin AG and various senior positions at Commerzbank, Credit Suisse, UBS and international law firm Beiten Burkhardt, both in Germany and internationally. Frank is an attorney at law in Germany and has received his Master of Laws, majoring in international economics from the University of Houston Law Center.

Muhamad Said Chahrour

After studying business administration in Göttingen and receiving a master's degree in finance in the UK, Muhamad Chahrour began his professional career as a transaction advisor for Corporates and Real Estate at UBS and PwC. In 2014, he joined Rocket Internet, where he was involved as Global Head of Finance in the financing and development of the Lamudi property platform in Asia and Latin America. In 2015, Muhamad joined flatex where he initially assumed the position of International Head of Finance. He was appointed CFO at the beginning of 2017.

Martin Korbmacher

Martin Korbmacher has experience and expertise in both conventional banking business as well as in the field of financial services technology. After working at Dresdner Kleinwort for a while, he moved to Credit Suisse in 2005 and worked as Head of Investment Banking for Germany and Austria. In mid-2011, he founded Event Horizon Capital & Advisory GmbH.

Stefan Müller

Stefan Müller started his career in 1985 at Bayerische Vereinsbank AG and held different positions in the private banking sector until 2002. After joining the Group, he ran the Company's business (at that time under its legal name "United Capital Management AG", later renamed to "flatex AG" and afterwards "flatex Holding AG") as a member of the Management Board between February 2003 and December 2010 and, following that, as spokesman until October 2014. Since 2016, he has been serving as Head of Finance of Börsenmedien Aktiengesellschaft.

Herbert Seuling

Since his appointment as tax consultant in 1987, Herbert Seuling has been working as a tax consultant in the field of annual financial statement preparation, annual financial statement audit and business consulting. After working briefly in his own tax consulting firm, he became a partner in Bayern-Revision GmbH Wirtschaftsprüfungsgesellschaft and managing director of one of its subsidiaries. From 1997 to 2018, as founding shareholder, Mr. Seuling was involved in the establishment and development of, among others, several predominantly auditing and tax consulting-focused companies with registered seats in Northern Bavaria.

16.3 Outside Positions of the members of the Management and Supervisory Boards

Alongside their positions on the Management and Supervisory Boards, the Board Members are, or have been within the last five years, members of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Board member	Responsibility
Frank Niehage	**Current positions (company name, position):** • Niehage GmbH, Managing Director • DeGiro B.V.,Supervisory Board Member **Previous positions (company name, position):** (not applicable)
Muhamad Said Chahrour	**Current positions (company name, position):** • Dinar Capital GmbH, Managing Director **Previous positions (company name, position):** (not applicable)
Martin Korbmacher	**Current positions (company name, position):** • Event Horizon Capital & Advisory GmbH, Managing Director • arsago ACM GmbH, Managing Director • German Startups Group Berlin GmbH & Co. KGaA, Member of the Supervisory Board • innoplexus AG, Chairman of the Supervisory Board • PTV Planung Transport Verkehr AG, Member of the Supervisory Board **Previous positions (company name, position):** • Starmind AG, Zurich Switzerland, Chairman of the Supervisory Board
Stefan Müller	**Current positions (company name, position):** • Börsenmedien AG, Head of Finance, Controlling Personnel, Compliance and Legal • Finlab AG, Member of the Supervisory Board • Heliad Equity Partners GmbH & Co. KGaA, Member of the Supervisory Board • Panthera AM GmbH, Managing Director **Previous positions (company name, position):** (not applicable)

Board member	Responsibility
Herbert Seuling	**Current positions (company name, position):** • Heliad Equity Partners GmbH & Co. KGaA, Member of the Supervisory Board • M&S Monitoring GmbH, Managing Director/Business Consultant • Tube Solar AG, Member of the Supervisory Board **Previous positions (company name, position):** • C.P.A. Dr. Mehnert, Seuling & Collegen GmbH & Co. KG, Steuerberatungsgesellschaft, Limited Partner • C.P.A. Wirtschaftsprüfungsgesellschaft mbH, Managing Director

16.4 Shareholdings of the Management Board and the Supervisory Board

As of the date of this Prospectus, Frank Niehage directly and indirectly holds 535,000 Shares, together, equating to 1.97% of the shares in the Company. Muhamad Said Chahrour directly and indirectly holds 32,500 Shares, equating to 0.12% of the shares in the Company. In addition, Martin Korbmacher directly and indirectly holds 104,446 Shares, equating to 0.38% of the shares in the Company. Stefan Müller directly and indirectly holds 11,935 Shares, equating to 0.044% of the shares in the Company. Herbert Seuling does not directly or indirectly hold any shares in the Company as per date of this Prospectus.

In addition to the above flatex AG has set up stock option plans in 2014 and 2015 that provided flatex management with rights to acquire shares against the payment of a stipulated stock price (see also section "*16.7. Stock Option Plan*"). As a result, Muhamad Said Chahrour holds 85,000 stock option rights, equivalent to 85,000 potential Shares or 0.31% of the shares in the Company. Frank Niehage, and the members of the Supervisory Board do not hold any stock options or otherwise rights in the Company's Shares.

16.5 Committees

Other than the Supervisory and Management Boards, the Company has not established any permanent committees.

16.6 Remuneration Paid to Members of the Supervisory and Management Boards

The following provides an overview of the salaries and remuneration of the Supervisory and Management Boards for 2019:

	For the fiscal year ended 31 December 2019
	(audited) *(in EUR)*
SUPERVISORY BOARD[(1)]	
flatex AG	285,600.00
Subsidiaries of flatex AG	249,900.00
Total	**535,500.00**
MANAGEMENT BOARD	
Fixed compensation	700,000.00
Variable compensation – short term award	1,200,000.00
2015 options model (number of options)	**15,000**
Value at time of award	62,550.00
Total	1,952,550.00
Total Supervisory and Management Boards compensation	2,488,050.00

(1) Members of flatex AG's Supervisory Board receive solely fixed compensation. Their detailed compensation is as follows, divided into compensation for their membership in the Supervisory Board of the parent company flatex AG,

and for their memberships in the Supervisory Boards of other Group companies (subsidiaries), inclusive of VAT respectively; During the 2019 fiscal year, the Supervisory Board received compensation for travel expenses in the context of its Supervisory Board activities in the amount of EUR14 thousand (previous year: EUR 3 thousand).

Salaries and other remuneration to the Management Board consist of fixed salary, variable and incentive-based remuneration. The Supervisory Board members are paid in accordance with resolutions passed by the annual General Shareholders' Meeting.

16.7 Stock Option Plan

flatex AG has set up stock option programs to ensure that the total remuneration paid to its managers is competitive. The first stock option program was launched in 2014; subscription rights from this program were first issued in 2015. Each subscription right issued pursuant to the stock option program gives the holder the right to acquire one bearer share of flatex AG against payment of the stipulated strike price. The strike price is determined based on the average closing price of the stock over a fixed period of time preceding the adoption of the relevant resolution by the annual General Shareholders' Meeting, minus a discount.

16.8 Long-Term Incentive Program (LTIP)

In Q2 2020, flatex AG introduced a new Long-Term Incentive Program ("**LTIP**") to be applicable to promising flatex Group employees. The LTIP is a stock appreciation right program which offers the entitled employee of flatex Group a right to payment of a certain amount, subject to the option conditions. The pay-out is calculated by refence to the development of the earning per share (50%) and the development of the share in the future (50%).

The term of the stock appreciation right plan is six years from the date of issue of the stock appreciation rights. The waiting period for exercising the entitlement under this program is 36 months. The entitled employee retains the Stock Appreciation Rights in so far as the waiting period has expired at the time of termination of the employment relationship. The entitled employee will lose his entitlement from this program if the employment relationship is terminated by flatex AG for exceptional reasons due to serious misconduct.

16.9 Certain Information Regarding the Members of the Supervisory Board and of the Management Board

In the last five years, no member of the Supervisory Board and of the Management Board has been convicted of fraudulent offences. No member of the Supervisory Board and of the Management Board has been associated with any bankruptcy, receivership or liquidation acting in its capacity as a member of any administrative, management or supervisory body or as a senior manager.

In the last five years, no official public incriminations and/or sanctions have been made by statutory or legal authorities (including designated professional bodies) against the members of the Supervisory Board and of the Management Board, nor have sanctions been imposed by the aforementioned authorities. No court has ever disqualified any of the members of the Supervisory Board and of the Management Board from acting as a member of the board of directors of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

16.10 Conflicts of Interest

There are no other actual or potential conflicts of interest between the obligations of the members of the Management Board or of the Supervisory Board with respect to their duties to the Company on the one hand and their private interests, memberships in governing bodies of companies, or other obligations on the other.

No member of the Supervisory Board and of the Management Board has entered into a service agreement with a company of the Group that provides for special benefits, such as severance pay, at the end of the business relationship (other than pensions or compensation in the case of an early termination of the service agreement, which is determined on the basis of the remaining term of the agreement and the contractually agreed remuneration).

There are no family relationships between the members of the Management Board or of the Supervisory Board.

16.11 General Shareholders' Meeting

General Shareholders' Meetings (ordinary and extraordinary) are held at the Management Board's option either at the Company's registered seat or at the place of a stock exchange in Germany. Each Share entitles the shareholder to one vote in the respective General Shareholders' Meetings.

Unless mandatory law and the Articles of Association do not provide otherwise, resolutions are adopted by a simple majority of the votes cast and, if a capital majority is required, with the simple majority of the share capital represented on the adoption of a resolution. According to mandatory law, resolutions of fundamental importance require, in addition to the majority of votes cast, a majority of three quarters of the share capital represented at the adoption of the resolution. Resolutions of fundamental importance include in particular:

- Changes of the corporate purpose of the Company;
- Share capital increases; if preference shares are issued, and share capital decreases;
- Creation of authorized and conditional share capital;
- Exclusion of the subscription rights of shareholders;
- Mergers, split-ups, spin-offs as well as the transfer of all assets of the Company;
- Entering into enterprise agreements (*Unternehmensverträge*) (in particular domination agreements and profit and loss transfer agreements (*Beherrschungs- und Ergebnisabführungsverträge*));
- Change of the corporate form of the Company; and
- Dissolution of the Company.

General Shareholders' Meetings are convened by the Management Board. The Supervisory Board must convene General Shareholders' Meetings whenever the interests of the Company so require. Upon request of shareholders holding an aggregate of 5% or more of the registered share capital, the Management Board is obliged to convene a General Shareholders' Meeting. The annual General Shareholders' Meeting, which decides on the discharge of the Management Board and the Supervisory Board, profit distributions, appointment of the auditor and the approval of the annual accounts, which is held once annually, usually within the first eight months of each financial year.

The German Stock Corporation Act (*Aktiengesetz*) requires the Company to publish notices of General Shareholders' Meetings in the German Federal Gazette (*Bundesanzeiger*) at least 30 days prior the day of the meeting. When calculating the notice period, the day on which the invitation is sent and the day of the shareholders' meeting are not counted.

Only those shareholders who are registered in the Company's stock register (*Aktienregister*) and have duly submitted notification of attendance in a timely manner prior to the meeting shall be entitled to attend the General Shareholders' Meeting and to exercise their voting rights. Such notification of attendance shall be made in text form in German or English language and must be received by the Company at the address specified for this purpose in the notice of the meeting not later than six days prior to the General Shareholders' Meeting. A shorter time limit to be expressed in days may be stipulated in the notice of the meeting. The day of receipt of the notification of attendance and the day of the General Shareholders' Meeting shall not be taken into account for the purpose of calculating this time limit.

Neither German law nor the Articles of Association restrict the right of non-resident or foreign shareholders to hold shares or to exercise any voting rights attached to these shares.

16.12 Corporate Governance

The German Government Commission of the German Corporate Governance Code (*Regierungskommission Deutscher Corporate Governance Kodex*) was established by the German Federal Ministry of Justice in September 2001, approved the German Corporate Governance Code on 26 February 2002 (the "**Code**"), and most recently adopted various amendments to the Code on 16 December 2019. The Code contains recommendations and suggestions for the management and supervision of German listed companies. In this respect, it is based on internationally and nationally accepted standards for good and responsible corporate management. The Code is intended to make the German corporate governance system transparent and comprehensible. The Code includes recommendations (so-called "shall provisions") and suggestions (so-called "should or can provisions") on corporate governance in relation to management and supervision, appointments to management boards, the composition of the supervisory board, supervisory board procedures, conflicts of interest, transparency and external reporting, and management board and supervisory board remuneration. The Code is available at: https://www.dcgk.de/en/. There is no obligation to comply with the recommendations or suggestions of the Code. However, Section 161 of the German Stock Corporation Act (*Aktiengesetz*) obliges the Management Board and the Supervisory Board of a listed company to declare annually either that the recommendations of the Code were and are being complied with, or to declare which recommendations were not and are not applied. This declaration is to be made accessible to shareholders. There is no requirement to disclose any deviations from the suggestions of the Code.

As of the date of this Prospectus, the Company complies with all recommendations of the Code, apart from the following:

Section B.2 of the Code recommends that the Supervisory Board, together with the Management Board, ensure that there is long-term succession planning. Furthermore, the approach shall be described in the corporate governance statement (as defined in the Code, the "**Corporate Governance Statement**"). As a Company new to the regulated market, this aspect has not been considered essential thus far. The current Management Board members’ contracts have a duration until May 31, 2025, the Company will work to establish such long-term succession planning in the course of 2021 and include it in the Company's Corporate Governance Statement for the financial year 2021.

Section B.4 of the Code recommends that any re-appointment prior to one year before the end of an appointment period at the same time as termination of the current appointment only happen if special circumstances apply. Currently, there is no such restriction on premature re-appointments of Management Board members included in the Company’s corporate documents. The Company aims to include these provisions in the Company’s corporate documents by the time of approval of the consolidated financial statements 2020.

Section B.5 of the Code recommends that an age limit be specified for members of the Management Board and disclosed in the Corporate Governance Statement. All of the Company’s Management Board members are well below retirement age. Thus, an age limit is not currently an issue with respect to the persons currently appointed to the Management Board. Therefore, there is no such age limit in the Company’s corporate documents. The Company also deems an age limit unreasonable, as the appointment of a member with many years of experience can be in the interest of the Company. An age limit would also be in conflict with diversity guidelines.

Section C.1 of the Code recommends that the Supervisory Board determine specific objectives regarding its composition, and prepare a profile of skills and expertise required for the entire Supervisory Board while taking the principle of diversity into account. Proposals by the Supervisory Board to the General Shareholders' Meeting shall take these objectives into account, while simultaneously aiming to fulfil the overall profile of required skills and expertise of the Supervisory Board. The implementation status shall be published in the Corporate Governance Statement. This statement shall also provide information about what the shareholder representatives on the Supervisory Board regard as the appropriate number of independent Supervisory Board members representing shareholders, and the names of these members.

Pursuant to the Supervisory Board’s due assessment, its members possess all of the skills and expertise required for the Supervisory Board’s activities to be conducted efficiently. Therefore, the

Supervisory Board does not consider the preparation of a special profile of skills and expertise necessary at this point in time. However, the Company intends to comply with these recommendations in the future.

Section C.2 of the Code recommends that an age limit be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement. The aforementioned aspects regarding the deviation from Section B.5 of the Code apply to the decision not to specify an age for members of the Supervisory Board as recommended in the Code.

Section C.14 of the Code recommends that the proposal for a candidate to the Supervisory Board be accompanied by a curriculum vitae, providing information on the candidate's relevant knowledge, skills and professional experience; be supplemented by an overview of the candidate's material activities in addition to the Supervisory Board mandate, be updated annually for all Supervisory Board members and be published on the entity's website.

The stipulations of the Code are vague and the definitions unclear. The Company therefore declares a deviation from the Code in this respect. Notwithstanding this, the Supervisory Board will make every effort to satisfy the requirements of the recommendation. The Company will upload the current CVs of the Supervisory Board members on the Company's Website.

Section D.1 of the Code recommends that the Supervisory Board adopt its own rules of procedure and publish these on the Company's website. There are currently no rules of procedure for the Company's Supervisory Board, and therefore there are no rules of procedure published on the Company's website. As this recommendation only recently came into effect, the Company does not yet comply with it. However, the Company intends to comply with this recommendation by the time of approval of the consolidated financial statements 2020.

Section D.2 of the Code recommends, depending on the specific circumstances of the Company and the number of Supervisory Board members, that the Supervisory Board form committees of members with relevant specialist expertise and the names of the members and chairpersons thereof be named in the Corporate Governance Statement. The Supervisory Board of flatex AG consists of three members. The Supervisory Board believes, guided by recommendation D.13 of the Code (containing guidance on periodic review of the effectiveness of the Supervisory Board and its committees), that it is more effective in fulfilling its tasks by discussing all matters within the entire Supervisory Board instead of forming additional committees consisting of the same members. Accordingly, there is neither an Audit Committee nor a Nomination Committee.

As a result, the same applies for the recommendations on the composition of the committees, the independence of the chair of the Audit Committee and Nomination Committee, the qualification of the Audit Committee's chairperson, the allocation of responsibilities to such committees and the reporting of the frequency of committee meetings and attendance of committee members (Section C.10, Section D.2 through D.5 (including), D.8 and D.11 of the Code).

Section D.12 of the Code recommends that the Company support Supervisory Board members sufficiently upon their appointment and during training and professional development measures, and disclose any such measures in the report of the Supervisory Board. As this recommendation only recently came into effect, the Company intends to formalize these measures, in order to comply with this recommendation, by the time of approval of the consolidated financial statements 2020.

Section D.13 of the Code recommends that the Supervisory Board assess, at regular intervals, how effective the Supervisory Board as a whole and its committees fulfil their tasks. The Supervisory Board shall report in the Corporate Governance Statement if (and how) the self-assessment was conducted.

The Company declares a deviation to the extent the recommendations refer to the assessment of committees as the Company has not formed any committees. As the recommendation to include the assessment in a Corporate Governance Statement only recently came into effect, the Company does not yet comply with it. However, the Company intends to comply with this recommendation in the course of 2021.

Section F.2 of the Code recommends that the consolidated financial statements and the group management report be made publicly accessible within 90 days from the end of the financial year, while mandatory interim financial information be made publicly accessible within 45 days from the end of the reporting period. This recommendation deviates from the rules of the Deutsche Börse AG. The Company choses to be compliant with the rules set out by Deutsche Börse AG.

Section F.4 of the Code recommends that the Supervisory Board and Management Board of listed companies subject to special legal regulations specify, in the Corporate Governance Statement, what Code recommendations were not applied due to over-riding legal stipulations. The stipulations of the Code are vague regarding the definition of "special legal regulations". Purely as a precautionary measure, the Company therefore declares a deviation from the Code in this respect. Notwithstanding this declaration and subject to the applicability of the recommendation, the Company will make every effort to satisfy the requirements of this recommendation.

Sections G.1 to G.13 (including) and G.15 to G.16 (including) of the Code: These recommendations in relation to management board remuneration have been recently revised to a large degree. Specifically, the new legal requirements brought about by the Act Implementing the Second Shareholder Rights Directive (*Umsetzungsgesetz der zweiten Aktionärsrechterichtlinie – ARUG II*) will have to be taken into account. These new requirements have not entered into force and have therefore not yet been fully assessed by the Company. Furthermore, the contracts of Mr. Niehage and Mr. Chahrour have a respective duration until May 31, 2025. The Company therefore declares a deviation from the Code in respect of contracts of the Management Board. The Company will assess and implement these new legal requirements and will evaluate compliance with the respective recommendations provided for by the Code by the annual General Shareholders' Meeting 2021. For any new contracts with Management Board members and/or any extension of existing contracts, the Supervisory Board will aim to comply with these standards.

Section G.17 of the Code recommends that remuneration for supervisory board membership take appropriate account of the larger time commitment of the chair and the deputy chair of the Supervisory Board as well as of the chair and the members of committees.

The Company declares a deviation to the extent that only the chairman of the Supervisory Board receives a higher remuneration that the other members of the Supervisory Board due to higher time commitment. Since no committees are established, there is no differentiation in terms of remuneration.

Since publication of the GCGC 2020, recommendations G.1 to G.10, G.13 and G.17 have not yet been implemented. The reasons for this are, on the one hand, the transitional provisions for the regulations newly included in the German Stock Corporation Act (*AktG*) by ARUG II and, on the other hand, the agreements on the remuneration of the Management Board in the current Management Board contracts.

17. TAXATION IN GERMANY

The following section contains a summary of key German taxation principles which generally are or may be relevant to the acquisition, holding or transfer of shares under German law. This summary does not purport to be an exhaustive or complete description of all potential tax aspects that could be relevant for shareholders. The information is based on the domestic tax law in force in Germany as of the date of this Prospectus (and its interpretation by administrative directives and courts) as well as typical provisions of double taxation treaties that Germany has concluded with other countries. Tax legislation and the status of the treaties may change, possibly with retroactive or retrospective effect. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative assessment to be correct that differs from the one described in this section.

This section is no substitute for individual tax advice to a particular shareholder and should not be viewed as such advice. The tax legislation of the prospective investor's Member State and of the Issuer's country of incorporation may have an impact on the income received from the securities.

Prospective investors are therefore advised to consult their tax advisers and attorneys regarding the tax implications of the acquisition, holding or transfer, donating or bequeathing of shares and/or subscription rights and regarding the procedures to be followed to potentially achieve a reimbursement of German withholding tax (Kapitalertragsteuer). Only such individual tax advice can adequately take the specific tax-relevant circumstances of individual investors into due account and consider special legal consequences that might arise for the shareholders in their personal tax situations and under their applicable legal systems.

17.1 Taxation of the Company

As a rule, the taxable profits generated by German corporations are subject to corporate income tax (*Körperschaftsteuer*). The rate of the corporate income tax is a standard 15% for both distributed and retained earnings, plus a solidarity surcharge (*Solidaritätszuschlag*) amounting to 5.5% on the corporate income tax liability (i.e., 15.825% in total).

In general, dividends (*Dividenden*) or other profit shares that the Company derives from domestic or foreign corporations are effectively 95% exempt from corporate income tax, as 5% of such receipts are treated as a non-deductible business expenses, and are therefore subject to corporate income tax (and solidarity surcharge i.e. increase the income of the Company). However, dividends are not exempt from corporate income tax (including solidarity surcharge thereon) if the Company only holds a direct participation of less than 10% in the share capital of such corporation at the beginning of the calendar year (herein after in all cases, a "**Portfolio Participation**" – *Streubesitzbeteiligung*). Participations of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations in the share capital of other corporations which the Company holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the Company only on a *pro rata* basis at the ratio of the interest share of the Company in the assets of the relevant partnership.

The Company's gains from the disposal of shares in a domestic or foreign corporation are in general effectively 95% exempt from corporate income tax (including the solidarity surcharge thereon), regardless of the size of the participation and the holding period. 5% of the gains are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge thereon) at a rate of 15.825%. Conversely, losses incurred from the disposal of such shares are generally not deductible for corporate income tax purposes. Currently, there are no specific rules for the taxation of gains arising from the disposal of Portfolio Participations. Please note that there have been discussions and even draft laws which would lead to the taxation of such gains. However, so far none of the draft laws has actually been passed.

Additionally, German corporations are generally subject to trade tax (*Gewerbesteuer*) on their taxable trade profit (*Gewerbeertrag*) generated at their permanent establishments maintained in Germany (*inländische Betriebstätten*). The effective trade tax rate depends on the municipalities in which the corporation maintains its operations or permanent establishments. The effective trade tax rates generally ranges from 7% to more than 18% depending on the municipal trade tax multiplier applied by the relevant municipal authority (*Hebesatz*). When determining the income of the corporation that is subject to corporate income tax, trade tax may not be deducted as a business expense.

In principle, dividends (*Dividenden*) or other profit shares that the Company derives from domestic or foreign corporation are treated in the same way for trade tax purposes as for corporate income tax purposes. However, 95% of profit shares will in effect be exempt from trade tax only if (a) the distributing corporation is a German corporation and the Company held an interest of at least 15% in the share capital of the company at the beginning of the relevant tax assessment period (*Erhebungszeitraum*), (b) the distributing corporation is a foreign corporation as per Article 2 of Council Directive 2011/96/EU of 30 November 2011 (the "**Parent-Subsidiary Directive**") with its registered office in another member state of the European Union and the Company held at least 10% of the nominal capital (*Nennkapital*) of the distributing corporation at the beginning of the relevant tax assessment period, (c) the distributing corporation is a foreign corporation and the Company held at least 15% of the nominal capital (*Nennkapital*) of the distributing corporation since the beginning of the relevant tax assessment period or (d) the distributing corporation is a foreign corporation resident in a jurisdiction with which Germany has concluded a double taxation treaty which provides for an exemption on the taxation of dividend income and the Company holds a stake of at least 15% (or any lower rate as set out in the treaty) in the distributing corporation at the time of the distribution. Otherwise, the profit shares will be fully subject to trade tax. Additional restrictions apply for profit shares originating from foreign corporations which do not fall under Article 2 of the Parent-Subsidiary Directive.

Profits derived from the sale of shares in another domestic and foreign corporation are treated in the same way for trade tax purposes as for corporate income tax purposes, i.e. 95% of such profits are in general exempt from trade tax.

If and to the extent the Company and its German subsidiaries form a tax group for corporate income and trade tax purposes (*ertragsteuerliche Organschaft*), the profits and losses are generally effectively consolidated and subject to tax at the level of the Company.

Interest expenses are generally tax-deductible, the provisions of the so-called interest barrier rules (*Zinsschranke*), however, limit the amount of interest expenses which can be deducted from the tax base in certain cases. According to these rules, interest (and other financing) expenses are tax deductible without limitation to the extent that the relevant entity earns taxable interest income in the same financial year. Interest (and other financing) expenses which exceed the taxable interest income ("**net interest expenses**"), are only tax deductible up to an amount of 30% of the current year net taxable earnings before interest, tax and depreciation and amortization ("**EBITDA**") of the respective entity unless the net interest expenses of the entity are below the threshold of EUR 3,000,000 per annum and no other exceptions apply. Non-deductible interest expenses will be carried forward and will generally be deductible in subsequent years, subject to certain limitations. EBITDA that has not been fully utilized can under certain circumstances be carried forward to subsequent years and may be deducted subject to the limitations set out above. For trade tax purposes, 25% of the interest expenses deductible after applying the interest barrier rules are added when calculating the taxable trade profit. Therefore, for trade tax purposes, the deductible interest expenses amount to only 75% of the interest expenses which are deductible for corporate income tax purposes.

Under certain conditions, negative income of the Company that has not been offset by the current year's positive income can be carried forward or back into other assessment periods. Loss carry-backs to the immediately preceding assessment period are only permissible up to EUR 1,000,000 for corporate income tax but not for trade tax purposes. Negative income that has not been offset and not carried back can only be carried forward to subsequent assessment periods in an amount of up to EUR 1,000,000 to offset positive income for corporate income and trade tax purposes (tax loss carry-forward). If the taxable income or the taxable trade profit exceeds this amount, only 60% of the excess amount can be offset by tax loss carry-forwards. The remaining 40% of the taxable income are subject to trade tax and corporate income tax (so called minimum taxation – *Mindestbesteuerung*). Generally, tax loss carry-forwards that are not utilized may be carried forward and be used to offset by future income, subject to the application of the minimum taxation rules.

The German government coalition of CDU, CSU and SPD has drafted a law to provide Covid 19 tax support (*Zweites Corona-Steuerhilfegesetz*, "**Covid 19 Draft Law**"), which proposes to increase the tax loss carry-back for the assessment periods 2020 and 2021 up to EUR 5,000,000. The Covid 19 Draft Law also proposes a mechanism to utilize tax loss carry-backs from the assessment period 2020 in the tax assessment for the assessment period 2019.

However, interest carry-forwards, tax loss carry-forwards and unused losses of the current year are forfeited in full if more than 50% of the subscribed capital, membership rights, participation rights or voting rights in the Company are transferred, directly or indirectly, to an acquirer or related parties of such acquirer (or a group of acquirers with common interest) within a period of five years or in case of comparable measures (harmful acquisition – *schädlicher Beteiligungserwerb*). If and to the extent the tax loss carry-forwards and unused losses of the current year as well as the interest carry-forwards are covered by the built-in gains of the loss-making company's business assets that are subject to domestic taxation a forfeiture of such items will generally not apply. An allocation of the built-in gains of business assets to interest carry-forwards is subordinated to the allocation of built-in gains to loss carry-forwards/unused losses. The forfeiture of accrued losses, loss carry-forwards and interest carry-forwards can be avoided upon application of the taxpayer **provided that** the company has been continuously operating the same business operations since its establishment or at least within a period including the past three tax assessment periods preceding and including the tax assessment period, in which the harmful transfer of shares or voting rights takes place, and that none of further pre-determined events has occurred during this period (so-called continuation-bound loss carry-forward). Furthermore, if any of these pre-determined events (including the discontinuation of the business operations) occurs in a subsequent period, any tax loss carry-forward remaining after this period is forfeited.

17.2 Taxation of the shareholders

17.2.1 Income tax implications of the holding, sale and transfer of shares

Shareholders may be subject to taxation in connection with the holding of shares ("**Taxation of Dividends**"), the sale of shares ("**Taxation of Capital Gains**") and the gratuitous transfer of shares ("**Inheritance and Gift Tax**").

17.2.2 Taxation of dividends

17.2.3 Withholding tax

As a general rule, the dividends distributed by the Company are subject to a withholding tax (*Kapitalertragsteuer*) at a rate of 25% plus solidarity surcharge of 5.5% thereon (i.e., 26.375% in total plus church tax, if applicable). This, however, will not apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*), Section 27 of the German Corporate Taxation Act (KStG), in this case no withholding tax will be withheld. The assessment basis for the withholding tax is the dividend approved by the General Shareholders' Meeting.

If shares are admitted for collective custody by a securities custodian bank (*Wertpapiersammelbank*) pursuant to Section 5 German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such bank for collective custody (*Sammelverwahrung*) in Germany (as in the case of the Shares), the withholding tax is withheld and passed on for the account of the shareholders by the domestic credit or financial services institution (*inländisches Kredit – oder Finanzdienstleistungsinstitut*) (including domestic branches of such foreign enterprises), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps or administers the shares and disburses or credits the dividends or disburses the dividends to a foreign agent or by the central securities depository (*Wertpapiersammelbank*) to which the shares were entrusted for collective custody if the dividends are disbursed to a foreign agent by such central securities depository (*Wertpapiersammelbank*) (the "**Dividend Paying Agent**"). The Company does not assume any responsibility for the withholding of the withholding tax.

In general, the withholding tax must be withheld regardless of whether and to what extent the dividend is exempt from taxation at the level of the shareholder and whether the shareholder is domiciled in Germany or in a foreign country.

However, withholding tax on dividends distributed to a company domiciled in another EU Member State within the meaning of Article 2 of the Parent-Subsidiary Directive, may be refunded upon application **provided that** further conditions are met, including e. g., the minimum holding requirement of 10% and substance requirements of the German anti-treaty shopping rules. This also applies to dividends distributed to a permanent establishment of such a parent company in another Member State of the European Union or to a parent company that is subject to unlimited tax liability in Germany, **provided that** the participation in the Company is actually part of such permanent establishment's business assets. The application has to be filed with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*, *Hauptdienstsitz Bonn-Beuel*, An der Küppe 1, D-53225 Bonn, Germany). In a decision from 2017, the European Court of Justice declared parts of a former version of the German anti-treaty shopping rules contrary to European law. In a further decision from 2018 dealing with the anti-treaty shopping rules applicable as of the date of this prospectus, which were slightly amended with effect as from 2012, the European Court of Justice declared also parts of the amended German anti-treaty shopping rules to be contrary to European law.

With respect to distributions made to other shareholders without a tax domicile in Germany, the withholding tax rate can be reduced in accordance with the double taxation treaty if Germany has entered into a double taxation treaty with the shareholder's country of residence and if the shares neither form part of the assets of a permanent establishment or a fixed place of business in Germany, nor form part of business assets for which a permanent representative in Germany has been appointed. The withholding tax reduction is generally granted by the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) upon application in such a manner that the difference between the total amount withheld, including the solidarity surcharge, and the reduced withholding tax actually owed under the relevant double taxation treaty (generally 15%) is refunded by the German Federal Central Tax Office.

The German Federal Central Tax Office (http://www.bzst.bund.de) as well as German embassies and consulates provide forms for the application of the refund of the withheld tax.

For EU-residents the EU Savings Directive has been repealed as of 1 January 2016 (1 January 2017, in the case of Austria) (in each case subject to transitional arrangements). The Council of the European Union has adopted Directive 2014/107/EU (the "**Amending Cooperation Directive**"), amending Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard released by the OECD Council in July 2014. Germany has implemented the Amending Cooperation Directive by means of a Financial Account Information Act (*Finanzkonten-Informationsaustauschgesetz*, *FKAustG*) according to which it will provide information on financial accounts to EU Member States and certain other states as of 1 January 2016.

If dividends are distributed to corporations subject to limited taxation, i.e., corporations with no registered office or place of management in Germany and if the shares neither belong to the assets of a permanent establishment or fixed place of business in Germany nor are part of business assets for which a permanent representative in Germany has been appointed, two-fifths of the tax withheld at the source can generally be refunded even if not all of the prerequisites for a refund under the Parent-Subsidiary Directive or the relevant double taxation treaty are fulfilled (subject to certain substance requirements). The relevant application forms are available at the German Federal Central Tax Office (at the address specified above).

A withholding tax credit or refund might be limited if the prerequisites set out in Section 50j German Income Tax Act (*Einkommensteuergesetz* – "**ITA**") are not met.

17.2.4 *Taxation of dividends of shareholders with a tax domicile in Germany*

17.2.4.1 Shares held as private assets

Dividends distributed to shareholders being tax residents in Germany and holding shares as private (non-business) assets form part of their taxable capital investment income, which is subject to a special uniform income tax rate of 25% plus solidarity surcharge of 5.5% thereon (i.e., 26.375% in total plus church tax, if applicable). The private investor's income tax liability is in general settled by the withholding tax withheld by the Dividend Paying Agent (flat-rate withholding tax - *Abgeltungsteuer*). Income-related expenses cannot be deducted from the shareholder's capital investment income (including dividends), except for an annual lump-sum deduction (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 in the case of jointly assessed spouses or registered life partners). However, the shareholder may request that his capital investment income (including dividends) along with his other taxable income be subject to progressive income tax rate (instead of the uniform tax rate for capital investment income) if this results in a lower tax burden. In this case the withholding tax will be credited against the progressive income tax and any excess amount will be refunded; in principle, such withholding tax credit or refund might be limited pursuant to Section 36a ITA; however, pursuant to a tax decree dated 3 April 2017 (amended by a tax decree dated 2 February 2018), this provision should generally not apply to shares held as private assets. Also, in this case income-related expenses cannot be deducted from the capital investment income, except for the aforementioned annual lump-sum deduction.

In general, no flat income withholding tax is levied if the shareholder is an individual (i) who does not hold the shares as operating assets and (ii) who submits a tax exemption request (*Freistellungsauftrag*) to the German Custodian, but only to the extent the income derived from the shares together with all other capital income do not exceed the lump-sum deduction amount. Similarly, no withholding tax is deducted if it is to be assumed that the income is not subject to taxation and the shareholder has submitted to the German Custodian a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent tax office.

Another exceptions from the flat rate withholding tax apply upon application for shareholders who have a shareholding of at least 25% in the Company and for shareholders who have a shareholding of at least 1% in the Company and are able to have, as a result of their employment (*berufliche Tätigkeit*) for the Company, a significant entrepreneurial influence on the business activities of the Company.

With regard to church tax on dividends an automatic procedure for deducting church tax applies unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office. In consequence a shareholder being a member of a religious community is obliged – as also in case of an insufficient withholding of taxes – to report the capital gains that are subject to church tax subsequently within the scope of his income tax return. In this case, church tax on interest income is imposed by assessment. Any church tax withheld as a surcharge on the withholding tax is not deductible as special expenses (*Sonderausgaben*).

As an exemption, dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) and are paid to shareholders with a tax domicile in Germany whose shares are held as non-business assets, do – contrary to the above – not form part of the shareholder's taxable income. However, these dividend payments are deemed a disposal of shares and a capital gain deriving thereof is in principle taxable if the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the (deemed, as the case may be) disposal directly or indirectly held at least 1% of the share capital of the Company (a "**Qualified Holding**"). A capital gain generally arises if the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) exceeds the acquisition costs of the shares. In this case the taxation corresponds with the description in the section "— *Taxation of Capital Gains*" made with regard to shareholders maintaining a Qualified Holding.

17.2.4.2 Shares held as business assets

Dividends from shares held as business assets of a shareholder with a tax domicile in Germany are not subject to the flat-rate withholding tax. The taxation depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid by the Dividend Paying Agent will, in general, be credited against the shareholder's income or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) or refunded in the amount of any excess. However, such withholding tax credit or refund might be limited if the prerequisites set out in section 36a ITA are not met.

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) and are paid to shareholders with a tax domicile in Germany whose shares are held as business assets are generally fully tax-exempt in the hands of such shareholder. To the extent the dividend payments funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) exceed the acquisition costs of the shares, a taxable capital gain should occur. The taxation of such gain corresponds with the description in the section *"— Taxation of Capital Gains*" made with regard to shareholders whose shares are held as business assets (however, as regards the application of the 95% exemption in case of a corporation this is not undisputed).

17.2.4.3 Corporations

Generally, dividends paid to a corporation with a tax domicile in Germany are subject to corporate income tax (and solidarity surcharge thereon) at a rate of 15.825%. However, the dividends are in general effectively 95% exempt from corporate income tax and the solidarity surcharge if the corporation holds a direct participation of at least 10% in the share capital of such corporation at the beginning of the calendar year. Participations of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations which a shareholder holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the shareholder only on a *pro rata* basis at the ratio of the interest share of the shareholder in the assets of the relevant partnership. 5% of the dividends are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge). In other respects, business expenses actually incurred in direct relation to the dividends may be deducted.

Dividends (after deducting business expenses economically related to the dividends) are subject to trade tax in the full amount, unless the requirements of the trade tax participation exemption privilege are fulfilled. This is generally the case if the dividend receiving entity holds a stake of at least 15% in the share capital of the Company at the beginning of the assessment period. In case the requirements of the participation exemption are met, the dividends are not subject to trade tax; however, trade tax is levied on the amount considered to be non-deductible business expenses (amounting to 5% of the dividend). Trade tax ranges from 7% to more than 18% of the taxable trade profit depending on the municipal trade tax multiplier applied by the relevant municipal authority.

17.2.4.4 Sole proprietors

In general, if the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the dividends are subject to progressive income tax (plus the solidarity surcharge) at the individual tax rate of the shareholder, so-called partial income method (*Teileinkünfteverfahren*). Respectively, only 60% of the business expenses incurred in connection with the dividends are tax-deductible. If the shares belong to a domestic permanent establishment in Germany of a business operation of the shareholder, the dividend income (after deduction of business expenses) is not only subject to income tax but is also fully subject to trade tax, unless the prerequisites of the trade tax participation exemption privilege are fulfilled (see *"— Corporations*" above). In this latter case the net amount of dividends, i.e., after deducting directly related expenses, is exempt from trade tax. As a rule, trade tax can be credited against the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method, depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

17.2.4.5 Partnerships

The income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation for every partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in the profit share of the shareholder will be taxed in accordance with the principles applicable for corporations (see *"— Corporations*" above). If the partner is an individual, the taxation is in line with the principles described for sole proprietors (see *"— Sole Proprietors*" above). Upon application and subject to further conditions, an individual as a partner can have his personal income tax rate lowered for earnings not withdrawn from the partnership.

In addition, the dividends are generally subject to trade tax in the full amount at the partnership level if the shares are attributed to a German permanent establishment of the partnership. If a partner of the partnership is an individual, the portion of the trade tax paid by the partnership pertaining to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump-sum method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer. Due to a lack of case law and administrative guidance, it is currently unclear how the rules for the taxation of dividends from Portfolio Participations (see *"— Corporations*" above) might impact the trade tax treatment at the level of the partnership. Shareholders are strongly recommended to consult their tax advisors.

17.2.5 Taxation of dividends of shareholders without a tax domicile in Germany

Shareholders without a tax domicile in Germany, whose shares are attributable to a German permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed, are liable for tax in Germany on their dividend income. In this respect the provisions outlined above for shareholders with a tax domicile in Germany whose shares are held as business assets apply accordingly *("— Taxation of Dividends of Shareholders with a Tax Domicile in Germany — Shares Held as Business Assets*"). The withholding tax (including the solidarity surcharge) withheld and passed on will be credited against the income or corporate income tax liability or refunded in the amount of any excess. However, such withholding tax credit or refund might be limited if the prerequisites set out in section 50j ITA are not met.

In all other cases, any German tax liability for dividends is satisfied by the withholding of the withholding tax by the Dividend Paying Agent. Withholding tax is only reimbursed in the cases and to the extent described above under *"— Withholding Tax.*"

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) are generally not taxable in Germany.

17.3 Taxation of capital gains

17.3.1 Taxation of capital gains of shareholders with a tax domicile in Germany

17.3.1.1 Shares held as private assets

Gains on the disposal of shares held by a shareholder with a tax domicile in Germany as private assets are generally – regardless of the holding period – subject to a uniform tax rate on capital investment income in Germany (25% plus the solidarity surcharge of 5.5% thereon, i.e., 26.375% in total plus any church tax if applicable). If the entitlement to dividend payments is disposed of without the shares, the income from the sale of the entitlement to dividend payments is taxable. The same applies if shares are sold without the entitlement to dividend payments.

The taxable capital gain is computed from the difference between (a) the proceeds of the disposal and (b) the acquisition costs of the shares and the expenses related directly and materially to the disposal. Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) reduce the original acquisition costs; if dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) exceed the acquisition costs, negative acquisition costs – which can increase a capital gain – can arise in case of shareholders, whose shares are held as non-business assets and do not qualify as Qualified Holding.

Only an annual lump-sum deduction of EUR 801 (EUR 1,602 in the case of jointly assessed spouses or registered life partners) may be deducted from the entire capital investments income. It is generally not possible to deduct income-related expenses in connection with capital gains, except for the expenses directly related in substance to the disposal which can be deducted when calculating the capital gains. Losses on disposals of shares may only be offset against gains on the disposal of shares, and if there are not sufficient other gains on the disposal of shares, carried forward to subsequent assessment periods. If losses result from the derecognition (*Ausbuchung*) or transfer to a third party of worthless assets in terms of section 20 para 1 German Income Tax Act (EStG) or any other total loss of such assets, such losses together with other losses of such kind and losses resulting from the full or partial non-recoverability of the repayment claim of capital receivables of the same year and loss-carry forwards of previous years can only be offset against investment income up to an amount of EUR 10,000 ("**Limitation on Loss Deduction**"). Any exceeding loss amount can be carried forward and offset against future investment income, but again subject to the EUR 10,000 limitation. Given that the Limitation on Loss Deduction will not be applied by the Domestic Paying Agent (as defined below), investors suffering losses which are subject to the Limitation on Loss Deduction are required to declare such losses in their income tax return.

If the shares are held in custody or administered by a domestic credit institution, domestic financial services institution, domestic securities trading company or a domestic securities trading bank, including domestic branches of foreign credit institutions or financial service institutions, or if such an office executes the disposal of the shares and pays out or credits the capital gains (a "**Domestic Paying Agent**"), the tax on the capital gains will in general be satisfied by the Domestic Paying Agent withholding the withholding tax on investment income in the amount of 26.375% (including the solidarity surcharge) on the capital gain and transferring it to the tax authority for the account of the seller. If the shares were held in safekeeping or administered by the respective Domestic Paying Agent after acquisition, the amount of tax withheld is generally based on the difference between the proceeds from the sale, after deducting expenses that stand in direct relation to the sale, and the amount paid to acquire the shares. However, the withholding tax rate of 25% (plus the 5.5% solidarity surcharge thereon and church tax, if any) will be applied to 30% of the gross sales proceeds if the shares were not administered by the same Domestic Paying Agent since acquisition and the original cost of the shares cannot be verified or such verification is not valid. In this case, the shareholder is entitled to verify the original costs of the shares in his annual tax return. In any case, the acquisition costs for subscription rights granted by the Company are deemed to be EUR 0 for purposes of this calculation.

However, the shareholder can apply for his total capital investment income together with his other taxable income to be subject to progressive income tax rate as opposed to the uniform tax rate on investment income if this results in a lower tax liability. In this case the withholding tax is credited against the progressive income tax and any resulting excess amount will be refunded; limitations on offsetting losses are applicable. Also, income-related expenses are non-deductible, except for the annual lump-sum deduction. Moreover, the limitations on offsetting losses are also applicable under the income tax assessment.

If the withholding tax or, if applicable, the church tax on capital gains is not withheld by a Domestic Paying Agent, the shareholder is required to declare the capital gains in his income tax return. The income tax and any applicable church tax on the capital gains will then be collected by way of assessment.

With regard to church tax on dividends an automatic procedure for deducting church tax applies unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office.

If the shareholder making the disposal – or, in case of a sale of shares acquired without consideration, its legal predecessor – held a direct or indirect stake of at least 1% in the Company's share capital at any time in the five years preceding the disposal, the partial income method applies to gains on the disposal of shares, which means that only 60% of the capital gains are subject to tax and only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. Even though withholding tax is withheld by a Domestic Paying Agent in the case of a Qualified Holding, this does not satisfy the tax liability of the shareholder. Consequently, a shareholder must declare his capital gains in his income tax returns. The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid will be credited against the shareholder's income tax on his tax assessment (including the solidarity surcharge and any church tax if applicable) or refunded in the amount of any excess.

17.3.1.2 Shares held as business assets

Gains on the sale of shares held as business assets of a shareholder with a tax domicile in Germany are not subject to uniform withholding tax. The taxation of the capital gains depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 KStG) reduce the original acquisition costs. In case of disposal a higher taxable capital gain can arise herefrom. If the dividend payments exceed the shares' book value for tax purposes, a taxable capital gain can arise.

17.3.1.3 Corporations

If the shareholder is a corporation with a tax domicile in Germany, the gains on the disposal of shares are in general effectively 95% exempt from corporate income tax (including the solidarity surcharge) and trade tax, currently, regardless of the size of the participation and the holding period. 5% of the gains are treated as a non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge) at a tax rate amounting to 15.825% and trade tax (depending on the municipal trade tax multiplier applied by the municipal authority, generally between 7% and more than 18%). As a rule, losses on disposals and other profit reductions in connection with shares (e.g., from a write-down) cannot be deducted as business expenses. Currently, there are no specific rules for the taxation of gains arising from the disposal of Portfolio Participations. Please note that there have been discussions and even draft laws which would lead to the taxation of such gains. However, so far none of the draft laws has actually been passed.

17.3.1.4 Sole proprietors

In general, if the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the gains on the disposal of the shares are subject to progressive income tax (plus the solidarity surcharge) at the individual tax rate of the shareholder, and, if applicable, church tax (partial-income method). Respectively only 60% of the losses in connection with the disposal of the shares are tax deductible. If the shares belong to a German permanent establishment of a business operation of the sole proprietor, 60% of the gains of the disposal of the shares are, in addition, subject to trade tax.

Trade tax can be credited towards the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

17.3.1.5 Partnerships

The income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation depends on whether the partner is a corporation or an individual. If the partner is a corporation, the gains on the disposal of the shares as contained in the profit share of the partner will be taxed in accordance with the principles applicable for corporations (see " — *Corporations*" above). For capital gains in the profit share of a partner that is an individual, the principles outlined above for sole proprietors apply accordingly (partial-income method, see above under "— *Sole proprietors*"). Upon application and subject to further conditions, an individual as a partner can obtain a reduction of his personal income tax rate for earnings not withdrawn from the partnership.

In addition, gains on the disposal of shares are subject to trade tax at the level of the partnership if the shares are attributed to a domestic permanent establishment of a business operation of the partnership: Generally, at 60% as far as they are attributable to the profit share of an individual as the partner of the partnership, and, currently, at 5% as far as they are attributable to the profit share of a corporation as the partner of the partnership. Losses on disposals and other profit reductions in connection with the shares are currently not considered for the purposes of trade tax if they are attributable to the profit share of a corporation, and are taken into account at 60% in the context of general limitations if they are attributable to the profit share of an individual.

If the partner of the partnership is an individual, the portion of the trade tax paid by the partnership attributable to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump-sum method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

17.3.2 Withholding tax

In case of a Domestic Paying Agent, the gains of the sale of shares held as business assets are in general subject to withholding tax in the same way as shares held as non-business assets by a shareholder (see the section "*—Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany — Shares Held as Non-Business Assets*"). However, the Domestic Paying Agent will not withhold the withholding tax if (i) the shareholder is a corporation, association of persons or estate with a tax domicile in Germany, or (ii) the shares belong to the domestic business assets of a shareholder, and the shareholder declares so to the Domestic Paying Agent using the designated official form and certain other requirements are met. If withholding tax is nonetheless withheld by a Domestic Paying Agent, the withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid will be credited against the income or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) or will be refunded in the amount of any excess.

17.3.3 Taxation of capital gains of shareholders without a tax domicile in Germany

Generally, capital gains derived by shareholders with no tax domicile in Germany are only subject to German tax if the shareholder making the disposal – or, in case of a sale of shares acquired without consideration, its legal predecessor – held a direct or indirect stake of at least 1% in the Company's share capital at any time in the five years preceding the disposal or the shares belong to a domestic permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed. Pursuant to a decision of the Federal Fiscal Court, the gains on the disposal of shares are exempt from corporate income tax if the shareholder is a corporation and has no domestic permanent establishment or fixed place of business in Germany and the shares do not form part of business assets for which a permanent representative in Germany has been appointed.

If the shareholder is a private individual, only 60% of the gains of the disposal of the shares are subject to progressive income tax plus the solidarity surcharge (partial-income method). However, most double taxation treaties provide for exemption from German taxation and assign the right of taxation to the shareholder's country of residence. According to the tax authorities there is no obligation to withhold withholding tax at source in the case of a Qualified Holding if the shareholder submits to the Domestic Paying Agent a certificate of domicile issued by a foreign tax authority.

With regard to gains or losses of the disposal of shares belonging to a domestic permanent establishment or fixed place of business or which are part of business assets for which a permanent representative in Germany has been appointed, the above-mentioned provisions pertaining to shareholders with a tax domicile in Germany whose shares are business assets apply *mutatis mutandis* (see "*— Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany — Shares Held as Business Assets*"). The Domestic Paying Agent can refrain from deducting the withholding tax if the shareholder declares to the Domestic Paying Agent on an official form that the shares form part of domestic business assets and certain other requirements are met.

17.3.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

If financial institutions (*Kreditinstitute*) or financial services providers (*Finanzdienstleistungsinstitute*) within the meaning of section 1a of the German Banking Act hold or sell shares which are allocable to their trading book (*Handelsbuch*) pursuant to Section 340e (3) of the HGB, neither dividends nor capital gains are subject to the partial-income method or the economical 95% exemption from corporate income tax and any applicable trade tax. Thus, dividend income and capital gains are fully taxable and business expenses relating thereto are generally fully deductible. The same applies to shares acquired by a financial enterprise (*Finanzunternehmen*) within the meaning of the German Banking Act if at least 50% of the shares in such financial enterprise are held (directly or indirectly) by financial institutions or financial services providers and the shares had to be capitalized as current assets (*Umlaufvermögen*) upon acquisition. This also applies to financial institutions, financial services providers, and financial enterprises that have their seat in a member state of the European Community or another country that is a signatory to the treaty on the European Economic Area ("**EEA**").

The 95% exemption from corporate income tax and any applicable trade tax does not apply to dividends from shares held as investments by life insurance and health insurance companies, and to capital gains from the sale of such shares or which are held by pension funds.

The 95% exemption from corporate income tax and any applicable trade tax does, however, apply to dividends distributed to aforementioned companies if such dividends qualify for the exemption under the Council Directive 2011/96/EU of 30 November 2011 (the "**Parent-Subsidiary Directive**").

17.3.5 Inheritance and Gift Tax

The transfer of shares to another person by way of gift or upon death is generally subject to German inheritance or gift tax if:

(i) the place of residence, habitual abode, place of management or registered office of the decedent, the donor, the heir, the donee or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has not spent more than five continuous years outside of Germany without maintaining a place of residence in Germany, or

(ii) independent of these individual circumstances, the decedent's or donor's shares belonged to business assets for which there had been a permanent establishment in Germany or a permanent representative had been appointed, or

(iii) the decedent or the donor, at the time of the succession or gift, held a direct or indirect interest of at least 10% of the Company's share capital either alone or jointly with other related parties.

The small number of double taxation treaties in respect of inheritance and gift tax which Germany has concluded to date usually provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, as stated under (ii) above. Special provisions apply to certain German nationals living outside of Germany and to former German nationals who are resident outside Germany.

17.4 Other Taxes

No German capital transfer taxes, value-added-tax, stamp duties or similar taxes are currently levied on the purchase or disposal or other forms of transfer of the shares. However, an entrepreneur may opt to subject disposals of shares, which are in principle exempt from value-added-tax, to value-added-tax if the sale is made to another entrepreneur for the entrepreneur's business. Wealth tax (*Vermögenssteuer*) is currently not levied in Germany.

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia, Slovakia (the "**Participating Member States**") and Estonia. However, Estonia has since stated that it will not participate.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Shares where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between Participating Member States. It may, therefore, be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective shareholders are advised to seek their own professional advice in relation to the FTT.

18. FINANCIAL INFORMATION

Unaudited Consolidated Interim Financial Statements of flatex AG prepared in accordance with IFRS as at and for the six months ended 30 June 2020

Half-Year IFRS Consolidated Balance Sheet

as of 30 June 2020

In kEUR	Note	30/06/2020	31/12/2019
Assets		**1,780,163**	**1,265,962**
Non-current assets		**171,749**	**179,700**
Intangible assets		93,879	92,722
Goodwill		36,555	36,555
Internally generated intangible assets		47,492	45,730
Customer relationships		6,007	6,319
Other intangible assets		3,825	4,118
Property, plant and equipment		18,388	16,265
Financial assets and other assets		1,494	1,305
Non-current loans due to customers	10	57,988	69,409
Current assets		**1,608,414**	**1,086,262**
Inventories and work in progress		9	99
Trade receivables		11,853	12,220
Other receivables		7,089	1,026
Other current financial assets		657,111	604,302
Financial assets measured at fair value through other comprehensive income (FVOCI)	10	80,128	61,547
Financial assets measured at fair value through profit or loss (FVPL)	10	214	214
Cash loans due to local authorities	10	388	14,056
Current loans due to customers	10	422,622	362,552
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	10	63,757	68,644
Equity instruments measured at fair value through other profit or loss (FVPL-EK)	10	65,746	66,049
Other receivables due to banks	10	24,256	31,239
Cash and cash equivalents	10	932,352	468,616
Bank balances		66,489	29,913
Cash on hand		71,454	15,821
Balances with central banks		700,749	356,868
Receivables due to banks (on demand)		93,660	66,013

In kEUR	Note	30/06/2020	31/12/2019
Liabilities and shareholders' equity		**1,780,163**	**1,265,962**
Equity		**204,383**	**182,202**
Subscribed capital		19,703	19,596
Additional paid-in capital		107,839	106,894
Retained earnings		76,316	55,200
Shares of minority shareholders		525	512
Liabilities		**1,575,780**	**1,083,760**
Non-current liabilities		**38,058**	**38,710**
Non-current liabilities to banks		636	3,727
Non-current liabilities to non-banks	9	15,630	13,495
Pension obligations		10,854	11,012
Deferred tax liabilities		10,939	10,476
Current liabilities		**1,537,722**	**1,045,051**
Trade payables		4,833	5,581
Liabilities to customers		1,429,248	950,777
Liabilities to banks		57,227	71,694
Other financial liabilities	7	20,108	6,131
Tax provisions		13,815	1,193
Other provisions	8	12,491	9,674

Half-Year IFRS Consolidated Statement of Income

as of 1 January to 30 June 2020

In kEUR	Note	1st HY 2020	1st HY 2019
Revenues	11	99,778	64,350
thereof interest income from financial instruments measured at amortised cost		10,494	6,157
Raw materials and consumables		19,442	20,259
thereof impairment losses		2,869	1,586
Personnel expenses	12	20,327	12,546
Other administrative expenses	13	17,307	11,804
Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA)		**42,701**	**19,740**
Depreciation		6,928	5,962
Consolidated earnings before interest and income tax (EBIT)		**35,773**	**13,779**
Financial result		-1,701	-1,153
Consolidated earnings before income tax (EBT)		**34,072**	**12,625**
Income tax expense		11,698	4,079
Consolidated net profit from continuing activities		**22,374**	**8,547**
Consolidated net profit from discontinued activities		-	-
Consolidated net profit		**22,374**	**8,547**
Minority shareholders' share of income		13	9
Majority shareholders' share of income		22,361	8,538

Half-Year IFRS Consolidated Statement of other Comprehensive Income

as of 1 January to 30 June 2020

In kEUR	Note	1st HY 2020	1st HY 2019
Consolidated net profit		**22,374**	**8,547**
Income and expense items recognised directly in equity			
Pensions		**-**	**-**
Actuarial gains/losses		-	-
Remeasurement of plan assets		-	-
Reimbursement rights		-	-
Adjustment for previous year		-	-
Securities			
Change in value reported in equity		-1,398	1,350
Deferred tax		**234**	**-432**
Pensions		-	-
Securities		234	-432
Total other earnings/losses		**-1,164**	**918**
Comprehensive income		**21,210**	**9,465**

Half-Year IFRS Consolidated Cash Flow Statement

as from 1 January to 30 June 2020

In kEUR	1st HY 2020	1st HY 2019
Consolidated net profit from continuing activities	**22,374**	**8,547**
Depreciation and amortisation/appreciation on property, plant and equipment and intangible assets	6,525	5,899
Increase/decrease in trade receivables	365	5,225
Increase/decrease in other receivables, deferred tax assets, coverage	-6,252	3,054
Increase/decrease in inventories	-8	89
Increase/decrease in trade payables	-748	-1,759
Increase/decrease in other financial liabilities	14,074	7,266
Increase/decrease in provisions, changes in deferred taxes, pension obligations	2,659	-1,142
Income tax expense	11,698	4,079
Income tax payments	1,386	-492
Other non-cash transactions	-	-
Cash flow from operating activities – before banking operations	**52,074**	**30,765**
Increase/decrease in receivables from customers	-48,649	-12,631
Increase/decrease in receivables from cash loans due to local authorities	13,668	-5,640
Increase/decrease of receivables due to banks	6,984	-1,982
Increase/decrease in liabilities to customers	478,471	-38,255
Increase/decrease of liabilities to banks	-14,467	-1,025
Increase/decrease in financial assets measured at FVOCI	-13,694	-12,722
Increase/decrease in financial assets measured at FVPL	303	-131
Other non-cash transactions	-1,164	1,350
Cash flow from banking operating activities	**421,452**	**-71,035**
Cash flow from operations – continuing activities	**473,526**	**-40,270**
Cash flow from discontinued operations	-	-
Cash flow from operations	**473,526**	**-40,270**
Proceeds from the disposal of intangible assets	14	-
Disbursements for investments in intangible assets	-4,621	-7,457
Proceeds from the disposal of fixed assets	1	22
Disbursements for investments in fixed assets	-691	-7,460
Proceeds from disposals from the scope of consolidation	-	-66
Non-cash changes in fixed assets	-	-204
Cash flow from investments in continuing activities	**-5,297**	**-15,165**
Cash flow from investments in discontinued operations	-	-
Net cash flow from investing activities	**-5,297**	**-15,165**
Increase/decrease in non-current liabilities to banks (loans)	-3,090	-3,083
Increase/decrease in non-current liabilities to non-banks	-	4,645
Increase/decrease in leases	-2,374	-
Proceeds from equity contributions by shareholders of the parent company	1,053	6,104
Non-cash changes in equity	-82	-
Cash flow from financing activities	**-4,494**	**7,666**
Change in cash and cash equivalents	**463,736**	**-47,769**
Cash and cash equivalents at the beginning of the period	468,616	655,046
Cash and cash equivalents at the end of the period	**932,352**	**607,277**

Additional information according to IAS 7

In kEUR	As of 01/01/2020	Cash changes	Non-cash changes					As of 30/06/2020
			Acquisitions	Currency effects	Fair values	Reclassifications	Other	
Non-current liabilities								
Liabilities to banks	3,727	-3,091	-	-	-	-	-	636
Liabilities to non-banks	13,495	2,135	-	-	-	-	-	15,630
Total	**17,221**	**-956**	**-**	**-**	**-**	**-**	**-**	**16,266**

Half-Year IFRS Consolidated Statement of Changes in Equity

as of 30 June 2020

In kEUR	Subscribed capital	Additional paid-in-capital	Retained earnings	Actuarial gains/losses	Unrealised gains/losses from financial assets, measured at fair value through other comprehensive income (FVOCI)	Total	Minority interests	Total equity
As of 31/12/2018*	**18,737**	**101,406**	**43,472***	**2,085**	**-2,536**	**163,164***	**490**	**163,655***
Issue of new shares	819	-	-	-	-	819	-	819
Contributions to/withdrawals from reserves	-	5,284	-	-	-	5,284	-	5,284
Changes in the scope of consolidation not involving a change of control	-	-	-	-	-	-	-	-
Other earnings/losses	-	-	-	-	1,350	1,350	-	1,350
Consolidated net profit	-	-	8,538	-	-	8,538	10	8,548
As of 30/06/2019	**19,556**	**106,690**	**52,010**	**2,085**	**-1,186**	**179,156**	**500**	**179,656**
As of 31/12/2019	**19,596**	**106,894**	**53,681**	**1,554**	**-35**	**181,689**	**512**	**182,202**
Issue of new shares	108	945	-	-	-	1,053	-	1,053
Contributions to/withdrawals from reserves	-	-	796	-	-	796	-	796
Changes in the scope of consolidation not involving a change of control	-	-	-878	-	-	-878	-	-878
Other earnings/losses	-	-	-	-	-1,164	-1,164	-	-1,164
Consolidated net profit	-	-	22,361	-	-	22,361	13	22,374
As of 30/06/2020	**19,703**	**107,839**	**75,960**	**1,554**	**-1,199**	**203,857**	**525**	**204,382**

**Previous year's figures were adjusted. For a detailed presentation, see Annual Report 2019 Note 7*

Notes to the Half-Year Consolidated Financial Statement as of 30 June 2020

This interim report does not include all the disclosures in the notes that are usually included in the consolidated financial statements. Therefore, this report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019 and all public pronouncements made by the Group during the interim period.

NOTE 1 About the Group

The half-year consolidated financial statements presented here are those of flatex AG and its subsidiaries.

flatex AG is headquartered in Frankfurt am Main, Germany; its Frankfurt commercial register number is HRB 103516. The registered business address is Rotfeder-Ring 7, 60327 Frankfurt am Main, Germany.

The registered no-par-value shares of the company are traded on the regulated open market (ISIN DE000FTG1111 / German securities code FTG111).

The Group's business activities are the supply of innovative technologies for the financial sector in general and for online brokerage in particular, as well as the provision of financial services and IT services.

At the reporting date flatex AG's immediate parent company is GfBk Gesellschaft für Börsenkommunikation mbH, Kulmbach. The ultimate parent company at the reporting date of the Group is BFF Holding GmbH, Kulmbach.

The consolidated interim financial statements were authorised for publication by the Management Board on 17 August 2020.

NOTE 2 Basis of preparation

These consolidated interim financial statements are in full compliance with the International Financial Reporting Standards that are mandatory in the European Union as of 1 January 2020 and the supplementary provisions of German commercial law pursuant to Section 315e of the German Commercial Code (HGB). The abridged half-year consolidated interim assumption of accounting financial statements of flatex AG are based on going concern and also take into account the requirements of IAS 34 for interim reporting in particular. With the exception of the changes listed in Note 5, the same accounting policies and calculation methods were applied as in the consolidated financial statements of flatex AG as of 31 December 2019.

flatex AG presents information in thousands or millions of currency units. Generally, the information is expressed in millions of units. For detailed information on the income statement, information is presented in thousands of units. The presentations in thousands and millions of units are rounded. When calculating with rounded numbers, slight rounding differences may occur.

The presentation currency is the euro.

NOTE 3 Scope of consolidation

In the first half-year 2020, there was no change in the group of consolidated companies.

NOTE 4 Estimates and assumptions

The preparation of the consolidated financial statements in compliance with IFRS implies the adoption of assumptions and the use of estimates which have an impact on the amounts and the disclosure of assets and liabilities and/or revenues and expenses. All available information has been taken into account in this regard. The assumptions and estimates relate mostly to the stipulation of useful lives in a consistent manner throughout the Group, the determination of recoverable amounts for impairment testing of individual CGUs, and the recognition and measurement of provisions. Of particular importance are also the estimation uncertainties resulting from the tense current interest-rate situation on the financial markets. These relate in particular to the amount of the pension provisions reported. The effects of the current global COVID-19 pandemic are also of extraordinary importance. The resulting estimation uncertainties relate in particular to the valuation of credit commitments and the recognition of risk provisions. Thus, the actual values may differ from the estimates. New information is taken into account as soon as it becomes available. At the time of preparing the half-yearly consolidated financial statements, it is not assumed that there have been any significant changes to the assumptions and estimates, with the exception of those mentioned above.

With the exception of the changes in accounting policies described in the following note, the preparation of the half-year consolidated financial statements is based on the same assumptions and estimates as the preceding consolidated financial statements.

NOTE 5 Significant changes in accounting and valuation methods

The following changes of standards were mandatory for flatex AG for the first time in fiscal year 2020:

Adjustments to IAS 1 and IAS 8

The provisions of IAS 1, which apply to financial years beginning on or after 1 January 2020, sharpen the definition of the term "material" in order to improve the information provided to users of financial statements on financial information. The relevance of disclosures in the notes is to be increased and the assessment of the materiality of information is to be made easier. The previously applicable definitions of material in IAS 8 have been adjusted in such a way that reference is now made to the new regulations of IAS 1. flatex AG applies the applicable definitions and amended standards accordingly.

Revision of the IFRS framework

The revised version of the IFRS framework in force since 1 January 2020 has no direct impact on individual IFRS or IAS. The framework concept serves as a basis for the preparation and future revision of the standards as well as for clarifying accounting issues that are not specified in detail by IFRS or IAS. Insofar as matters to be accounted for are not sufficiently specified via the applicable standards, flatex AG will apply the revised version of the framework concept.

Definition of a business operation according to IFRS 3

By concretising the definition of a business operation according to IFRS 3, it is determined which criteria must be examined in the case of business combinations and the acquisition of assets with regard to accounting as a business operation or asset. This can be determined by means of the introduced concentration test. This test checks whether the acquired value is concentrated in one asset. If this is the case, the conclusion is that no business has been acquired. In the reporting period from 1 January 2020 to 30 June 2020, no such assets were acquired that would necessitate an assessment.

Amendments to IFRS 9, IAS 39 and IFRS 7 regarding the effects of the IBOR reform

As part of the reform of the reference interest rates, amendments were made to IFRS 9 and 7 and IAS 39. Application of the adjusted standards is mandatory from 1 January 2020. The amendments are intended to mitigate the effects of the IBOR reform on financial reporting. They affect the period before an existing reference interest rate of a hedging instrument is replaced by an alternative interest rate (phase 1). The previously applicable regulations sometimes led to the termination of hedge accounting if there was uncertainty about the reference interest rate following the replacement. As in the previous year, flatex AG does not make use of the option of hedge accounting.

NOTE 6 Stock option plans

Description of stock option plans 2014 and 2015

flatex AG has set up stock option plans to ensure that the total remuneration paid to its managers is competitive. The first stock option plan was launched in 2014. Pre-emptive rights from this programme were first issued in 2015. Each pre-emptive right issued pursuant to the stock option plan gives the holder the right to acquire one bearer share of flatex AG against payment of the stipulated strike price. The strike price is determined on the basis of the average closing price of the share over a fixed period of time preceding the adoption of the relevant resolution at the Annual General Meeting, minus a discount.

The maturity of these pre-emptive rights is six years from the date of issuance; they may only be exercised upon the expiration of a waiting period (vesting period) of four years. The right to exercise is conditional upon the share price having risen by at least 100%, on any stock exchange trading day, during a period of two years from the date of issuance of such pre-emptive rights (trigger – 2014 stock option plan). Only in the event of a change of control as defined in the authorisation and, if applicable, in subsequent amendments to the option terms, or in the event of a delisting, may flatex AG pay, or may the holders of pre-emptive rights demand, a cash settlement in lieu of shares (in some cases also before the end of the vesting period).

A second stock option plan was launched in 2015 by another resolution of the Annual General Meeting (2015 stock option plan). In light of the development of the stock price, the terms of this second plan were modified with regard to the condition for exercise, in that the stock price must now have risen by at least 50%, on any stock exchange trading day, during a period of two years from the date of issuance of such pre-emptive rights (trigger – 2015 stock option plan). The other terms remain the same as those applicable to the first programme.

Description of Stock Appreciation Rights Plan 2020

In addition to the stock option plans, flatex AG introduced the Stock Appreciation Rights Plan 2020 (SAR Plan 2020) in May 2020. Under the SAR Plan 2020, one million stock appreciation rights are available, which can be issued to Management Board members and employees as a long-term commitment instrument. After a waiting period of three years, these can be exercised by the entitled persons within another three years. A further 400,000 SARs are also available, which can be granted to members of the Management Board and employees as part of a purchase model. The prerequisite for granting further SARs under the purchase model is the acquisition of shares in flatex AG. In May and June 2020, SARs were granted to Management Board members and employees for the first time.

Each SAR entitles the holder to a cash payment only, 50% of which depends on the development of the share price and 50% on the development of earnings per share.

The SARs vest pro rata temporis over the three-year vesting period. Leaving the company after the end of the waiting period does not result in the SAR expiring.

Overview of accounting and valuation status

Stock option plans 2014 and 2015

In the first half of 2020 107,500 stock options were exercised. A further 209,000 stock options were exercisable as of 30 June 2020. For the first half-year 2020 a pro rata expense of kEUR 35 was recognised in the income statement and transferred to the capital reserve.

Stock Appreciation Rights Plan 2020

The Stock Appreciation Rights Plan 2020 represents a share-based payment which is accounted for as a cash-settled plan in accordance with IFRS 2. A provision is recognised as an expense over the vesting period. The expenses are recognised under personnel expenses. The provision is measured using a suitable option price model (Black–Scholes formula) and taking into account a forecast EPS at the expected exercise date.

The intrinsic value of already-vested SARs was kEUR 26,195 as of 30 June 2020. The provision structure to be formed for this purpose corresponds to a declining trend over the SAR term, with 70% of the expenses being charged to the first year of the term.

As of 30 June 2020, a provision of kEUR 2,670 (first half-year 2019: EUR 0) was recognised for the SAR Plan 2020 and expenses of kEUR 2,670 (first half-year 2019: EUR 0) were recognised.

NOTE 7 Other financial liabilities

Other financial liabilities comprise the following:

In kEUR	30/06/2020	31/12/2019
Tax liabilities	19,277	5,572
Accruals and deferrals	150	559
Other financial liabilities	682	-
Total	**20,108**	**6,132**

The other financial liabilities of kEUR 20,108 (31 December 2019: kEUR 6,132) primarily comprise tax liabilities from capital gains tax, which must be withheld and paid for customer transactions. The increase in other financial liabilities of kEUR 13,976 resulted from the higher number of customer transactions in the first half-year 2020 and the related tax liabilities.

NOTE 8 Other provisions

Other provisions as at 30 June 2020 amounted to kEUR 12,491 (31 December 2019: kEUR 9,674) and mainly comprise contribution costs, audit and year-end closing costs, outstanding invoices and personnel costs.

NOTE 9 Non-current liabilities to non-banks (leases)

Non-current liabilities to non-banks comprise the following

In kEUR	30/06/2020	31/12/2019
Non-current liabilities to non-banks		
Liabilities from leases	12,537	10,062
Liabilities from hire purchasing	3,093	3,433

NOTE 10 Financial instruments

The following table presents the carrying amounts and the fair values of each financial assets and liabilities depending on the nature of the business model and the measurement category:

In kEUR	30/06/2020	31/12/2019
'Hold until maturity' business model		
Amortised cost[1]		
Non-current loans due to customers	57,988	69,409
Cash loans due to local authorities	388	14,056
Current loans due to customers	422,622	362,552
Other receivables due to banks	24,256	31,239
Cash and cash equivalents	932,352	468,616
'Hold to collect and sell' business model		
Financial assets measured at fair value through other comprehensive income (FVOCI)	80,128	61,547
'Hold to sell' business model		
Financial assets measured at fair value through profit or loss (FVPL)	214	214
Equity instruments without trading intent		
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	63,757	68,644
Equity instruments measured at fair value through profit or loss (FVPL-EK)	65,746	66,049
Financial liabilities		
Financial liabilities measured at amortised cost (including trade payables)[1]	1,527,682	1,051,405

[1]The book values represent adequate approximation for the fair value.

In principle, the loan portfolio is almost fully collateralised. The majority of the loans mature in less than one year, so there is no material difference between the carrying amount and the fair value for these loans. The majority of the long-term loans to customers mature in less than two years. Furthermore, there has been no material change in the interest rate environment relevant to measurement. Therefore, according to currently available information, the carrying amount of these loans also represents an appropriate approximation of their fair value.

The following table summarises the financial instruments measured at fair value in accordance to their measurement hierarchy levels:

In kEUR	Level 1 30/06/2020	Level 1 31/12/2019	Level 2 30/06/2020	Level 2 31/12/2019	Level 3 30/06/2020	Level 3 31/12/2019
'Hold until maturity' business model						
Amortised cost[1]						
Non-current loans due to customers	-	-	-	-	57,988	69,409
Cash loans due to local authorities	-	-	-	-	388	14,056
Current loans due to customers	-	-	-	-	422,622	362,552
Other receivables due to banks	-	-	-	-	24,256	31,239
Cash and cash equivalents	-	-	-	-	932,352	468,616
'Hold to collect and sell' business model						
Financial assets measured at fair value through other comprehensive income (FVOCI)	80,128	61,547	-	-	-	-
'Hold to sell' business model						
Financial assets measured at fair value through profit or loss (FVPL)	214	214	-	-	-	-
Equity instruments without trading intent						
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	38,970	43,857	-	-	24,787	24,787
Equity instruments measured at fair value through profit or loss (FVPL-EK)	-	-	-	-	65,746	66,049
Financial liabilities						
Financial liabilities measured at amortised cost (including trade payables)[1]					1,527,682	1,051,405

[1]The book values represent adequate approximation for the fair value.

Level 2 financial instruments did not exist as at the reporting date, since no investments were made as of the previous or current reporting date. Financial instruments in level 3 relate to the shares in DEGIRO B.V., Amsterdam, measured at FVOCI, and the shares in the SICAV companies measured at FVPL.

Financial instruments that are recognised at fair value

flatex AG carries out fair value measurements of selected financial instruments on a regular/recurrent basis.

Fair values for the instruments in these three categories are based on quoted prices in active markets that the entity can access on the measurement date (level 1 of the valuation techniques for the fair value hierarchy according to IFRS 13). This includes fixed income securities, mutual funds, and equities.

The fair value of financial instruments listed in active markets accessible to the Group is determined on the basis of observable market price quotations, insofar as these represent prices used in regular and current transactions, and is primarily to be recognised as a fair value on the valuation date (market to market).

The fair value disclosed for these instruments is to be categorised as level 3 input in the fair value hierarchy. The inputs for the fair-value measurement of loans and receivables as well as financial liabilities are the prices that were agreed between flatex AG and its contract partners for individual transactions. This relates to receivables from long-term loans in the area of special financing and long-term loan liabilities.

The shares of the SICAV companies measured at fair value through profit or loss are not traded in an active market. There are also no input factors that can be derived from market parameters and are relevant for measurement. The shares in the SICAVs were acquired in the second half of 2019. Current valuations did not result in any material changes to the acquisition costs as of the reporting date, and thus no material difference to the fair value. The current valuations are based on the extrapolated values of net assets per fund unit.

The Group did not measure any financial liabilities at fair value as at 30 June 2020.

Held collateral

flatex AG does not hold any financial or non-financial collateral according to IFRS 7.15.

Provided collateral

The Group has provided collateral with the clearing and depositary agents of flatex Bank AG for the processing of the bank´s financial commission business. The collateral is largely provided in the form of deposited securities. As of 30 June 2020, the carrying amount of provided collateral amounts to kEUR 83,364 (31 December 2019: kEUR 50,675).

In addition, the Group has provided collateral for the financing of an owner-occupied business property in the state of North Rhine-Westphalia. Collateral is provided in the form of a registered mortgage in the amount of kEUR 1,500 against the owner-occupied business property, in favour of the lender of instalment loan. The loan amount as of 30 June 2020 is kEUR 625 (31 December 2019: kEUR 708).

Changes in risk provisions

The changes in the risk provisions in the first half of 2020 were as follows:

In kEUR	12-month-ECL	Total ECL maturity – unimpaired financial instruments	Total ECL maturity – depreciated financial instruments	Total
Risk provision at 01/01/2020	851	665	10,254	11,771
Changes in the provision for losses of financial assets including newly issued or acquired financial assets	84	1,144	1,585	2,813
Reclassifications due to deterioration in credit quality	-	-	-	-
to total ECL maturity – unimpaired financial instruments	-25	-	-	-25
to total ECL maturity – depreciated financial instruments	-	-	-	-
Changes in impairment for irrevocable loan commitments	5	-	-	5
Risk provision at 30/06/2020	**915**	**1,810**	**11,839**	**14,564**

As a result of the risk-adequate evaluation and representation of the higher credit utilisation and the overall increase in turnover in the brokerage business, risk provisions increased as of the reporting date. Due to the high collateralisation of the loan portfolio, no further additions were necessary as of the reporting date as a result of the COVID-19 pandemic. Due to the high level of collateralisation, there were no material changes in gross carrying amounts as of the reporting date. In addition, new information on individual exposures was taken into account in the context of risk provisioning and allocation to levels.

NOTE 11 Revenues

Revenues for the reporting period were composed as follows:

In kEUR	30/06/2020	30/06/2019
Commission income	76,915	46,458
Other operating income	12,125	11,347
Interest income	10,738	6,546
Total	**99,778**	**64,350**
Timeline of revenues recognition		
at a certain time	99,778	64,350
over a period	-	-

In total, revenues increased by kEUR 35,428 to kEUR 99,778 in the first half-year 2020 (first half-year 2019: kEUR 64,350). The main driver of this increase was commission income.

In the first half-year 2020, commission income in the amount of kEUR 76,915 (first half-year 2019: kEUR 46,458) was generated primarily from the flatex and ViTrade brokerage business and the B2B services of flatex Bank AG. The 66% increase is mainly due to organic growth as well as the high stock market volatility triggered by the COVID-19 pandemic and the resulting high number of transactions. This includes new customer promotions in which securities trading was made possible at a reduced transaction fee of EUR 3.90 per transaction. The positive development is offset by a decline in the Institutional Brokerage division, which is related to the termination of the provision of the liability umbrella to FIB Management AG in 2019.

From other sales, including the provision of IT services, the Group generated sales of kEUR 12,125 (first half-year 2019: kEUR 11,347). The main items here are IT services with the FTX:CBS and OTC trading system L.O.X. flanked by further development services for customers from the Technologies segment.

The Group fulfils its performance obligations by executing an order or providing IT services. Income from commission and interest income is allocated to the Financial Services segment. The IT services included in other revenues relate exclusively to the Technologies segment.

NOTE 12 Personnel expenses

The personnel expenses incurred break down as follows:

In kEUR	30/06/2020	30/06/2019
Wages and salaries	15,374	10,542
Social security contributions and discretionary benefits	2,626	2,390
Income/expenses for pension obligations and employee benefits	-378	-386
Expenses for stock option plans	2,705	-
Total	**20,327**	**12,546**

Personnel expenses increased by kEUR 7,781 to kEUR 20,327 compared to the previous year's reporting date. This increase is due in particular to the kEUR 4,832 rise in expenses for wages and salaries. This is due to an increase in the average number of employees by 20 to 544 and a slight rise in gross personnel costs per capita. In addition, product development services for intangible assets according to IAS 38 decreased by kEUR 1,860. For the first time, expenses for the newly introduced Stock Appreciation Rights Plan (see Note 6) in the first half of 2020 amounted to kEUR 2,705 (first half-year 2019: EUR 0).

NOTE 13 Other administrative expenses

Other administrative expenses for the reporting period break down as follows:

In kEUR	30/06/2020	30/06/2019
Marketing and advertising	8,445	3,236
Bank-specific contributions	1,810	1,160
Legal and professional services	1,466	1,670
Premises	1,311	1,117
IT	1,290	1,179
Insurance, contributions, official fees	1,103	623
Other expenses	876	1,677
Postage and office supplies	538	359
Vehicle expenses	217	368
Travel	186	364
Entertainment	64	50
Total	**17,307**	**11,804**

The increase in other administrative expenses by kEUR 5,503 to kEUR 17,307 compared to the previous year's reporting date is primarily due to the increase in marketing and advertising expenses by kEUR 5,209 as of 30 June 2020. Marketing and advertising expenses in the first half-year 2020 include in particular the general advertising costs for flatex and expenses for campaigns to acquire new customers.

NOTE 14 Segment reporting in accordance with IFRS 8

As in the 2019 consolidated financial statements, flatex AG divides its activities into the two segments FIN and TECH:

Segment report for continuing activities in the first half-year 2020

In kEUR	FIN	TECH	Consolidation	Total
Total net revenues	90,500	18,137	-8,859	99,778
Raw materials and consumables	23,299	1,707	-5,564	19,442
Personnel expenses	12,843	10,093	-2,609	20,327
Other administrative expenses	14,536	3,457	-686	17,307
EBITDA	**39,821**	**2,880**	**-**	**42,701**
Depreciation				6,928
Consolidated earnings before interest and income tax (EBIT)				**35,773**
Net financial income/finance costs				-1,701
Consolidated earnings before income tax (EBT)				**34,072**
Income tax expense				11,698
Consolidated net profit from continuing activities				**22,374**
Consolidated net profit				**22,374**

Segment report for continuing activities in the first half-year 2019

In kEUR	FIN	TECH	Consolidation	Total
Total net revenues	55,667	17,627	-8,945	64,350
Raw materials and consumables	24,071	1,750	-5,562	20,259
Personnel expenses	10,116	4,578	-2,148	12,546
Other administrative expenses	8,887	4,152	-1,235	11,804
EBITDA	**12,594**	**7,147**	**-**	**19,740**
Depreciation				5,962
Consolidated earnings before interest and income tax (EBIT)				**13,779**
Net financial income/finance costs				-1,153
Consolidated earnings before income tax (EBT)				**12,625**
Income tax expense				4,079
Consolidated net profit from continuing activities				**8,547**
Consolidated net profit				**8,547**

NOTE 15 Related party relationships and transactions

In May 2020, a new stock option plan for share-based payment was introduced, which also affects key management personnel. Please refer to Note 6 of this report for further details.

On 30 May 2020, the Supervisory Board of flatex AG unanimously approved the early reappointment of the current Management Board members Frank Niehage (CEO) and Muhamad Said Chahrour (CFO) until 31 May 2025.

Apart from this, there have been no significant changes regarding transactions between the Group companies and other related parties and their composition compared with the previous reporting date. We therefore refer to the Annual Report 2019, Note 28.

NOTE 16 Earnings per share

The result per share for the first half-year 2020 is EUR 1.14 (undiluted) and EUR 1.13 (diluted).

The number of average shares outstanding during the first half-year 2020 were 19,648,027 (undiluted) and 19,776,674 (diluted).

NOTE 17 Dividends

No dividends were distributed by flatex AG during the reporting period.

NOTE 18 Events after 30 June 2020

flatex acquires DEGIRO

Regarding the acquisition of DEGIRO by flatex AG, we refer to the forecast report in the half-year group management report.

Start of the partnership with Borussia Mönchengladbach

At the end of the past six months, flatex AG concluded a three-year contract with Borussia Mönchengladbach effective 1 July 2020, thus becoming the new main sponsor of the Bundesliga football club.

Changes in the shareholder structure of flatex AG

On 2 July 2020, the two major shareholders of flatex AG – GfBk Gesellschaft für Börsenkommunikation mbH ("GfBk") and Heliad Equity Partners GmbH & Co KGaA ("Heliad") – announced that up to 2,300,000 shares would be sold to institutional investors in a private placement. This increases the free float of flatex AG to more than 70%. Following the private placement, Mr Förtsch, as sole shareholder in BFF Holding GmbH, will no longer exercise a controlling influence over flatex AG via GfBk directly and indirectly via Heliad. The ultimate parent company of the flatex Group is thus flatex AG.

Uplisting of flatex AG shares

flatex AG is planning to move its listed shares from the free trade ("Scale Segment") to the regulated market ("Prime Segment") of the Frankfurt Stock Exchange ("uplisting") in the fourth quarter of 2020. As things stand at present, there is a possibility that the shares of flatex AG will meet the requirements for inclusion in the SDAX after the change.

Frankfurt am Main, 30 July 2020

flatex AG

Frank Niehage	Muhamad Said Chahrour
CEO, Chairman of the Management Board	CFO, Member of the Management Board

Certificate after audit review

We have reviewed the condensed consolidated interim financial statements – comprising the income statement, statement of comprehensive income, balance sheet, condensed statement of changes in equity, condensed cash flow statement and selected explanatory notes – and the interim group management report of flatex AG, Frankfurt am Main, for the period from 1 January 2020 to 30 June 2020. The preparation of the condensed consolidated interim financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the EU and of the interim group management report is the responsibility of the Company's management. Our responsibility is to issue a review report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in material respects, applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU.

Frankfurt am Main, 17 August 2020

BDO AG
Wirtschaftsprüfungsgesellschaft

Otte	Hebel
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Audited Consolidated Financial Statements of flatex AG prepared in accordance with IFRS as at and for the financial year ended 31 December 2019

IFRS Consolidated Balance Sheet

as of 31 December 2019

In kEUR	Note	12/31/2019	12/31/2018
Assets		**1,265,962**	**1,224,168**
Non-current assets		**179,700**	**132,493**
Intangible assets	9	92,722	82,664
Goodwill	9	36,555	36,555
Internally generated intangible assets	9	45,730	35,128
Customer relationships	9	6,319	7,960
Other intangible assets	9	4,118	3,021
Property, plant and equipment	11	16,265	7,593
Financial assets and other assets	12	1,305	1,126
Non-current loans due to customers	12	69,409	41,110
Current assets		**1,086,262**	**1,091,676**
Inventories and work in progress		99	188
Trade receivables		12,220	15,512
Other receivables		1,026	7,156
Other current financial assets	12	604,302	413,773
Financial assets measured at fair value through other comprehensive income (FVOCI)	12	61,547	57,374
Financial assets measured at fair value through profit or loss (FVPL)	12	214	893
Cash loans due to local authorities	12	14,056	18,900
Current loans due to customers*	12	362,552	213,675*
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	12	68,644	82,465
Equity instruments measured at fair value through profit or loss (FVPL-EK)	12	66,049	-
Other receivables due to banks	12	31,239	40,466
Cash and cash equivalents	12	468,616	655,046
Bank balances	12	29,913	5,367
Cash on hand	12	15,821	11,564
Balances with central banks	12	356,868	550,079
Receivables due to banks (on demand)	12	66,013	88,036

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

In kEUR	Note	12/31/2019	12/31/2018
Liabilities and shareholders' equity		**1,265,962**	**1,224,168**
Equity		**182,202**	**163,656**
Subscribed capital	13	19,596	18,737
Additional paid-in-capital	13	106,894	101,406
Retained earnings*	13	55,200	43,023*
Shares of minority shareholders		512	490
Liabilities		**1,083,760**	**1,060,513**
Non-current liabilities		**38,710**	**30,395**
Non-current liabilities to banks	14	3,727	9,874
Non-current liabilities to non-banks	14	13,495	5,952
Pension obligations	15	11,012	6,253
Deferred tax liabilities	26	10,476	8,316
Current liabilities		**1,045,051**	**1,030,118**
Trade payables		5,581	2,780
Liabilities to customers	16	950,777	955,489
Liabilities to banks	17	71,694	57,259
Other financial liabilities	18	6,131	2,219
Tax provisions	20	1,193	5,541
Other provisions	19	9,674	6,830

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

IFRS Consolidated Statement of Income

as of 1 January to 31 December 2019

In kEUR	**Note**	**2019**	**2018**
Revenues	21	131,952	125,100
thereof interest income from financial instruments measured at amortised cost		14,979	10,909
Raw materials and consumables	22	38,172	36,846
thereof impairment losses	33	3,629	6,970
Personnel expenses	23	25,409	21,914
Other administrative expenses	24	30,791	23,972
Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA)		**37,580**	**42,368**
Depreciation	9 - 11	12,829	8,180
Result from the derecognition of financial assets*		-	-3,570
Consolidated earnings before interest and income tax (EBIT)		**24,751**	**30,618**
Financial result	25	-3,123	-2,179
Consolidated earnings before income tax (EBT)		**21,628**	**28,439**
Income tax expense	26	6,720	10,965
Consolidated net profit		**14,908**	**17,474**
Minority shareholders' share of income		22	-
Majority shareholders' share of income		14,886	17,474

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

IFRS Consolidated Statement of other Comprehensive Income

as of 1 January to 31 December 2019

In kEUR	Note	2019	2018
Consolidated net profit		**14,909**	**17,474***
Income and expense items recognised directly in equity			
Pensions		**-5,206**	**433**
Actuarial gains/losses	15	-5,286	399
Remeasurement of plan assets	15	44	68
Reimbursement rights	15	36	-34
Adjustment for previous year		-	-
Securities			
Change in value reported in equity		3,192	-3,605
Deferred tax	26	**877**	**910**
Pensions		1,640	-135
Securities		-763	1,045
Total other earnings/losses		**-1,137**	**-2,262**
Comprehensive income		**13,772**	**15,212**

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

IFRS Consolidated Cash Flow Statement

as of 31 December 2019

In kEUR	2019	2018
Consolidated net profit from continuing activities*	**14,908**	**17,474***
Depreciation and amortisation/appreciation on property, plant and equipment and intangible assets	12,395	7,813
Increase/decrease in trade receivables	3,293	-7,937
Increase/decrease in other receivables, deferred tax assets, coverage	5,952	-6,064
Increase/decrease in inventories	89	-75
Increase/decrease in trade payables	2,801	1,817
Increase/decrease in other financial liabilities	3,913	-5,226
Increase/decrease in provisions, changes in deferred taxes, pension obligations	7,603	-1,013
Income tax expense	6,720	10,965
Income tax payments	-8,246	-3,788
Other non-cash transactions*	-	3,570*
Cash flow from operating activities - before banking operations	**49,427**	**17,536**
Increase/decrease in receivables from customers*	-173,607	-57,917*
Increase/decrease in receivables from cash loans due to local authorities	4,844	216,171
Increase/decrease of receivables due to banks	9,227	-27,856
Increase/decrease in liabilities to customers	-4,712	70,377
Increase/decrease of liabilities to banks	14,435	-3,751
Increase/decrease in financial assets measured at FVOCI	9,648	37,550
Increase/decrease in financial assets measured at FVPL	-65,370	223
Other non-cash transactions	-1,137	-2,262
Cash flow from banking operating activities	**-206,673**	**232,535**
Cash flow from operations - continuing activities	**-157,246**	**250,071**
Cash flow from discontinued operations	-	-
Cash flow from operations	**-157,246**	**250,071**
Proceeds from the disposal of intangible assets	11	6
Disbursements for investments in intangible assets	-18,449	-13,211
Proceeds from the disposal of fixed assets	39	134
Disbursements for investments in fixed assets	-14,564	-3,082
Proceeds from disposals from the scope of consolidation	-	-
Payments for disbursements to the scope of consolidation	-	-
Non-cashchanges in fixed assets	-227	-11,604
Cash flow from investments in continuing activities	**-33,189**	**-27,756**
Cash flow from investments in discontinued operations	-	-
Net cash flow from investing activities	**-33,189**	**-27,756**
Increase/decrease in non-current liabilities to banks (loans)	-6,147	-6,166
Increase/decrease in non-current liabilities to non-banks	7,542	2,607
thereof from changes in the scope of consolidation	-	1,602
Proceeds from equity contributions by shareholders of the parent company	6,073	97
Proceeds from equity contributions by other shareholders	-	34,934
Disbursement for acquisition of treasury shares	-	-
Non-cash changes in equity*	-3,464	4,257*
Disbursements for increase of shares without change of control	-	-
Cash flow from financing activities	**4,005**	**35,730**
Change in cash and cash equivalents	**-186,430**	**258,045**
Cash and cash equivalents at the beginning of the period	655,046	397,002
Cash and cash equivalents at the end of the period	**468,616**	**655,046**

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

Additional information according to IAS 7

In kEUR	01/01/2019	Cash changes
Non-current liabilities		
Liabilities to banks	9,874	-6,147
Liabilities to non-banks	5,952	7,542
Total	**15,826**	**1,395**

Non-cash changes					12/31/2019
Acquisitions	Currency effects	Fair values	Reclassifications	Other	
-	-	-	-	-	3,727
-	-	-	-	-	13,495
-	**-**	**-**	**-**	**-**	**17,221**

IFRS Consolidated Statement of Changes in Equity

as of 31 December 2019

In kEUR	Subscribed capital	Additional paid-in-capital	Retained earnings
As of 12/31/2017 01/01/2018	**17,507**	**67,540**	**25,866**
Issue of new shares	1,230	33,708	139
Contributions to / withdrawals from reserves	-	388	-7
Changes in the scope of consolidation not involving a change of control	-	-230	-
Dividend distribution	-	-	-
Other earnings/losses	-	-	-
Consolidated net profit*	-	-	17,474*
As of 12/31/2018 01/01/2019	**18,737**	**101,406**	**43,472**
Issue of new shares	859	5,488	-
Contributions to / withdrawals from reserves	-	-	-
Changes in the scope of consolidation not involving a change of control	-	-	-1,572
Dividend distribution	-	-	-
Other earnings/losses	-	-	-3,106
Consolidated net profit	-	-	14,887
As of 12/31/2019	**19,596**	**106,894**	**53,681**

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

Actuarial gains/losses	Unrealized gains/losses from financial assets, measured at fair value through other comprehensive incometrough other comprehensive income (FVOCI)	Total	Minority interests	Total equity
1,787	**24**	**112,724**	**-**	**112,724**
-	-	35,077	-	35,077
-	-	381	-	381
-	-	-230	490	260
-	-	-	-	-
298	-2,560	-2,262	-	-2,262
-	-	17,474*	-	17,474*
2,085	**-2,536**	**163,164**	**490**	**163,655**
-	-	6,347	-	6,347
-	-	-	-	-
-	-	-1,572	-	-1,572
-	-	-	-	-
-531	2,501	-1,137	-	-1,137
-	-	14,887	22	14,909
1,554	**-35**	**181,689**	**512**	**182,202**

List of abbreviations

Para.	paragraph
AG	joint stock company
AK/HK	acquisition or production costs
act.	active
API	application programming interface
BaaS	Banking as a Service
Federal Financial Supervisory Authority	German Federal Financial Supervisory Authority
BFF	Bernd Förtsch Finanz Holding GmbH
BPO	business process outsourcing
B2B	business-to-business
B2C	business-to-consumer
reg.	regarding
approx.	approximately
CAD	Canadian dollar
CDS	credit default swap
CEO	chief executive officer
CFD	contract for difference
CFO	chief financial officer
CHF	Swiss franc
CRM	customer relationship management
CTO	chief technology officer
C&T	Credit & Treasury
DACH	Germany, Austria, and Switzerland
DAX	German stock index
DCF	discounted cash-flow
DNO	declaration of no objection
GAS	German Accounting Standard
i.e.	that means, in other words
DP	data processing
EBIT	earnings before interest and taxes
EBITDA	earnings before interest, taxes, depreciation and amortisation
EBT	earnings before income taxes
ECL	expected credit Loss
IT	electronic data processing
EC	European Community
Equity	equity
ERP	enterprise resource planning
ETF	exchange traded fund
ETP	exchange traded products
etc.	et cetera
EU	European Union
ECB	European Central Bank

E-funds	electronic funds
FIN	financial services
FVOCI	financial assets measured at fair value through other comprehensive income
FVPL	financial assets measured at fair value through profit or loss
FTX	flatex AG
FTX:CBS	flatex Core Banking System
FX	foreign exchange
ATM	automated teller machine
GAAP	Generally Accepted Accounting Principles
GCM	general clearing member
vs.	compared to
GmbH/LLC	limited-liability corporation
GS	Goldman Sachs
P&L	profit and loss account
hft	financial assets measured at fair value through profit or loss
HGB [German Commercial Code]	German Commercial Code
HRB	companies registry department B
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFRS IC	IFRS Interpretations Committee
ICS	internal control system
ISIN	International Securities Identification Number
ISO	International Organisation for Standardisation
IT	information technology
ITIF	IT infrastructure
IMF	International Monetary Fund
s.s.	strictly speaking
LP	limited partnership
KPI	key performance indicator
KWG	German Banking Act
def.	Deferred
L.O.X	Limit Order System, limit monitoring system
MaRisk	Minimum Requirements for Risk Management
mEUR	millions of euros
MiFID	Markets in Financial Instruments Directive II
mbH	limited liability
MRR	monthly risk report
MS	Morgan Stanley
No	number
OCI	other comprehensive income
OTC	over-the-counter
P2P	peer-to-peer

PSD II	Payment Services Directive II
p.a.	per annum
RoU	right of use
SaaS	Software as a Service
SE	societas Europaea, public limited company
SICAV	investment company with variable capital, similar to open-ended mutual fund
SLA	service level agreement
dep.	deputy
TECH	technologies
kEUR	thousand euros
T2S	TARGET2-Securities
USA	United States of America
USD	United States dollar
VaR	value at risk
prel.	preliminary
AM	asset management
WACC	weighted average cost of capital
WKN	German securities identification number
WpHG	German Securities Trading Act
e.g.	for example
CGU	cash-generating unit

Notes to the Consolidated Financial Statement as of 31 December 2019

NOTE 1 About the Group

The consolidated financial statements presented here are those of flatex AG and its subsidiaries.

flatex AG is headquartered in Frankfurt am Main, Germany; its Frankfurt companies registry number is HRB 103516. The registered business address is Rotfeder-Ring 7, 60327 Frankfurt am Main, Germany.

The registered no-par-value shares of the company are traded on the regulated open market (ISIN DE000FTG1111/German securities code FTG111).

The Group's business activities are the supply of innovative technologies for the financial sector in general and for online brokerage in particular, as well as the provision of financial services and IT services.

flatex AG's immediate parent company is GfBk Gesellschaft für Börsenkommunikation mbH, Kulmbach. The ultimate parent company of the Group is BFF Holding GmbH,

The consolidated financial statements were approved for publication by the Supervisory Board on 19 May 2020. After publication, the consolidated financial statements may not be altered.

NOTE 2 Basis of Preparation

For companies within the European Union, preparation of consolidated financial statements in accordance with IFRS is mandatory for businesses if, they are capital market oriented companies (Article 4 of Regulation [EC] No 1606/2002 of the European Parliament and of the Council of 19 July 2002). All other parent companies must prepare consolidated financial statements in accordance with their respective national laws.

The German Federal Government has implemented the EU regulation through the German Accounting Law Reform Act, which has introduced, among other things, Section § 315e of the German Commercial Code (HGB). Accordingly, a capital market oriented parent company in Germany must prepare consolidated financial statements in accordance with IFRS (HGB Section 315e (1) in conjunction with Section 290 (1)). A capital market oriented company is defined as a company whose shares are listed on an organised market (German Securities Trading Act (WpHG) Section 2 (5).

Since flatex AG is currently only traded on the open market (scale segment), it does not have to prepare IFRS-compliant consolidated financial statements.

However, in line with HGB Section 315e (3), flatex AG has opted to voluntarily prepare its consolidated financial statements in accordance with IFRS. The first consolidated financial statements according to IFRS were prepared for 31 December 2015.

The consolidated financial statements are in full compliance with IFRS as applicable within the European Union, and with the supplementary provisions of HGB Section 315e, the German Commercial Code. The consolidated financial statements of flatex AG are based on the assumption of a going concern.

The asset, financial and earnings position as well as the cash flows of the Group correspond to the actual circumstances.

The accounting and valuation methods applied in the previous year have been upheld, except for changes required by new or amended standards.

flatex AG presents information in thousands or millions of currency units. Generally, the information is expressed in millions of units. For detailed information on the income statement, information is presented in thousands of units. The presentations in thousands and millions of units are rounded. When calculating with rounded numbers, slight rounding differences may occur.

The presentation currency is the euro.

NOTE 3 Scope of consolidation

The consolidated financial statements comprise the accounts of flatex AG and the subsidiaries controlled by it.

This is the case if flatex AG has direct or indirect control over the potential subsidiary through voting rights or other rights, participates in positive or negative variable returns from the potential subsidiary and can influence such returns.

Overview of the flatex AG scope of consolidation as of 1 January 2018

> Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach (100%)

> flatex GmbH, Kulmbach (100%)

> FinTech Group Finanz GmbH, Frankfurt am Main (100%, now: flatex Finanz GmbH)

> FinTech Group Bank AG, Frankfurt am Main (100%, now: flatex Bank AG)

> Brokerport Finance GmbH, Frankfurt am Main (100%)

> Xervices GmbH, Willich (100%)

For its part, flatex Finanz GmbH directly holds 100% of the shares in flatex Bank AG, Frankfurt am Main.

Changes in scope of consolidation in 2018

Effective 12 July 2018, Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach, was sold and deconsolidated. This company was classified as a discontinued operation until its disposal. The current earnings of Die AKTIONÄRSBANK Kulmbach GmbH, of an amount of kEUR -55.4 was attributed to the Financial Services segment for materiality reasons. For further information, please refer to the 2017 Annual Report.

With effect from 30 December 2018, factoring.plus.GmbH, Leipzig, was acquired. This includes the acquisition of a 72% stake in financial.service.plus GmbH, Leipzig.

The associated company Finotek Europe GmbH, Frankfurt am Main, was sold with effect from 31 December 2018. The associated company was not included in the consolidated financial statements due to materiality.

Within the scope of consolidation, the following changes occurred in the companies that were included in the consolidated financial statements for fiscal year 2018:

flatex GmbH was merged with flatex Bank AG through a companies registry entry dated 29 March 2018 with retroactive effect from 1 January 2018.

Overview of the flatex AG scope of consolidation as of 31 December 2018 / 1 January 2019

- FinTech Group Finanz GmbH, Frankfurt am Main (100%, now: flatex Finanz GmbH)
- FinTech Group Bank AG, Frankfurt am Main (100%, now: flatex Bank AG)
- Brokerport Finance GmbH, Frankfurt am Main (100%)
- Xervices GmbH, Willich (100%)
- factoring.plus.GmbH, Leipzig (100%)
- financial.service.plus GmbH, Leipzig (72%)

There were no joint ventures or associates as at 31 December 2018.

Changes in scope of consolidation in 2019

There were no changes in the scope of consolidation in the fiscal year 2019.

Overview of the flatex AG scope of consolidation as of 31 December 2019

- flatex Finanz GmbH, Frankfurt am Main (100%)
- flatex Bank AG, Frankfurt am Main (100%)
- Brokerport Finance GmbH, Frankfurt am Main (100%)
- Xervices GmbH, Willich (100%)
- factoring.plus.GmbH, Leipzig (100%)
- financial.service.plus GmbH, Leipzig (72%)

There were no joint ventures or associates as at 31 December 2019.

Consolidated financial statements for the largest scope of companies

BFF Holding GmbH, Kulmbach, is preparing the consolidated financial statements for the largest scope of companies. flatex AG is included as a subsidiary in these consolidated financial statements. In accordance with the legal regulations, the consolidated financial statements are published in the electronic Federal Gazette.

Consolidated financial statements for the smallest scope of companies

flatex AG prepares consolidated financial statements for the smallest scope of companies. The consolidated financial statements are published in the electronic Federal Gazette as well as on the website of flatex AG.

NOTE 4 Accounting policies

Business combinations and consolidations

Business combinations are recorded in accordance with the provisions of IFRS 3.

At initial consolidation, identifiable assets and liabilities are measured at their fair value at the time of acquisition. Shares of minority shareholders are recognised in proportion to their share of the fair value of assets and liabilities. Ancillary acquisition costs and fees are directly recorded as an expense. Any remaining excess of the cost of acquisition over the value of net assets measured at fair value is capitalised as goodwill. A negative goodwill is recognised in profit or loss in the year of acquisition. The results of acquired subsidiaries are included from the date of acquisition by the Group, i.e. from the date on which the Group was able to exercise control.

Derivative goodwill

Positive goodwill arises if the purchase price of the equity participation exceeds the fair value of the identified assets less liabilities. It is subject to an annual impairment test, which checks the recoverability of goodwill. If the recoverability no longer exists, an impairment loss is recognised. Otherwise, the carrying amount of the goodwill is taken over unchanged from the previous year.

Internally-generated intangible assets

Development costs are capitalised if they can be reliably ascertained, if the product or process to which they pertain is realizable in technical and economic terms, and if the future economic benefit is probable. The initial capitalisation of these costs ws based on the assumption that such technical and economic feasibility has been established. In addition to the availability of sufficient resources, there must be an intention within the Group to complete the project and use or sell the resulting asset.

The capitalised development costs include all individual and overhead costs directly attributable to the project. Once projects are completed, development costs are depreciated over the useful life, starting at the time when financial benefits are generated. An annual impairment test is performed on internally generated intangible assets under development. Impairment triggers are tested for already completed assets. The future benefit inflow is documented through appropriate business cases. The start of a development project may be based on basic research results or on a non-exclusive customer order, whereby the respective research effort must be expensed.

Intangible assets acquired for consideration

Purchased software, licenses and industrial property rights are accounted for at their acquisition costs and depreciated on a straight-line basis over their expected useful lives as follows:

- Technology and software: The expected useful life over which these items are depreciated on a straight-line basis is eight years.
- Customer relationships: straight line depreciation over 6, 8, 16 and 20 years.
- Trademarks: straight line depreciation over ten years.

Intangible assets acquired for valuable consideration are subject to impairment testing if there is an indication that it may be impaired. There were no such indications at the end of 2019.

Property, plant and equipment

Property, plant and equipment which is subject to wear and tear and is used for more than one year is measured at amortised cost and depreciated on a straight-line basis over the expected useful life. Office buildings are depreciated over an expected useful life of 10 to 50 years. Land is not ordinarily depreciated. Other plant and equipment is depreciated over the expected useful life of the respective asset, which is between 3 and 5 years for computer hardware and generally 13 years for office furnishings. Maintenance and repair costs are recognised as expense for the period.

Where there are indications of group impairment and the recoverable amount is lower than the amortised acquisition or production cost, the asset is written down to the recoverable amount. The recoverable amount is the higher amount of the value in use and the fair value less costs to sell.

Leasing

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right of use of an asset for an agreed period of time.

IFRS 16 was published in January 2016. As a result of the standard, leases are supposed to be recognised by the lessee in the balance sheet, since the distinction between operating and finance leases is eliminated from the lessee's perspective. Under the new standard, an asset (the right of use of the leased asset) and a financial liability for rental or lease payments are recognised. The only exceptions to this are short-term and low-value leases.

The Group uses the simplified transition method and does not retroactively adjust comparative amounts for the year prior to adoption. Rights of use for real estate leases are measured at the date of transition as if the new rules had always applied. All other usufructuary rights are measured at the amount of the lease liability upon transitioning (adjusted for any prepaid or accrued lease expenses).

flatex AG companies only act as lessees in external relationships.

Impairments

The carrying amounts of property, plant and equipment and of intangible assets are examined for indications of group impairment at the end of each reporting period. If any such indication exists, the recoverable amount of the asset is calculated so that a potential impairment expense may be assessed. If the recoverable amount cannot be calculated at the level of the individual asset, it is calculated at the level of the cash-generating unit (CGU) to which the relevant asset has been classified. It is distributed on an appropriate and consistent basis to the individual CGUs or the smallest group of CGUs. In the case of an intangible asset with an indefinite useful life or an intangible asset not yet available for use, impairment testing is carried out at least annually and whenever there are indications of group impairment (triggering events).

The derivative goodwill is not subject to scheduled depreciation, but it is tested for group impairment on the basis of the recoverable amount of the CGU to which it is allocated. For this, the goodwill acquired in the course of a business combination is allocated to each individual CGU which is likely to benefit from the synergies generated by the combination. The maximum size of such a CGU will be the operational segment as in the reports to the primary decision-making body, thereby establishing a link to the internal reporting system. Impairment testing is carried out at least once a year, and additionally when there is an indication of group impairment of the CGU. In the fiscal year under review, however, there was no such indication.

In the event that the carrying amount of the CGU, to which the derivative goodwill has been allocated, exceeds the recoverable amount, the derivative goodwill must be written off in the amount of the established difference. Once an impairment loss of a derivative goodwill has been recognised, it may not be reversed. Where the difference established for the CGU exceeds the carrying amount of the derivative goodwill allocated to it, the carrying amounts of the assets allocated to the CGU are subjected to pro-rated group impairments for a total of the remaining group impairment amount.

The recoverable amount is the higher amount of the value in use and the fair value less costs to sell. Determining the value in use is based on the planning of the management for the CGU. From this planning, the cash flows for the CGU in question are derived taking into account the expected growth rates of the respective markets. They are discounted at the appropriate interest rate. The determination of the interest rate is based on the interest rate for risk-free investments, the market risk premium and the borrowed capital interest rate. As a company listed on the stock exchange, flatex AG defines the companies included in the SDAX as a so-called peer group for determining the beta factor. Should the composition of the selected index prove to no longer be representative in the future, a corresponding adjustment will be made.

Inventories and work in progress

Inventory is measured at the lower of purchase/production cost or net realizable value at the end of the reporting period. The production costs approach is based on directly attributable individual and overhead costs.

Financial instruments

Financial assets and liabilities are recognised where flatex AG has a contractual right to receive cash or other financial assets from another party or is subject to a contractual obligation to transfer a financial asset to another party. Financial assets and financial liabilities are recognised from the point in time when flatex AG becomes a contractual party to the financial instrument.

The classification of financial assets depends on the business model (held to maturity, held to maturity and selling, trading) as well as the type of cash flows associated with the financial instrument. Based on these criteria, a decision is made as to whether the financial asset is supposed to be measured at amortised cost or at fair value – either through profit or loss or through other comprehensive income. The classification and the value scale for the subsequent measurement take place upon receipt of the financial instrument.

Regular market purchases or sales of financial assets are principally recognised or derecognised on the trade date.

After being classified as ‘held to maturity’, ‘held to maturity and selling’ or ‘trading’ and the type of cash flows associated with the financial instrument, the financial assets of flatex AG are allocated to the following categories, which must also be considered as classes within the meaning of IFRS 9:

> Amortised cost
> Financial assets (FVOCI) measured at fair value through other comprehensive income
> Financial assets (FVPL) measured at fair value through profit or loss
> Financial equity instruments measured at fair value through other comprehensive income (FVOCI-EK)
> Financial equity instruments (FVPL-EK) measured at fair value through profit or loss

Amortised cost

The following financial instruments are assigned to the ‘held to maturity’ business model and measured at amortised cost by the flatex AG:

> Trade receivables
> Loans to customers (long and short term)
> Cash loans due to local authorities
> Other receivables
> Cash and cash equivalents

Financial instruments assigned to this category include only interest and principal payments on the principal amount outstanding as cash flows.

Financial assets (FVOCI) measured at fair value through other comprehensive income

The bonds assigned to the business model ‘held to maturity and sell’ are valued at fair value through other comprehensive income (FVOCI). At the time of purchase or acquisition, they are recognised at the amortised cost plus ancillary acquisition costs and subsequently measured at fair value. Changes in the valuation of the bond portfolio are recognised in other comprehensive income and only recognised through other comprehensive income upon sale or maturity (FVOCI with recycling). The cash flows of this category of allocated financial instruments consist exclusively of interest and principal payments.

Financial assets measured at fair value through profit or loss (FVPL)

This item includes securities held for trading. The initial valuation is carried out at amortised costs and ancillary acquisition costs are recognised in profit or loss. Subsequent measurement is at fair value, with the changes in value being recognised directly through profit or loss.

Financial equity instruments (FVPL-EK) measured at fair value through profit or loss

Equity instruments are generally measured at fair value through profit or loss, regardless of whether they are held for trading purposes. For financial instruments that are not held for trading purposes, there is an option at the time of transitioning to recognise them at fair value without affecting income. flatex AG measures shares in SICAV investment companies with variable capital at fair value through profit or loss.

Financial equity instruments measured at fair value through other comprehensive income (FVOCI-EK)

For flatex AG, fund shares are assessed as equity instruments (FVOCI-EK) measured at fair value through other comprehensive income. As part of the first-time adoption of IFRS 9, the option for fair value through profit or loss was exercised for them. Valuation changes are recognised in this category in other comprehensive income (FVOCI without recycling). In case of a later sale, the amounts recognised in other comprehensive income are reclassified to retained earnings.

Measurement of financial liabilities

Financial liabilities are measured at amortised cost or at fair value through profit or loss. During the fiscal year, the financial liabilities of flatex AG were still valued at amortised cost compared to the previous year.

Impairment

For financial instruments that are valued at amortised cost or at fair value (FVOCI with recycling) and for loan commitments, flatex AG recognises a provision for risk under the three-stage approach in accordance with IFRS 9, taking expected losses into account (expected credit loss model).

Upon addition, credit risk stage 1 is established at the level expected next year (12-month horizon) (expected credit loss model (ECL)). If the credit rating has worsened or if the credit default risk of the financial instrument has increased significantly since initial recognition, the financial instrument is reassigned to stage 2, and a loss allowance for full maturity credit losses is required (lifetime ECL). If an objective indication of an expected loss can be observed, the financial instrument moves into stage 3, and a loan loss allowance is required which is assessed on an individual basis and covers the full lifetime of the financial instrument (lifetime ECL).

For risk provisions calculations at flatex AG, financial instruments with similar credit risks are grouped together or the credit risk is assessed individually.

Hedge accounting

flatex AG continues not to make use of the option of hedge accounting during the fiscal year, unchanged since the previous year.

Measurement hierarchy levels for fair value

The following hierarchy levels apply to the fair value:

Level 1: The fair value of financial instruments traded in active markets (such as listed derivatives and equity instruments) is based on quoted market prices at the end of the reporting period. The quoted market price of the financial assets held by flatex AG corresponds to the current bid price. These instruments are classified as Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on company-specific estimates. If all significant input factors to the fair value of an instrument are observable, the instrument is classified as Level 2.

Level 3: If one or more of the significant input factors are unobservable, the instrument is classified as Level 3. This applies to unlisted equity instruments. The fair value is determined on the basis of the change in net assets between the current reporting date and the previous reporting date.

Cash and cash equivalents

The measurement of cash and cash equivalents is at nominal value.

Pension obligations

The Group assesses the claims arising from defined benefit plans by applying the projected unit credit method in accordance with the requirements of IAS 19. In determining the net present value of the future benefit entitlement for services already provided, the Group takes into account future wage and pension increases. Actuarial gains and losses are recognised directly in other comprehensive income .

Income tax

Income tax for the period comprises current tax and deferred tax. Tax is recognised as income or expense and included in the profit or loss for the period, except to the extent that the tax arises from an item which is recognised in other comprehensive income, in which case the relevant tax will be recognised in other comprehensive income as well. Current tax is calculated on the basis of profit or loss realised in the fiscal year, which has been determined according to applicable tax rules.

Deferred tax

Deferred taxes are recognised for temporary differences arising between the values of existing assets and liabilities and their tax base as used in the consolidated financial statements, as well as for tax loss carryforwards and tax credits. Deferred tax assets are recognised to the extent that it is probable that these will generate future income against which the deductible temporary differences, any unused tax losses and any unused tax credits may be offset.

The capitalisation of deferred tax relating to tax loss carryforwards is subject to a special rule. It may only be capitalised where it is highly likely that sufficient taxable profits will be available in the future to offset the losses. The valuation is generally based on future taxable income over a planning period of five years.

The calculation of deferred tax amounts is made using the tax rate to be expected at the time of realisation.

Deferred tax assets and liabilities are offset where a legally enforceable right exists to offset actual tax assets against actual tax liabilities, and where the deferred tax assets and the deferred tax liabilities relate to income tax levied by one and the same tax authority on one and the same taxpayer or on a number of taxpayers, if the balance is to be settled on a net basis.

Deferred taxes are reported in separate items on the balance sheet.

Provisions

A provision will be recognised where the Group is subject to a current de facto or legal obligation to third parties arising from a past event, the outflow of resources of financial benefit for the satisfaction of the obligation is likely, and it is possible to reliably estimate the extent of the obligation. Provisions with residual maturities of more than one year are discounted. Discounting is based on market rates. The settlement amount also includes the expected cost increases.

Contingent liabilities

If the criteria for forming a provision are not met, though the outflow of financial resources not unlikely, these obligations are reported in the notes to the consolidated financial statements. Liabilities are recognised as soon as the outflow of financial resources has become probable and the amount of the outflow of resources can be reliably estimated.

Liabilities

Current liabilities are stated at the repayment or settlement amount.

Non-current liabilities are carried at amortised cost in the balance sheet. Differences between the historical amortised costs and the repayment amount are taken into account using the effective interest method.

Liabilities from lease obligations are recognised at their present value.

Recognition of revenues

The revenues from contracts with customers are recognised when the power of disposal has been transferred or the service has been provided in accordance with the contractual agreements.

For the valuation of the customer contracts, a five-step model is applied which applies to all contracts for the delivery of goods and services, with the exception of leases, insurance contracts and financial instruments in particular; it also regulates the type, amount and timing of the collection of income. The individual steps are the following:

> 1st step: Identify the contract(s) with a customer
> 2nd step: Identify the independent performance obligations
> 3rd step: Determine the transaction price
> 4th step: Allocate the transaction price to the individual performance obligations
> 5th step: Capturing revenues when (or as) the entity satisfies a performance obligation

If a contract contains several service components, the transaction price is split between all service obligations. Generally, the transaction prices for the individual service components result from the contractual provisions. If this is not the case, the transaction price will be assigned to all performance obligations based on the relative individual selling prices. If they are not directly observable, they are estimated using the expected cost-plus-margin approach.

Revenues from longer-term contracts that are fulfilled over a certain period of time must be treated according to the input method. Thereafter, the proceeds are realised in the amount of completion level achieved. The stage of completion corresponds to the ratio of incurred costs to expected total costs. The method was selected because the realization of profits from the project phases corresponds to the actual conditions as closely as possible.

Earnings per share

The earnings per share are calculated by dividing the consolidated earnings of the Group attributable to the shareholders of the parent company by the average number of the parent company's shares issued and outstanding during the fiscal year.

NOTE 5 Changes in accounting policies: amended Standards and interpretations

Annual improvements and new ones from IASB and IC adopted standards and interpretations

As part of its 'annual improvements', IASB makes small changes to existing standards. There is always a three-year review cycle. These changes are listed in tabular form together with the current status of the EU endorsement. In addition to the ongoing revision of standards and interpretations as part of the 'annual improvement' project, new pronouncements are also issued on a regular basis.

New but not yet mandatory Standards and interpretations

The following new or amended standards and interpretations have already been issued by IASB and IFRS Interpretations Committee (IC), but have not yet come into force or have not yet been transferred into European law. Significant new standards and interpretations are listed. The Group has opted against early adoption of these standards and interpretations.

New Standards, interpretations and improvements

Standard/Interpretation	Amendment/new regulation	Date of application (EU)	EU endorsement
IFRS 9, IAS 39 and IFRS 7	Reform of the interest rate benchmark against the background of the IBOR reform	Fiscal years beginning on or after 01/01/2020	Yes
IAS 1 and IAS 8	Definition of 'material' to harmonise the definition of 'material' in the framework and in the standards	Fiscal years beginning on or after 01/01/2020	Yes
Framework changes to references to the framework in IFRS standards	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32 to update these announcements to reflect references to the framework and quotes from it	Fiscal years beginning on or after 01/01/2020	Yes
IFRS 3 Business Combinations	Clarification to determine whether a business or group of assets has been acquired	Fiscal years beginning on or after 01/01/2020	No
IFRS 17 Insurance Contracts	New accounting regulations for insurance contracts	Fiscal years beginning on or after 01/01/2021	No
IFRS 10 and IAS 28	Clarification according to which the P&L from the transfer of assets to an associate or joint venture must be recognised in full when a business is transferred as defined by IFRS 3.	n/a	No

All of the above standards, interpretations, and amendments of existing standards and interpretations, will likely be applied by flatex AG – to the extent that they are relevant – no earlier than the date when their adoption is mandatory. No material effects are currently expected from adoption.

Newly applied Standards and interpretations in the current reporting period (2019)

The following standards became mandatory during the fiscal year 2019 and were adopted by flatex AG:

IFRS 16 Leases

For adoption of IFRS 16, the Group recognises lease liabilities for leases previously classified as operating leases under IAS 17. These liabilities are measured at the net present value of the remaining lease payments, discounted by the lessee's incremental borrowing rate at 1 January 2019. If known, the lease payments are discounted using the rate on which the lease is based; otherwise, the lessee's incremental borrowing rate is used. Lease liabilities from rental lease agreements are discounted using the relevant rate of the suppliers.

The associated rights of use for property leases are retrospectively assessed as if IFRS 16 had always been applied. Other usufructuary rights (with the exception of lease-purchase usufructuary rights already recorded in previous years in accordance with IAS 17) are recognised in the amount of the associated lease liabilities, adjusted by the amount of any prepaid or deferred lease payments recognised in the balance sheet as of 31 December 2019. As of 1 January 2019, this resulted in an increase in property, plant and equipment of kEUR 9,600, with a corresponding increase in liabilities of kEUR 9,600.

Upon first-time adoption of IFRS 16, the Group applied the following practical expedients:

> the application of a discount rate with term equivalence to a portfolio of similarly structured leases (similar characteristics)

> disregard of initial direct costs in the assessment of rights of use at the time of initial application

No exception for low-value lease assets was applied. The Group does not apply IFRS 16 to agreements classified as non-leases under IAS 17 and IFRIC 4 'Determining Whether an Arrangement Contains a Lease'. The Group also waives the applicability of IFRS 16 for intragroup leases and reverts back to the adjusted management approach (allocation of head leases to Group companies).

The effect on earnings after tax due to the adoption of the new regulations is kEUR 31. EBITDA increased by a total of kEUR 4,078 due to operating lease payments (thereof kEUR 854 from leases already valued in accordance with IAS 17); however, depreciation of the values in use and interest on the lease liability are not taken into account in this ratio.

flatex AG has leased all the domestic and foreign office space it uses. These leases constitute lease agreements in accordance with IFRS 16. These lease agreements contain various extension and termination options that are customary for the locations in question and which, insofar as flatex AG considers exercising them to be probable, are taken into account when determining the lease term and thus in the valuation of the right of use and the leasing liability. The totality of the existing extension and termination options ensure that flatex AG has sufficient office capacity at all times and that no economically significant vacancy costs have to be borne in the event of closure or relocation.

NOTE 6 Estimates and assumptions

The preparation of the consolidated financial statements in compliance with IFRS implies the adoption of assumptions and the use of estimates which have an impact on the amounts and the disclosure of assets and liabilities and/or revenues and expenses. All available information has been taken into account in this regard. The assumptions and estimates relate mostly to the stipulation of useful lives in a consistent manner throughout the Group, the determination of recoverable amounts for impairment testing of individual CGUs, and the recognition and measurement of provisions. The currently tense interest rate environment in the financial markets provides a particular example for uncertainty in estimates, specifically as it relates to the valuation of reported pension provisions. As a consequence, values actually realised in the future may deviate from the estimates made now. New information is taken into account as soon as it becomes available. The assumptions and estimates are deemed not to have changed significantly between the end of reporting period and the presentation of these consolidated financial statements.

The impairment test of non-financial assets (in particular goodwill, capitalised development costs and customer relationships) is based on assumptions regarding future cash flows during the planning period and, if necessary, beyond, as well as the discount rate to be used.

The fair values of assets and liabilities assumed in the course of a business combination are determined using recognised valuation methods (e.g. license price analogy method, residual value method), provided there are no observable market values.

The estimation of useful life on which the depreciation on depreciable fixed assets is based is generally based on past experience and is reviewed regularly.

Determining the recoverability of financial assets requires estimates of the amount and probability of occurrence of future events. In this context, we refer to the comments on financial risk management under Note 33.

The accounting for and valuation of provisions requires an estimate of the amount and probability of occurrence of future events as well as estimates of the discount rate. These estimates are usually based on past experience or external expertise.

The calculation of deferred tax assets involves an estimate of future taxable income and the date of realisation.

NOTE 7 Changes in estimates and errors

An error correction was made in these consolidated financial statements in accordance with IAS 8, affecting the receivables from the factoring business reported in 2018. Due to the delayed detection of a case of fraud by the seller of the receivables, purchased receivables were reported as of 31 December 2018 even though they had expired; consequently, the 2018 consolidated financial statements include receivables that did not exist. This represents an error in accordance with IAS 8.41, which was corrected retrospectively by adjusting the comparative figures for the previous year in accordance with IAS 8.42(a). Since the error has no effect on the opening balance sheet of the previous year, a third balance sheet will not be published.

The correction of the error led to the disposal of short-term loans to customers in the amount of kEUR 3,570 at the expense of the result from the disposal of financial assets measured at amortised cost.

The following tables show the amendments to the consolidated balance sheet and consolidated statement of income as of 31 December 2018 (which corresponds to the values as of 1 January 2019):

In kEUR	Published consolidated financial statements for 12/31/2018	IAS 8	Amended consolidated financial statements for 12/31/2018
Assets			
Current loans due to customers	217,244	-3,570	213,675
Liabilities and shareholders' equity			
Retained earnings	46,592	-3,570	43,023
P&L			
Result from the derecognition of financial assets measured at amortised cost	-	-3,570	-3,570
Consolidated net profit	**21,044**	**-3,570**	**17,474**

The respective adjustments were also taken into account in the following notes:

Note 12 Financial instruments, Note 13 Equity, Note 30 Earnings per Share, Note 32 Segment reporting in accordance with IFRS 8.

NOTE 8 Group subsidiaries with minority shareholders

As of 31 December 2019, significant minority shareholders existed only at the level of flatex AG. The minority interests relates to the direct subsidiary financial.service.plus GmbH, Leipzig.

As of 31 December 2019, this share amounted to 0.3% of the equity of flatex AG. These minority interests accounted for a gain of kEUR 22 on the result of flatex AG.

The following tables show for the fiscal years 2019 and 2018 the condensed financial information on assets and liabilities, profit and loss, as well as cash flows of financial.service.plus GmbH. The information provided relates exclusively to financial.service.plus GmbH prior to any intra-group eliminations.

Balance sheet (condensed):

In kEUR	**12/31/2019**	**12/31/2018**
Current		
Assets	905	678
Liabilities	-601	-368
Net current assets	304	310
Non-current		
Assets	1,130	723
Liabilities	-389	-263
Net non-current assets	741	460

Income statement (condensed)

In kEUR	**2019**	**2018**
Revenues	1,658	1,616
Earnings before income taxes	114	66
After-tax earnings from continuing operations	77	44
Other earnings/losses	-	-
Comprehensive income	77	44
Total earnings attributable to minority shareholders	22	12
Dividends paid to minority shareholders	-	-

Combined cash flow statement

In kEUR	2019	2018
Net income from continuing activities	**77**	**44**
Depreciation and amortisation/appreciation of property, plant and equipment and intangible assets	416	193
Increase (+)/decrease (-) in the debit difference from asset allocation	-	-
Increase (+)/decrease (-) in provisions	8	-31
Other non-cash expenses (+)/income (-)	-	-
Gain (-)/loss (+) on disposal of assets	-	-
Increase (-)/decrease (+) in inventories, trade receivables and other assets	176	178
Increase (+)/decrease (-) in trade payables and other liabilities and shareholders equity	286	121
Interest expense (+)/income (-)	-	-
Income tax expense (+)/income (-)	37	-
Income tax payments (+/-)	-72	-
Cash flow from operating activities	**928**	**505**
Proceeds from the disposal of assets (+)	-	-
Disbursements for investments in assets (-)	-823	-409
Interest received (+)	-	-
Non-cashchanges in fixed assets	-	-
Net cash flow from investments	**-823**	**-409**
Issue (-)/repayment (+) of loans to related parties	-	-
Borrowing (+)/repayment (-) of loans from third parties	126	-
Interest paid (-)	-1	-
Dividend distribution	-	-
Proceeds from equity contribution by the parent company	-	-
Non-cashchanges in equity	197	-
Cash flow from financing activities	**322**	**-**
Change in cash and cash equivalents	428	96
Cash and cash equivalents at the beginning of the period	162	66
Cash and cash equivalents at the end of the period	**590**	**162**

NOTE 9 Intangible assets

Intangible assets during fiscal year 2019 are as follows:

In kEUR	**Acquisition/production costs as of 01/01/2019**	**Additions**
Goodwill	36,555	-
Completed development costs	39,362	1,123
Current development cost	4,728	13,876
Customer relationships	9,240	-
Industrial property rights and similar rights	10,185	3,179
Trademarks	700	-
Down payments	133	-
Intangible assets	**100,903**	**18,178**

Disposals	Reclassifications	Acquisition/production costs as of 12/31/2019	Accumulated depreciation as of 12/31/2019	Carrying amount as of 12/31/2019	Depreciation in fiscal year 2019
-	-	36,555	-	36,555	-
-	-5,000	35,485	13,241	22,244	4,172
11	5,000	23,593	107	23,486	-
975	-	8,265	1,946	6,319	666
472	-	-	9,142	3,750	1,621
-	-	-	333	368	70
133	-	-	-	-	-
1,591	**-**	**103,898**	**24,769**	**92,722**	**6,529**

Intangible assets during fiscal year 2018 were as follows:

In kEUR	Acquisition/production costs as of 01/01/2018	Additions
Goodwill	28,780	7,775
Completed development costs	26,479	9,942
Current development cost	5,300	2,369
Customer relationships	6,200	3,040
Industrial property rights and similar rights	9,455	724
Trademarks	700	-
Down payments	283	308
Intangible assets	**77,197**	**24,158**

Disposals	Reclassifications	Acquisition/ production costs as of 12/31/2018	Accumulated depreciation as of 12/31/2018	Carrying amount as of 12/31/2018	Depreciation in fiscal year 2018
-	-	36,555	-	36,555	-
-	2,941	39,362	9,069	30,292	3,205
-	-2,941	4,728	107	4,835	-
-	-	9,240	1,280	7,960	341
6	-	10,185	7,521	2,451	1,338
-	-	700	263	438	70
459	-	133	-	133	-
465	**-**	**100,903**	**18,240**	**82,664**	**4,955**

Goodwill and the ongoing development costs are the only intangible assets with an indefinite useful life.

Intangible assets with a definable useful life are stated at their acquisition or production cost, less accumulated depreciation and impairments. Scheduled depreciation of intangible assets is reported in the statement of profit or loss and other comprehensive income under the line item 'depreciation of assets'. Depreciation occurs on a straight-line basis.

Goodwill as well as current development costs are subject to annual impairment testing.

The recoverable amount of the asset is determined by calculating its 'value in use' on the basis of five-year cash flow forecasts and a pre-tax discount rate of 9.07% p. a. (previous year: 9.52%). Cash flows exceeding the five-year period were extrapolated by assuming a constant annual growth rate of around 1%. The assumptions in the impairment tests are based on management's previous experiences regarding the respective asset.

Management believes that no reasonably possible change in one of the assumptions used to determine the relevant 'value in use' of the tested assets could result in the carrying amount of such an asset to significantly exceed its recoverable amount.

Individual, material intangible assets

Asset	**Item**	**Carrying amount 12/31/2019**	**Carrying amount 12/31/2018**	**Remaining amortisation**
		kEUR	**kEUR**	**Years**
Technology and software (flatex)	Capitalised development cost	6,622	8,659	3
Customer relationships (ViTrade)	Customer relationships	2,821	3,006	15
Customer relationships (factoring.plus and financial.service.plus)	Customer relationships	1,740	3,040	4
Customer relationships (bank)	Customer relationships	1,758	1,914	11

No significant portion of personnel expenses was invested in research during the fiscal year (previous year: 0%).

NOTE 10 Impairment of derivative goodwill

Cash-generating unit

For the impairment test, the derivative goodwill acquired in the course of business combinations is allocated to the existing segments as cash-generating units (CGUs). The goodwill from the acquisition of factoring.plus.GmbH is fully allocated to the 'FIN' segment. Goodwill from the acquisition of XCOM AG totalling kEUR 28,780 (previous year: kEUR 28,780) is distributed over the segments 'TECH' (20%) and 'FIN' (80%). Goodwill was allocated to the CGU at the time of acquisition in accordance with the contribution of the CGU to the total Group revenues.

1. FIN: This CGU includes products and services in B2C online brokerages, B2B white-label banking, and electronic securities settlement and brokerage account management and other banking services.
2. TECH: This CGU includes IT services and R&D activities.

Testing of impairment of goodwill

The Group undertakes goodwill impairment tests on a regular basis at the end of each fiscal year, and also if there is an indication of an impairment.

To determine the financial value of each segment, the Group takes into account, among other things, increasing competition and strategy changes within the respective segment.

The cash flow forecasts are based on the detailed five-year budget approved by management. The discount rate used to calculate the expected pre-tax cash flow is based on the 'weighted average cost of capital' (WACC) concept. Any cash flows expected after the detailed four-year budget period are calculated by using an extrapolated perpetual growth rate (perpetuity). The growth rate used for this is the same as the long-term average growth rate predicted for the financial technology industry as a whole, which is also expected for our CGUs. Both past data and forward-looking data, i.e. expectations as to future market developments, are incorporated into the cash flow forecasts. Also, the growth of the company’s business is taken into account for the forecast.

Basic assumptions for calculating the recoverable amount

In estimating the value in use of the CGU, there are uncertainties affecting the underlying assumptions, in particular with respect to:

- the discount factor (rate),
- market share attainable during the reporting period, and
- the growth rate used for extrapolating expected cash flows beyond the five-year detailed budget period.

Discount rates: the discount rate reflects current market assessments of the specific risks attributable to a CGU. The discount rate is estimated based on the industry WACC. The rate is further adjusted for expected market risks attributable to a CGU that have not already been reflected in the future cash flow estimates for that CGU.

Assumptions about the market share: assumptions about market share correspond to the estimate of the growth rate. It thus reflects management’s view of how a CGU positions itself relative to other competitors during the budget period.

Estimated growth rates: growth rates are based on published industry-specific market research.

As at 31 December 2019 and 31 December 2018, no group impairment of derivative goodwill had to be recognised as a result of impairment testing.

The carrying amount of the CGU TECH as of 31 December 2019 amounts to kEUR 46,846 (previous year: kEUR 52,829). The recoverable amount of this CGU is kEUR 83,683 (previous year: kEUR 58,898). The derivative goodwill allocated to this CGU as of 31 December 2019 was kEUR 5,756 (previous year: kEUR 5,756). The pre-tax discount rate used for the cash flow forecast was 9.02% (previous year: 9.52%). The long-term growth rate is assumed to be 1.0% (previous year: 1.0%).

The carrying amount of the CGU FIN as of 31 December 2019 amounts to kEUR 70,650 (previous year: kEUR 127,401). The recoverable amount of this CGU is kEUR 221,980 (previous year: kEUR 356,364). The derivative goodwill allocated to this CGU as of 31 December 2019 was kEUR 30,631 (previous year: kEUR 30,631). The pre-tax discount rate used for the cash flow forecast was 9.02% (previous year: 9.52%). The long-term growth rate is assumed to be 1.0% (previous year: 1.0%).

Sensitivity of assumptions

Management believes that no reasonably possible change in one of the assumptions used to determine the respective 'value in use' of either the TECH-CGU or the FIN-CGU could result in the carrying amount of either CGU significantly exceeding its recoverable amount. The carrying amounts of the CGU TECH correspond to the Group units of flatex AG, financial.service.plus GmbH and Xervices GmbH, while the CGUs of the FIN are the Group units of flatex Bank AG, Brokerport Finance GmbH and factoring.plus.GmbH.

NOTE 11 Property, plant and equipment

Property, plant and equipment in 2019 fiscal year were as follows

In kEUR	Acquisition/ production costs as of 01/01/2019	Additions	Disposals	Acquisition/ production costs as of 12/31/2019	Accumulated depreciation as of 12/31/2019	Carrying amount as of 12/31/2019	Depre-ciation in fiscal year 2019
Land and buildings, including buildings on third-party land	5,101	459	-	5,560	3,439	2,121	406
Other plant, business and office equipment	16,482	14,118	40	30,560	16,417	14,143	5,460
Property, plant and equipment	**21,583**	**14,578**	**40**	**36,121**	**19,856**	**16,265**	**5,866**

Total rights of use recognised in property, plant and equipment

In kEUR	12/31/2019	12/31/2018
Rights of use for real estate	7,091	-
Rights of use for business and office equipment	2,173	2,238
Rights of use for vehicles	811	-
Total	**10,075**	**2,238**

Rights of use accruals

In kEUR	2019	2018
Accrual from first-time application of real estate	8,909	-
Accrual from first-time application of business and office equipment	137	1,442
Accrual from first-time application of vehicles	555	-
Accrual from RoU for real estate	216	-
Accrual from RoU for business and office equipment	926	-
Accrual from RoU for vehicles	1,011	-
Total	**11,754**	**1,442**

Amortisation of rights of use by asset class

In kEUR	2019	2018
Rights of Use for real estate	1,997	-
Rights of Use for business and office equipment	1,053	1,022
Rights of Use for vehicles	751	-
Total	**3,801**	**1,022**

Property, plant and equipment in 2018 fiscal year were as follows:

In kEUR	Acquisition/production costs as of 01/01/2018	Additions	Disposals	Acquisition/production costs as of 12/31/2018	Accumulated depreciation as of 12/31/2018	Carrying amount as of 12/31/2018	Depre-ciation in fiscal year 2018
Land and buildings, including buildings on third party land	4,581	523	3	5,101	3,033	2,068	310
Other plant, business and office equipment	13,687	2,926	131	16,482	10,957	5,525	2,548
Property, plant and equipment	**18,268**	**3,449**	**134**	**21,583**	**13,990**	**7,593**	**2,859**

Infiscal year 2019 – as well as 2018 – no impairment expense or appreciation in value was recorded. No property, plant and equipment has been pledged as collateral. The increase in depreciation and amortisation compared to the previous year results primarily from the first-time application of IFRS 16.

The carrying amount of property, plant and equipment essentially correspond to their fair values. Considerable discrepancies were not found.

NOTE 12 Financial instruments

The following table presents the carrying amounts and the fair values (see Note 4 'Explanations of Significant Accounting Policies') of each financial asset and liability depending on the nature of the business model and the measurement category:

In kEUR	Carrying amount 12/31/2019	Carrying amount 12/31/2018
Business Model 'hold until maturity'		
Amortised cost		
Non-current loans due to customers	69,409	41,110
Cash loans due to local authorities	14,056	18,900
Current loans due to customers*	362,552	213,675
Other receivables due to banks	31,239	40,466
Cash and cash equivalents	468,616	655,046
Business Model 'hold to collect and sell'		
Financial assets measured at fair value through other comprehensive income (FVOCI)	61,547	57,374
Business model 'hold to sell'		
Financial assets measured at fair value through profit or loss (FVPL)	214	893
Equity instruments without trading intent		
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	68,644	82,465
Equity instruments measured at fair value through profit or loss (FVPL-EK)	66,049	-
Financial liabilities		
Financial liabilities measured at amortised cost (including trade payables)	**1,051,405**	**1,016,718**

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

For the description of the business model, see Note 4 Explanations of Significant Accounting and Measurement Methods.

The majority of the receivables mature in less than one year, so there is no material difference between the carrying amount and the fair value for these receivables. The long-term loans to customers have a maximum term of up to seven years and were not issued until the second half of 2019. The carrying amount thus still represents an appropriate fair value.

The following table summarises the financial instruments measured at fair value in accordance with their measurement hierarchy levels:

In kEUR	Level 1 12/31/2019	 12/31/2018
Business Model 'hold until maturity'		
Amortised cost		
Non-current loans due to customers	-	-
Cash loans due to local authorities	-	-
Current loans due to customers*	-	-
Other receivables due to banks	-	-
Cash and cash equivalents	-	-
Business Model 'hold to collect and sell'		
Financial assets measured at fair value through other comprehensive income (FVOCI)	61,547	57,374
Business model 'hold to sell'		
Financial assets measured at fair value through profit or loss (FVPL)	214	893
Equity instruments without trading intent		
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	68,644	82,465
Equity instruments measured at fair value through profit or loss (FVPL-EK)	-	-
Financial liabilities		
Financial liabilities measured at amortised cost (including trade payables)		

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

Level 2		Level 3	
12/31/2019	12/31/2018	12/31/2019	12/31/2018
-	-	69,409	41,110
-	-	14,056	18,900
-	-	362,552	213,675*
-	-	31,239	40,466
-	-	468,616	655,046
-	-	-	-
-	-	-	-
-	-	-	-
-	-	66,049	-
		1,051,405	1,016,718

Level 2 financial instruments did not exist as at the reporting date, since no investments were made either during the fiscal year or the prior.

Cash and cash equivalents

In kEUR	12/31/2019	12/31/2018
Balances with central banks	356,868	550,079
Receivables due to banks (on demand)	66,013	88,036
Bank balances	29,913	5,367
Cash on hand	15,821	11,564
Total	**468,616**	**655,046**

The cash and cash equivalents amount in the cash flow statement corresponds to the relevant amount in the balance sheet. In the fiscal year 2019, there were no material restrictions regarding cash and cash equivalents.

Loans to customers

Loans to customers mainly include security-backed loans such as Lombard loans and flatex flex loans, the acquired claims from factoring transactions, which are secured by commercial credit insurances from large insurance companies; as well as the financing of football clubs that include contingency insurance, guarantees and assignments of claims, TV and advertising rights. There is also other financing, which includes real estate and special financing.

With the further expansion of the loan book, loans to customers increased overall to kEUR 431,961 (previous year: kEUR 254,785), whereby the increase in short-term loans to customers resulted mainly from an expansion of security-backed loans and purchased receivables from the factoring business. The increase in long-term loans to customers is mainly due to the expansion of default-secured football club financing. The share of the factoring portfolio as a whole in the loan book increased by kEUR 102,610 to kEUR 188,581 (previous year: kEUR 85,971). Of that kEUR 29,914 (previous year: kEUR 23,301) is attributable to receivables from the true sale factoring with factoring.plus.GmbH and kEUR 147,673 (previous year: kEUR 62,670) to the football club financing.

Cash loans due to local authorities

Cash loans to municipalities declined by kEUR 4,844 to kEUR 14,056, as in the previous year. The reason for this was the continuing negative returns and the associated reduced investment attractiveness. The liquidity freed up was deposited as a cash reserve with the European Central Bank and was weighed against risk and return considerations.

Other receivables due to banks

Other loans and advances to banks amounting to kEUR 31,239 (previous year: kEUR 40,466) mainly include receivables for collateral provided by partner banks in the amount of kEUR 10,030 (previous year: kEUR 15,530), from cash collateral granted in the amount of kEUR 250 (previous year: kEUR 15,000), term deposits in the amount of kEUR 10,000 (previous year: kEUR 0) and other receivables in the amount of kEUR 7,279 (previous year: kEUR 4,755).

Financial assets (FVPL) and equity instruments (FVPL-EK) measured at fair value through profit or loss

Financial assets at fair value through profit or loss mainly include shares in the amount of kEUR 189 (previous year: kEUR 881) and other non-fixed-income securities from the designated sponsoring business in the amount of kEUR 0 (previous year: kEUR 12).

The equity instruments at fair value through profit or loss in the amount of kEUR 66,049 (previous year: kEUR 0) primarily relate to shares in residential investment and infrastructure funds in the corporate form of a SICAV.

Financial assets (FVOCI) and equity instruments (FVOCI-EK) measured at fair value through other comprehensive income

Financial assets and equity instruments measured at fair value through other comprehensive income include bonds from non-public issuers in the amount of kEUR 36,404 (previous year: kEUR 57,922), bonds from public issuers in the amount of kEUR 25,143 (previous year: kEUR 0), shares in other public limited companies in the amount of kEUR 24,139 (previous year: kEUR 0) and shares in funds in the amount of kEUR 44,486 (previous year: kEUR 82,344).

The financial instruments designated under this item are held with the goal of generating long-term income from the appreciation of the respective investment. They are not directly related to the Group's operating activities. Therefore, these financial instruments were measured at fair value through other comprehensive income, as the operating result should not be distorted by any fluctuations in value.

Amounts recognised in OCI

For the financial assets and equity instruments measured at fair value through other comprehensive income, the following amounts were recognised in other comprehensive income (OCI):

In kEUR	**12/31/2019**	**12/31/2018**
Financial assets and equity instruments measured at fair value through other comprehensive income (FVOCI with recycling)	-269	1,204
Equity instruments measured at fair value through other comprehensive income (FVOCI without recycling)	305	1,332

It is possible to designate the equity instruments held for trading that are not intended for trading as 'at fair value through other comprehensive income (OCI)'. As the shares and the fund units held are strategic investments, there is no intention to trade and the FVOCI option for equity instruments has been exercised.

The debt instruments held (bonds) are classified at fair value with changes in value in other comprehensive income (FVOCI-FK) because the financial assets are assigned to a portfolio held in the 'held to collect and sell' business model and whose contractual cash flows meet the SPPI criterion.

Financial instruments that are recognised at fair value

flatex AG carries out fair value measurements of selected financial instruments on a regular/recurrent basis.

Fair values for the instruments in these three categories are based on quoted prices in active markets that the entity can access on the measurement date (level 1 of the valuation techniques for the fair value hierarchy according to IFRS 13). This includes fixed income securities, mutual funds, and equities.

The fair value of financial instruments listed in active markets accessible to the Group is determined on the basis of observable market price quotations, insofar as these represent prices used in regular and current transactions, and is primarily to be recognised as a fair value on the valuation date (market to market).

The fair value disclosed for these instruments is to be categorised as level 3 input in the fair value hierarchy. The inputs for the fair-value measurement of loans and receivables as well as financial liabilities are the prices that were agreed between flatex AG and its contract partners for individual transactions. This relates to receivables from long-term loans in the area of special financing and long-term loan liabilities (see also Note 14 Non-current liabilities to banks and non-banks).

The shares of the SICAV companies measured at fair value through profit or loss are not traded in an active market. There are also no input factors that can be derived from market parameters and are relevant for valuation. Measurement was based on level 3 input factors within the meaning of IFRS 13. The shares in the SICAVs were not acquired until the second half of 2019, which means that the acquisition costs still represent an appropriate fair value.

Fair value of financial instruments that are not recognised at fair value

The disclosure of fair values is only required for financial instruments that are not already accounted for at fair value. A fair value that deviates from the carrying amount can occur, above all, with fixed-rate financial instruments in the event of a significant change in interest rates. The effect of a change in the market interest rate, increases with the duration of the residual maturities of the business.

The carrying amount represents a reasonable approximation of the fair value of the following financial instruments, which are predominantly short-term. There is no material difference between the carrying amount and fair value. This includes the following financial institutions:

In kEUR	**Carrying amount 12/31/2019**	**Carrying amount 12/31/2018**
Assets		
Cash on hand and bank balances and balances with central banks	402,603	567,010
Current loans due to customers*	362,552	213,675*
Receivables due to banks	31,239	40,466
Cash loans due to local authorities	14,056	18,900
Receivables due to banks (on demand)	66,013	88,036
Liabilities and shareholders‘ equity		
Trade payables	5,581	2,780
Liabilities to customers	950,777	955,489
Liabilities to banks	71,694	57,259
Other financial liabilities	6,132	2,219

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

For financial instruments that cannot to be recognised in the balance sheet at fair value, fair values must also be disclosed in accordance with IFRS 7, the valuation method of which is presented below.

Financial instruments that are not measured at fair value are not managed on the basis of their fair value. This applies, for example, to receivables from the field of football financing, credit facilities issued to corporate customers and individual receivables purchased as part of true-sale factoring. For such instruments, the fair value is calculated only for the purposes of the notes and has no effect on the consolidated statement of financial position or on the consolidated statement of comprehensive income.

For longer-term financial instruments in these categories, the fair value is calculated by discounting the contractual cash flows using discount rates that could have been obtained for assets with similar residual maturities and credit default risks. For liabilities, discount rates are used that corresponding liabilities with similar residual maturities would have been able to be recognised with at the end of the reporting period.

Fair value is determined using DCF techniques that take into account credit risk, interest rate risk, currency risk, estimated default loss and the amounts claimed in the event of default. The parameters of credit risk, credit default risk and claim at the time of default are determined based on available information, where available and appropriate, and are continuously updated.

Held collateral

flatex AG does not hold any financial or non-financial collateral according to IFRS 7.15.

Provided collateral

The Group has provided collateral with the clearing and depositary agents of flatex Bank AG for the processing of the bank's financial comission business. The collateral is largely provided in the form of deposited securities. As of 31 December 2019, the carrying amount of provided collateral amounts to kEUR 50,675 (31 December 2018: kEUR 45,201).

The material transactions and their underlying contractual terms are the following:

- A substantial portion of the total amount of collateral is attributable to the securities traded on the Eurex stock exchange. Two types of collateral, the 'clearing fund' and the 'margin', must be deposited for this purpose. The clearing fund, amounting to kEUR 5,244 as of 31 December 2019 (31 December 2018: kEUR 5,000), represents the minimum level of collateral to which Eurex would have access in the event of default of a clearing member. The margin amount (31 December 2019: kEUR 12,154; 31 December 2018: kEUR 15,000) depends in particular on the risk content of the transactions. The margin is supposed to cover the risk of pending transactions at Eurex. This is supposed to secure potential market price fluctuations. The required 'margin' amount is determined by Eurex on a daily basis.
- flatex Bank AG carries out foreign-exchange transactions with two business partners. For the credit default risk inherent in these transactions, it has to provide collateral in contractually fixed amounts. As of 31 December 2019, the total amount thus provided is kEUR 10,030 (31 December 2018: kEUR 10,030).
- Its business partners have granted flatex Bank AG credit lines for the settlement of securities transactions in foreign currency, for a total of kEUR 8,918 (31 December 2018: kEUR 8,721). Collateral is provided in the form of deposited securities in the amount of kEUR 9,567 (31 December 2018: kEUR 9,491). flatex Bank AG can dispose of the deposited securities at any time with a concomitant reduction of the respective credit line.
- The collateral can be delivered in the form of pre-defined securities with a fixed maturity and short- and long-term maturities as well as short-term available cash. An exchange within the permissible collateral is possible at any time as long as the collateral requirement is met.

In addition, the Group has provided collateral for the financing of an owner-occupied business property in the state of North Rhine-Westphalia. Collateral is provided in the form of a registered mortgage in the amount of kEUR 1,500 against the owner-occupied business property, in favour of the lender of the instalment loan. The loan amount as of 31 December 2019 is kEUR 708 (previous year: kEUR 875).

Net gains/losses from financial instruments

The net gains/losses from financial instruments are as follows:

In kEUR	Net gains 2019	Net losses 2019
Financial assets measured at fair value through profit or loss	-	-
Financial assets measured at amortised cost	148	761
Equity instruments whose changes in fair value upon exercise of the fair value OCI option (FVOCI-EK) for equity instruments are to be recognised in OCI, i.e. in equity	-	-
Financial assets measured at fair value through other comprehensive income (fair value through OCI for debt instruments)	145	160
Interest income and interest expense of financial assets measured at amortised cost	15,108	1,730
Fees recognised as income or expense	-	-

In kEUR	Net gains 2018	Net losses 2018
Financial assets measured at fair value through profit or loss	-	135
Financial assets measured at amortised cost	13	6,028
Equity instruments whose changes in fair value upon exercise of the fair value OCI option (FVOCI-EK) for equity instruments are to be recognised in OCI, i.e. in equity	247	62
Financial assets measured at fair value through profit or loss (fair value through OCI for debt instruments)	574	169
Interest income and interest expense on financial assets measured at amortised cost	10,912	739
Fees recognised as income or expense	-	-

The net gains and losses from loans and receivables stem mostly from adjustments to bad loan charges as well as from the recovery of previously written-off principal and interest. The net gains and losses from financial assets available for sale, as well as from financial assets or liabilities measured at fair value through profit or loss, mostly come from changes in market value, and from dividends and interest received.

NOTE 13 Equity

Subscribed capital

At the end of the fiscal year, the subscribed capital was divided into 19.596 million (previous year: 18.737 million) no-par-value registered shares with a proportionate, notional par value of EUR 1.00 each. As of the end of reporting period, the subscribed capital of flatex AG amounts to kEUR 19,596(previous year:kEUR 18,737).

The change in the subscribed capital results from exercising options within the framework of the employee stock option plan. For further details, please refer to Note 31.

Number of shares issued and outstanding as of 12/31/2017	17,506,426
Number of new shares issued in 2018	1,225,761
Issued treasury stock in 2018	4,450
Number of shares issued and outstanding as of 12/31/2018	18,736,637
Number of new shares issued in 2019	859,000
Number of shares issued and outstanding as of 12/31/2019	19,595,637

Authorised capital

At the beginning of fiscal year 2019, flatex AG had authorised capital of kEUR 7,530.

Regarding the issuance of new shares, the following resolutions were passed in 2018:

1. By resolution of the general meeting on 7 August 2018, the Management Board was authorised to increase the subscribed capital, with the consent of the Supervisory Board, by a total of up to kEUR 3,857 by issuing new, no-par-value registered shares against contributions in cash and/or in kind, in one or more instalments, until 6 August 2023 (authorised capital 2018/I). Principally, the existing shareholders must be granted pre-emptive rights. The Management Board, however, with the consent of the Supervisory Board, is authorised to exclude such pre-emptive rights of the shareholders in specific instances. On 10 September 2018, the Management Board, with the consent of the Supervisory Board, and on the basis of the authorisation granted on 7 August 2018, resolved to increase the subscribed capital by kEUR 1.226 to a new total of kEUR 18,737 by issuing 1,225,761 new no-par-value registered shares. The capital increase was transacted against contribution in cash. The authorised capital was partly utilised in this; after registration of the capital increase, the remaining authorised capital at the end of reporting period was kEUR 2,632.

Regarding the issuance of new shares, no resolutions were passed in 2019.

On 31 December 2019, the company had authorised capital of kEUR 7,530 (authorised capital 2017: kEUR 4,898; authorised capital 2018: kEUR 2,632).

	12/31/2019	**12/31/2018**
Number of authorised shares	7,529,677	7,529,677

Conditional capital

1) Conditional capital 2014

By resolution passed at the extraordinary general meeting on 30 October 2014, the Management Board was authorised to conditionally increase the subscribed capital by a total of up to kEUR 1,390 with the consent of the Supervisory Board by issuing up to 1,390,000 new, no-par-value bearer shares, with profit participation from the beginning from the fiscal year of their issuance (conditional capital 2014). According to the resolution of 30 October 2014, the exclusive purpose of conditional capital 2014 is to secure pre-emptive rights, which are issued on the basis of the general meeting's authorisation of 30 October 2014, as part of the 2014 stock option plan, to the members of the Management Board and to employees of flatex AG, as well as to members of the management boards and to employees of companies affiliated with flatex AG, in the period up to and including 30 September 2019.

At the general meeting on 27 July 2016 it was resolved to convert the bearer shares of the company into registered shares. Accordingly, the conditional capital 2014 was modified for the issuance of registered shares.

By resolution passed at the extraordinary general meeting on 4 December 2017, the general meeting's authorisation of 30 October 2014, with modifications at the general meeting on 27 July 2016, to issue subscription rights as part of the 2014 stock options plan, was modified and specified. At the same time, conditional capital 2014 was modified in so far as it may now also service pre-emptive rights which have been issued on the basis of the general meeting's authorisation of 30 October 2014, also with modifications by the general meeting of 27 July 2016 and also as amended by the resolution at the extraordinary general meeting on 4 December 2017, and also to the extent that the conditions underlying the respective subscription rights have been revised after their issuance in accordance with the respective resolution of the general meeting of 4 December 2017.

As a result of exercising stock options from the 2014 stock option programme, a total of 859,000 new registered shares with a pro rata amount of the subscribed capital of EUR 1.00 per share were issued from the 2014 conditional capital in the reporting year. As a result, the 2014 conditional capital was reduced by kEUR 859 to kEUR 531 as of 31 December 2019, and the subscribed capital increased to kEUR 19,596 as at the end of reporting period.

2) Conditional capital 2015

By resolution passed at the general meeting on 28 August 2015, the Management Board was authorised to conditionally increase the subscribed capital by a total of up to kEUR 230 with the consent of the Supervisory Board by issuing up to 230,000 new, no-par-value bearer shares, with profit participation from the beginning of the fiscal year of their issuance (conditional capital 2015).

According to the resolution of 28 August 2015, the exclusive purpose of conditional capital 2015 is to secure pre-emptive rights, which are issued on the basis of the general meeting's authorisation of 28 August 2015, as part of the 2015 stock option plan, to the members of the Management Board and to employees of the company, as well as to members of the management boards and to employees of affiliated companies, in the period up to and including 27 August 2020.

At the general meeting on 27 July 2016 it was resolved to convert the bearer shares of the company into registered shares. Accordingly, conditional capital 2015 was modified for the issuance of registered shares.

By resolution at the extraordinary general meeting on 4 December 2017, the general meeting's authorisation of 28 August 2015, with modifications by the general meeting on 27 July 2016, to issue subscription rights as part of the 2015 stock options plan, was modified and specified. At the same time, conditional capital 2015 was modified in so far as it may now exclusively service only pre-emptive rights which have been or will be issued on the basis of the general meeting's authorisation of 28 August 2015, also with modifications by the general meeting of 27 July 2016, and also as amended by the resolution of the extraordinary general meeting on 4 December 2017, and also to the extent that the conditions underlying the respective subscription rights have been or will be revised after their issuance in accordance with the respective resolution at the general meeting of 4 December 2017.

3) Conditional capital 2018

By resolution passed at the extraordinary general meeting of 4 December 2017, with addendum from 7 August 2018, the Management Board was authorised to conditionally increase the subscribed capital until 3 December 2022 by a total of up to kEUR 3,500 with the consent of the Supervisory Board by issuing up to 3,500,000 new no-par-value registered shares, with profit participation from the beginning of the fiscal year of their issuance (conditional capital 2018/I). The conditional capital increase is used to service bonds that are issued until 3 December 2022 based on the corresponding authorisation resolution at the annual general meeting on 4 December 2017 in the amended version dated 7 August 2018.

By resolution at the ordinary general meeting of 7 August 2018, the Management Board was authorised to conditionally increase the subscribed capital until 6 August 2023 by a total of up to kEUR 3,600 with the consent of the Supervisory Board by issuing up to 3,600,000 new no-par-value registered shares, with profit participation from the beginning of the fiscal year of their issuance (conditional capital 2018/II). The conditional capital increase is used to service bonds and/or profit participation rights that are issued by 6 August 2023 based on the corresponding authorisation resolution at the annual general meeting on 7 August 2018.

Additional paid-in-capital

The additional paid-in-capital as of 31 December 2019 amounts to kEUR 106,894 (previous year: kEUR 101,406) and consists of the following components:

- Amounts exceeding the notional par value from payments for the issuance of new shares
- Direct payments by shareholders into the equity account
- Payments by shareholders for the granting of precedence for their shares

As result of the conditional capital increase of kEUR 1,390 in the reporting period through exercised stock options, based on the 2014 conditional capital passed by resolution at the general shareholders' meeting, the subscribed capital increased by kEUR 859. The capital reserve was increased by the premium of the issued shares by kEUR 5,412.

Retained earnings

The following table shows the changes in retained earnings during the relevant periods:

In kEUR	**Change**
As of 01/01/2018	**27,678**
Additions to retained earnings	17,606
of which: allocation from net profit*	17,474*
of which: dividend distribution	-
of which: changes in the scope of consolidation not involving a change of control	132
Other earnings/losses	-2,262
As of 12/31/2018	**43,023**
Additions to retained earnings	13,315
of which: allocation from net profit	14,908
of which: dividend distribution	-
of which: changes in the scope of consolidation not involving a change of control	-1,593
Other earnings/losses	-1,137
As of 12/31/2019	**55,200**

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

NOTE 14 Non-current liabilities to banks and non-banks

Non-current financial liabilities comprise the following:

In kEUR	**12/31/2019**	**12/31/2018**
Non-current liabilities to banks		
Loans with original terms > 1 year	3,018	8,999
Loans with original terms > 5 years	708	875
Total	**3,727**	**9,874**
Non-current liabilities to non-banks		
Liabilities from leases	10,062	2,143
Liabilities from hire purchasing	3,433	2,207
Other liabilities	-	1,602
Total	13,495	5,952

The non-current liabilities to banks amount to kEUR 3,727(previous yearkEUR 9,874). The decrease resulted from scheduled repayments amounting to kEUR 6,167 (previous year: kEUR 6,166) p.a. for two existing loans.

The loan with a maturity of more than one year concerns the financing of the purchase of the XCOM shares and the squeeze-out in 2017 in the amount of EUR 18.0 million with a repayment of EUR 6.0 million p.a. The term of the loan ends on 30 June 2020, such that there are no other operating loan liabilities.

The liability with a maturity of more than five years relates to a secured mortgage loan for an office building used by the Group in the state of North Rhine-Westphalia. The maturity ends with scheduled repayments amounting to kEUR 166 p.a. in the year 2024.

The non-current liabilities to non-banks include leasing liabilities in accordance with IFRS 16:

In kEUR	**12/31/2019**	**12/31/2018**
Leasing liabilities	10,062	2,143
Total	**10,062**	**2,143**

NOTE 15 Pensions and similar obligations

flatex AG has defined-benefit pension plans on the basis of individual fixed-sum commitments. Most pension plans provide life-long benefit payments, including retirement, disability and widows/widowers pension. To finance the pension commitments, re-insurance policies were bought for the employees of flatex AG from Swiss pension provider Swiss Life AG and German insurer MV Versicherungsgruppe. Some of the re-insurance contracts are pledged to the beneficiaries and qualify as plan assets. Other re-insurance contracts qualify as reimbursements rights.

The amount of the total obligation is calculated annually by independent actuaries using the 'projected unit credit method' prescribed by IAS 19. The calculation includes the pensions and acquired entitlements as per the reporting date as well as the expected increases of entitlements and pensions. Some commitments entail entitlement dynamics which are guided by inflation or by firmly agreed adjustment rates. Future pension adjustments depend on statutory provisions; partly they include additional minimum adjustment guarantees. The actuarial discount rate used to discount the benefit obligations as at end of reporting period is based on the yield of high-quality corporate bonds.

Income from plan assets and expenses from the compounding of obligations are recognised in the financial result. Past service costs are classified as operating expenses. Gains and losses from adjustments and changes in actuarial assumptions are recognised immediately in equity, without going through profit or loss, in the period in which they arise.

The principal actuarial assumptions used are the following:

In kEUR	**12/31/2019**	**12/31/2018**
Actuarial discount rate	1.00%	1.90%
Inflation rate	1.00%	1.00%
Mortality	Heubeck Tables 2018G	Heubeck Tables 2018G

The net liability for defined-benefit pension obligations is calculated as follows:

In kEUR	12/31/2019	12/31/2018
Present value of defined-benefit obligations	30,393	24,791
Fair value of plan assets	-19,381	-18,538
Net liability for pension obligations	**11,012**	**6,253**

The change in the net liability for pension obligations was as follows:

In kEUR	2019	2018
As per balance sheet at beginning of the fiscal year	**6,253**	**7,203**
Current service expense	17	78
Past service expense	-	-935
Net interest expense	113	99
Actuarial gains / losses	5,242	-467
due to changes in demographic assumptions	-	424
due to changes in financial assumptions	5,142	-1,060
due to adjustments in experience	144	237
income from plan assets other than amounts recognised in the income statement	-44	-68
Employer’s contributions to plan assets	-613	-678
Pension benefits paid	-	-
Transfers and company transactions	-	-
As per balance sheet at end of the fiscal year	**11,012**	**6,253**

The development of the present values of defined benefit obligations, and the fair values of plan assets and reimbursement rights, is shown in the following tables.

Defined benefit obligations

In kEUR	2019	2018
Present value of defined benefit obligations at beginning of the fiscal year	**24,791**	**24,857**
Amounts recognised in the income statement	**486**	**499**
Current service expense	17	76
Accrued interest expense	469	423
Past service costs and gains/losses from plan settlements	-	-
Amounts recognised in OCI	**5,286**	**-399**
Actuarial gains/losses	5,286	-399
due to changes in demographic assumptions	-	424
due to changes in financial assumptions	5,142	-1,060
due to adjustments in experience	144	237
Payments and other adjustments	**-170**	**-166**
Employee contributions	-	-
Pension benefits paid	-170	-166
Payments for plan settlements	-	-
Transfers and company transactions	-	-
Present value of defined benefit obligations at end of the fiscal year	**30,393**	**24,791**

Plan assets

In kEUR	2019	2018
Fair value of plan assets at beginning of the fiscal year	**-18,537**	**-17,654**
Amounts recognised in the income statement	**-356**	**-304**
Accrued interest income	-356	-304
Amounts recognised in OCI	**-44**	**-68**
Income from plan assets other than amounts recognised in income statement	-44	-68
Payments and other adjustments	**-444**	**-511**
Employee contributions	-	-
Employer contributions	170	-677
Payments for plan settlements	-	-
Pension benefits paid	-613	166
Transfers and company transactions	-	-
Fair value of plan assets at end of the fiscal year	**-19,381**	**-18,537**

Reimbursement rights

In kEUR	2019	2018
Fair value of reimbursement rights at beginning of the fiscal year	**-1,126**	**-951**
Amounts recognised in the income statement	**-23**	**-18**
Accrued interest income	-23	-18
Amounts recognised in OCI	**36**	**34**
Revenues from reimbursement rights other than amounts recognised in the income statement	36	34
Payments and other adjustments	**-191**	**-191**
Employee contributions	-	-
Employer contributions	-191	-191
Fair value of reimbursement rights at end of the fiscal year	**-1,305**	**-1,126**

On the balance sheet, reimbursement rights are included in 'financial assets and other assets'.

The allocation of the defined-enefit obligations to the different groups of entitled plan participants, and their weighted average duration, are shown in the following table:

In kEUR	12/31/2019	12/31/2018
Active employees	647	484
Former, vested employees	25,208	20,266
Retirees	4,538	4,041
Present value of defined-benefit obligations	**30,393**	**24,791**
Weighted average duration of obligations in years	21	22

The plan assets consist of re-insurance policies for which there is no active secondary market.

The pension commitments are subject to the regulations of the German Company Pensions Act ('Betriebsrentengesetz'). Since the commitments provide life-long pension benefits, there is a biometric risk in the event of increasing life expectancies. Insofar as the entitlements and pension benefits are pegged to inflation, there is an inflation risk. To the extent that the actuarial discount rate, as well as the actual return on plan assets and reimbursement rights, depend on future market developments, there are respective financial risks.

The sensitivities to changes in the capital markets and to significant assumptions are shown in the table below. The sensitivities were determined on the basis of the same stock and the same valuation method as the valuation of the pension obligations as at the end of the reporting period. When calculating the sensitivities, each assumption was changed in isolation; any correlations between the individual parameters are being ignored for this purpose.

In kEUR	12/31/2019	12/31/2018
Total obligation when the actuarial discount rate is increased by 0.25% p.a.	28,836	23,545
Total obligation when the actuarial discount rate is decreased by 0.25% p.a.	32,062	26,124
Total obligation when inflation rate increases by 0.25% p.a.	30,786	25,148
Total obligation when inflation rate decreases by 0.25% p.a.	30,007	24,440
Total obligation when life expectancy of a 65-year-old increases by 1 year	31,207	25,368

For the upcoming year, pension payments of kEUR 173 are expected (previous year: kEUR 170). Payment contributions to plan assets are expected in the amount of kEUR 613 (previous year: kEUR 618) and to reimbursement rights in the amount of kEUR 191 (previous year: kEUR 191).

NOTE 16 Liabilities to customers

As of 31 December 2019, liabilities to customers are kEUR 950,77(previous year:kEUR 955,489). The liabilities to customers primarily consist of customer deposits at flatex Bank AG, mainly balances from cash accounts of customers of the ViTrade and flatex brands. As of 31 December 2019, customers' foreign currency balances increased by kEUR 2,240 to kEUR 3,885 (previous year: kEUR 1,645). As at the end of reporting period, the security deposits dropped by kEUR 1,500 to kEUR 1,500 (previous year: kEUR 3,000).

In addition, there are contingent liabilities from unutilised portions of irrevocable lines of credit in the amount of kEUR 216,827 (previous year: kEUR 193,812). They stem largely from securities-related loan agreements with customers, whereby the loans are fully collateralised by the customers' securities deposits, consisting for example of stocks and bonds (Lombard loans).

NOTE 17 Current liabilities to banks

Current liabilities to banks comprise the following:

In kEUR	12/31/2019	12/31/2018
Liabilities to banks	66,202	47,245
Foreig-currency balance	5,492	10,014
Total	**71,694**	**57,259**

Short-term financial liabilities to banks in the fiscal year amount to kEUR 71,694 (previous year: kEUR 57,259) and at kEUR 66,202 (previous year: kEUR 47,245) include settlement liabilities from settlements processing on behalf of customers as well as foreign currency balances from transactions on behalf of customers in the amount of kEUR 5,492(previous year: kEUR 10,014).

Foreign currency balances consist mainly of liabilities to foreign banks for the settlement of securities transactions, undertaken in the name of our customers. The currencies in question are for the most part USD, CHF and CAD.

NOTE 18 Other financial liabilities

Other financial liabilities comprise the following:

In kEUR	12/31/2019	12/31/2018
Tax liabilities	5,572	1,409
Accruals and deferrals	559	657
Other financial liabilities	-	153
Total	**6,132**	**2,219**

The tax liabilities, which increased by kEUR 4,163, primarily include liabilities to the tax office from transaction taxes on customer transactions amounting to kEUR 3,139 (previous year: kEUR -4,657), wage tax (kEUR 720, previous year: kEUR 503) and value added tax (kEUR 160, previous year: kEUR 786).

NOTE 19 Other provisions

The changes in provisions during the fiscal year was as follows:

In kEUR	01/01/2019	Utilisation	Reversals	Additions	12/31/2019
Other provisions	6,830	3,953	119	6,916	9,674
Total	**6,830**	**3,953**	**119**	**6,916**	**9,674**

In kEUR	01/01/2018	Utilisation	Reversals	Additions	12/31/2018
For warranty claims	55	-	55	-	-
Other provisions	7,499	6,001	436	5,768	6,830
Total	**7,554**	**6,001**	**491**	**5,768**	**6,830**

Other provisions include the measurable risk exposures to third parties. These provisions are valued at full cost and amount to kEUR 9,674 at year-end (previous year: kEUR 6,830). They mainly include Group provisions for performance-based, variable compensation of kEUR 2,397 (previous year: kEUR 1,615) and other personnel costs including leave provisions of kEUR 255 (previous year: kEUR 226). Provisions for audit and other professional fees amount to kEUR 1,766 (previous year: kEUR 1,169) and for pending invoices to kEUR 4,936 (previous year: kEUR 3,395).

flatex AG is in a labour dispute with a former employee, which could result in a financial risk. flatex AG has refrained from setting up a provision for it.

NOTE 20 Tax provisions

Provisions for taxes are composed as follows as at the end of reporting period:

In kEUR	01/01/2019	Utilisation	Reversals	Additions	12/31/2019
Corporation tax	3,191	-3,679	-	1,681	1,193
Trade tax	2,350	-3,702	-	1,352	-
Miscellaneous	-	-	-	-	-
Total	**5,541**	**-7,381**	**-**	**3,033**	**1,193**

In kEUR	01/01/2018	Utilisation	Reversals	Additions	12/31/2018
Corporation tax	1,088	-919	-	2,883	3,052
Trade tax	2,127	-2,266	-	2,628	2,489
Miscellaneous	-	-	-	-	-
Total	**3,215**	**-3,185**	**-**	**5,511**	**5,541**

NOTE 21 Revenues

Revenues for the2019 and 2018 fiscal years were composed as follows:

In kEUR	2019	2018
Commission income	90,401	84,861
Provision of IT services	19,794	18,462
Interest income	15,147	11,733
Other operating income	6,610	10,044
Total	**131,952**	**125,100**
Timeline of revenues recognition		
at a certain time	131,952	125,100
over a period of time	-	-

During the fiscal year, commission income of kEUR 90,401 (previous year: kEUR 84,861) was mainly generated from the flatex and ViTrade securities business and from flatex Bank AGs B2B services. The increase is mainly due to organic growth and the expansion of B2B business.

The Group reported revenues of kEUR 19,794 for the provision of IT services (previous year: kEUR 18,462). Significant contributors were the OTC trading systems L.O.X. and the system Tristan, flanked by further development services for customers from the Technologies segment. The increase results in particular from the advanced onboarding of the client Vall Banc to FTX:CBS. The Group fulfils its service obligations by executing an order or providing the IT service.

The item 'Provision of IT services' also includes the sale of goods.

Interest income in the amount of kEUR 15,147 (previous year: kEUR 11,733) increased in comparison to the same period of the previous year, primarily due to the growing, predominantly secured loan book.

Revenues for the provision of IT services relate exclusively to the Technologies segment. Proceeds from commission and interest income are allocable to the Financial Services segment.

In kEUR	12/31/2019	01/01/2019
Short-term contractual assets from IT contracts	-	-
Short-term contractual assets from banking transactions	-	-
Total contractual assets	**-**	**-**
Trade receivables (IT contracts)	3,518	7,967
Trade receivables (banking transactions)	4,308	4,095
Total receivables	**7,826**	**12,062**
Contract liabilities from IT contracts	772	116
Contract liabilities from banking transactions	872	536
Total current contract liabilities	**1,644**	**652**

No revenue was recognised in the reporting period that was included in the total contract liabilities at the beginning of the period. Likewise, there was no recognition of proceeds from performance obligations that were (partially) fulfilled in previous periods. All services included in the IT contracts are invoiced after one year at the latest. A corresponding periodisation is carried out during the year. As permitted by IFRS 15, the transaction price attributed to these unfulfilled performance obligations is not disclosed.

The decrease in trade receivables from IT contracts by kEUR 4.449 results from the early settlement of customer contracts at the turn of the fiscal year.

In addition to the contract totals shown above, the Group has recognised an asset in connection with the costs for the fulfilment of a long-term IT contract. This is shown in the balance sheet under other assets:

In kEUR	12/31/2019	12/31/2018
Costs capitalised at the time of execution of a contract with a customer on 31 December	98	187
Amortisation amounts and impairments	-	-
Total	**98**	**187**

NOTE 22 Raw materials and consumables

Raw materials and consumables for fiscal year 2019 and 2018 were composed as follows:

In kEUR	2019	2018
Commission expense	27,551	22,363
Other operating expenses	7,351	9,577
IT business expenses	2,820	4,186
Interest expense	450	721
Total	**38,172**	**36,846**

During the fiscal year, commission expenses of kEUR 27,551 (previous year: kEUR 22,363) were recognised. They essentially include expenses incurred in connection with the settlement of securities transactions with counterparties. The increase is mainly due to the expansion of the B2B business and is proportional to the corresponding gross commission income.

For the provision of IT services, the Group incurred expenses of kEUR 2,820 (previous year: kEUR 4,186). The decline in expenses is the result of a focus on high-margin customer projects in the area of IT services. Also included here is the cost of selling goods in the end-customer business.

During the fiscal year under review, the other operating expenses of kEUR 7,351 (previous year: kEUR 9,577) particularly include allocations to risk provisions in accordance with IFRS 9 (Levels 1 - 3) in the amount of kEUR 4,876 (previous year: kEUR 6,970) and IT expenses in the amount of kEUR 1,553 (previous year: kEUR 1,224).

NOTE 23 Personnel expenses

The average number of employees during the 2019 fiscal year was 527 (previous year: 497). At of the end of reporting period, 229 employees work in the FIN segment and 303 employees in the TECH segment. Personnel expenses break down as follows:

In kEUR	2019	2018
Wages and salaries	21,076	18,512
Social-security contributions and discretionary benefits	5,067	4,177
Income/expenses for pension obligations and employee benefits	-735	-775
Total	**25,409**	**21,914**

Wages and salaries during the 2019 fiscal year amount to kEUR 21,076 (previous year: kEUR 18,512). The increase compared to the previous year results from the higher number of employees and a slight increase in gross personnel costs per capita. It is offset by higher capitalised development costs of kEUR 14,785 (previous year: Keur 12,311) for intangible assets in accordance with IAS 38.

NOTE 24 Other administrative expenses

Other administrative expenses for the 2019 and 2018 fiscal years are as follows:

In kEUR	2019	2018
Marketing and advertising	12,527	3,842
Legal and professional services	4,656	4,024
IT	2,563	2,362
Other expenses	1,842	3,468
Bank-specific contributions	2,364	2,115
Premises	2,361	3,765
Insurance, contributions, official fees	1,790	1,309
Travel	868	881
Postage and office supplies	804	762
Vehicle expenses	752	1,236
Entertainment	262	208
Total	**30,791**	**23,972**

The incease in marketing and advertising expenses of kEUR 8,686 is mainly due to the market entry of flatex in the Netherlands and new customer campaigns for flatex Germany. The increase in legal and consulting costs by kEUR 632 results from corporate-strategy issues and has a one-off character. The increase of kEUR 482 in expenses for insurances, contributions and charges are due to the expansion of the loan book and the factoring business. They are offset by reduced expenses in the area of investor relations.

The lease expenses and the vehicle fleet include components that are subject to different disclosure due to the IFRS 16 accounting standard applied since 2019.

Other expenses include training costs of kEUR 492 (previous year: kEUR 551), compensation to the Supervisory Board of kEUR 511 (previous year: kEUR 513) and other operating taxes of EUR k467 (previous year: kEUR 4). The decline of kEUR 1,626 is mainly due to fees for arbitrage trading, which was discontinued in December 2018.

NOTE 25 Financial result

The financial result for the 2019 and 2018 fiscal years is composed as follows:

In kEUR	2019	2018
Interest income on pensions	356	304
Other interest income	23	20
Total other financial income	**380**	**324**
Interest expense for deposit facility	1,941	1,736
Interest expense on pensions	469	423
Interest expense for non-current liabilities	275	344
Other interest expense	817	-
Total other financial expenses	**3,503**	**2,503**
Financial result	**-3,123**	**-2,179**

The increase in interest expenses for deposit facilities by kEUR 206 results from increased deposits with the ECB and the reduction of the corresponding negative deposit rate. The interest expense for pensions, which increased by kEUR 47, resulted from the adjustment of interest rates at the expense of the lender.

Interest expense for non-current liabilities consists of interest on the loan to finance the purchase of the shares of XCOM AG as well as the interest expense for leasing liabilities.

NOTE 26 Income tax expense

Income tax expense for the fiscal years ending on 31 December 2019 and 31 December 2018 consists of the following components:

In kEUR	2019	2018
Current income tax		
Current income tax expense	-2,876	-5,025
Tax income/expense for previous years	-157	-139
Deferred tax		
Deferred taxes on temporary differences	-3,687	-3,157
Deferred taxes on losses carried forward	-	-2,644
Income tax as per income statement	**-6,720**	**-10,965**
Other earnings/losses		
Changes in deferred taxes recognised in other comprehensive income	877	910
thereof actuarial gains/losses from defined-benefit pension provisions	1,640	-135
thereof gains/losses on changes in the value of available-for-sale assets	-763	1,045
thereof recycling of deferred taxes	-	-
Income tax in comprehensive income	**-5,843**	**-10,055**

Other comprehensive income for 2019 includes deferred tax income on actuarial losses from defined-benefit pension provisions of kEUR 1,640 (previous year: kEUR -135) and deferred tax expense on changes in the value of financial assets that are available for sale in the amount of kEUR -763 (previous year: kEUR 1,045).

German business income tax is based on a corporation tax at a rate of 15%, with an added 'solidarity surcharge' on 5.5% of the corporation tax amount. Including the additional trade tax, which is levied at a local level, the combined income tax rate for flatex AG as a fiscal whole was 31.08% (previous year: 31.07%). The variance is due to a change in the weighted average trade tax multiplier.

The following table reconciles the expected interest expense – as a product of earnings before income taxes and the applicable tax rate for flatex AG – and the tax expense reported in the income statement:

Tax reconciliation

		2019	2018
Earnings before tax	kEUR	21,628	32,010
Applicable tax rate	%	31.08	31.07
Expected tax expense	kEUR	-6,722	-9,945
Effect from non-deductible expenses	kEUR	-315	-603
Effect from non-taxable income	kEUR	811	42
Effect from non-deductible expenses from stock option plans	kEUR	-24	-121
Effect from current income taxes on previous years income	kEUR	-157	-139
Effect from deferred taxes for previous years	kEUR	-	-178
Effect from changes in tax rates of deferred taxes	kEUR	-1	6
Effect from deviating tax rates	kEUR	100	75
Effect from tax losses without recognition of deferred taxes	kEUR	-793	-
Effect from tax losses without recognition of deferred taxes in previous year	kEUR	-	11
Other tax effects	kEUR	381	-113
Reported tax expense	kEUR	-6,720	-10,965
Group tax rate	%	31.07	34.25

As at the end of reporting period, there are taxable temporary differences in connection with subsidiaries (so-called 'outside basis differences' according to IAS 12.39) in the amount of kEUR 952 (previous year: kEUR 806) on which no deferred tax liabilities were recognised.

No deferred taxes were formed on losses carried forward amounting to kEUR 2,482.

The composition of deferred tax assets and liabilities is shown in the following overview:

In kEUR	2019	2018
Deferred tax assets		
Loss carryforwards	-	-
Financial instruments	-54	905
Pension liabilities	5,839	4,281
Other financial obligations	3,030	703
Other temporary differences	-	-
Offset in accordance with IAS 12.74	-8,923	-5,889
Total	**-**	**-**
Deferred tax liabilities		
Intangible assets	-16,307	-13,397
Property, plant and equipment	-3,053	-695
Financial instruments	-	-
Other financial obligations	-39	113
Other temporary differences	-	-
Offset in accordance with IAS 12.74	8,923	5,889
Total	**-10,476**	**-8,316**

NOTE 27 Payments from leases in accordance with IFRS 16

Principal payments

In kEUR	2019	2018
Principal payments	3,868	508
Total	**3,868**	**508**

During the fiscal year, redemption payments on liabilities from leases were made in accordance with IFRS 16 in the amount of kEUR 3,868 (previous year: kEUR 508). The increase results from the first-time adoption of IFRS 16.

Interest payments

In kEUR	2019	2018
Interest payments	173	38
Total	**173**	**38**

Interest payments of kEUR 173 (previous year: kEUR 38) were made under leases in accordance with IFRS 16.

The interest and principal payments thus resulted in a total cash outflow of kEUR 4,041 (previous year: kEUR 546).

NOTE 28 Related party relationships and transactions

In accordance with IAS 24, the members of the governing boards of the parent company and their families, as well as members of the management/Management Boards and Supervisory Boards of other essential subsidiaries, are considered to be related parties. Also, Mr Bernd Förtsch, his close family members, and the companies controlled by them are considered to be related parties of flatex AG, since Mr Förtsch exerts a controlling influence over flatex AG.

Legal transactions and other transactions with related parties

During the 2019 fiscal year, flatex AG Group companies have had the following legal transactions with related parties, whereby all transactions were completed under standard market conditions (all at arm’s length):

> With a company controlled by Supervisory Board member Martin Korbmacher, flatex AG generated revenues of kEUR 3 (previous year: kEUR 0), which involved the reimbursement of expenses.

> With companies controlled by Mr Bernd Förtsch, Group companies had transactions totalling kEUR 1,241 in the fiscal year (parent company kEUR 28, subsidiaries kEUR 1,213; in previous year: total kEUR 1,600). These were mostly related to advertising and PR activities and the lease of commercial space.

At year-end 2019, the Group had receivables against related parties in the amount of kEUR 2 (previous year: kEUR 28); liabilities to related parties amounted to kEUR 0 (previous year: kEUR 45).

In addition, a number of related parties maintain cash and/or securities custody accounts with flatex Bank AG. All transactions (securities transactions and loan/deposit business) are carried out on end-customer terms or on the employee terms applicable throughout the Group.

NOTE 29 Management Board compensation of flatex AG

The members of the Management Board of flatex AG continued to be Frank Niehage and Muhamad Said Chahrour.

Management board members received fixed and variable compensation as follows:

		2019	2018
Fixed compensation	EUR	700,000.00	700,000.00
Variable compensation			
- short term award	EUR	1,200,000.00	1,150,000.00
2014 options model	number	-	35,000
2015 options model	number	15,000	-
Value at time of award	EUR	62,550.00	178,500.00
Total compensations	**EUR**	**1,962,550.00**	**2,028,500.00**
Fixed compensation for Supervisory-Board memberships in Group companies	**EUR**	**-**	**8,998.36**

In addition, they received certain fringe benefits, mainly company cars and insurance coverage. There are no compensation commitments to members of the Management Board for the time after the end of their respective terms of employment with the company. The total amount of fringe benefits granted in the year under review is kEUR 53.

Supervisory Board compensation of flatex AG

The members of the Supervisory Board of flatex AG were:

2019	Martin Korbmacher, Chairman of the Supervisory Board Actual occupation: Managing Director of Event Horizon Capital & Advisory GmbH Managing Director of arsago ACM GmbH
	Stefan Müller Actual occupation: Head of Finance of Börsenmedien AG
	Herbert Seuling Actual occupation: Managing Director of M & S Monitoring GmbH, Kulmbach
2018	Martin Korbmacher, Chairman of the Supervisory Board
	Stefan Müller
	Herbert Seuling

Members of flatex AG's Supervisory Board receive solely fixed compensation. Their detailed compensation is as follows, divided into compensation for their membership in the Supervisory Board of the parent company flatex AG, and for their memberships in the Supervisory Boards of other Group companies (subsidiaries), inclusive of 19% VAT respectively:

In EUR	2019 total	2018 total
flatex AG	285,600.00	285,600.00
Subsidiaries	249,900.00	178,500.00

During the fiscal year, the Supervisory Board received compensation for travel expenses in the context of its Supervisory Board activities in the amount of kEUR 14(previous year:kEUR 3).

NOTE 30 Earnings per share

Earnings per share (undiluted)

The undiluted earnings per share are calculated by dividing the consolidated earnings of the Group attributable to the shareholders by the average number of the parent company's shares issued and outstanding during the fiscal year.

Issued shares	**2019**	**2018**
Number of issued shares as of 1 January (all outstanding)	18,736,637	17,506,426
Time-weighted allocation of newly issued treasury stock in the fiscal year	-	3,673
Number of new shares issued during fiscal year	859,000	1,225,761
Time-weighted allocated of newly issued shares for yearly average	674,359	372,766
Average, time-weighted number of issued shares outstanding during fiscal year (undiluted)	**19,410,996**	**17,882,865**

Earnings in kEUR	**2019**	**2018**
From continuing activities*	14,908	17,474*
From discontinued operations	-	-
Total	**14,908**	**17,474***
Undiluted earnings per share in EUR		
From continuing activities	0.77	0.98*
From discontinued operations	-	-
Total	**0.77**	**0.98***

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

Earnings per share (diluted)

Diluted earnings per share in 2019 amounted to EUR 0.77. The diluted average number of shares outstanding in the reporting period was 19,464,918.

NOTE 31 Stock option plan

Description of stock option plans

flatex AG has set up stock option plans to ensure that the total remuneration paid to its managers is competitive. The first stock option plan was launched in 2014. Pre-emptive rights from this programme were first issued in 2015. Each pre-emptive right issued pursuant to the stock option plan gives the holder the right to acquire one bearer share of flatex AG against payment of the stipulated strike price. The strike price is determined on the basis of the average closing price of the share over a fixed period of time preceding the adoption of the relevant resolution at the annual general meeting, minus a discount.

The maturity of these pre-emptive rights is six years from the date of issuance; they may only be exercised upon the expiration of a waiting period (vesting period) of four years. The right to exercise is conditional upon the share price having risen by at least 100%, on any stock exchange trading day, during a period of two years from the date of issuance of such pre-emptive rights (trigger - 2014 stock option plan). Only in the event of a change of control as defined in the authorisation and, if applicable, in subsequent amendments to the option terms, or in the event of a delisting, may flatex AG pay, or may the holders of pre-emptive rights demand, a cash settlement in lieu of shares (in some cases also before the end of the vesting period).

A second stock option plan was launched in 2015 by another resolution of the annual general meeting (2015 stock option plan). In light of the development of the stock price, the terms of this second plan were modified with regard to the condition for exercise, in that the stock price must now have risen by at least 50%, on any stock exchange trading day, during a period of two years from the date of issuance of such pre-emptive rights (trigger – 2015 stock option plan). The other terms remain the same as those applicable to the first program.

Changes in the stock option plans

The following table shows the changes in issued and outstanding pre-emptive rights/options:

Program / year of issuance	Date of issuance	Number issued	Exercise price in EUR	Price at date of issuance in EUR	Price per option in EUR	Total option value in kEUR
2015 stock option plan	03/08/2019	87,000	12.79	20.82	4.17	363
Number of options issued in 2019		**87,000**				**363**
2014 stock option plan	03/02/2018	35,000	7.30	28.85	5.10	179
Number of options issued in 2018		**35,000**				**179**
2014 stock option plan	04/01/2017	73,000	7.30	14.78	1.66	121
2015 stock option plan	04/01/2017	45,000	12.79	14.78	3.14	141
2014 stock option plan	07/03/2017	10,000	7.30	17.98	1.66	17
2015 stock option plan	07/03/2017	10,000	12.79	17.98	3.14	31
Number of options issued in 2017		**138,000**				**310**
2015 stock option plan	04/07/2016	44,500	12.79	15.45	3.71	165
2015 stock option plan	07/01/2016	10,000	12.79	13.00	2.55	26
2014 stock option plan	07/01/2016	60,000	7.30	13.00	1.96	118
Number of options issued in 2016		**114,500**				**308**
2014 stock option plan	01/26/2015	924,000	7.30	8.60	1.11	1,026
2014 stock option plan	07/08/2015	84,000	7.30	14.81	2.40	202
2014 stock option plan	08/24/2015	55,000	7.30	11.40	1.77	97
2015 stock option plan	09/28/2015	20,000	12.79	12.44	2.60	52
2015 stock option plan	10/01/2015	5,000	12.79	12.37	2.55	13
Number of options issued in 2015		**1,088,000**				**1,389**
Total number of options issued		**1,462,500**				**2,550**
2014 stock option plan	07/08/2015	84,000	-	-	-	-
2014 stock option plan	08/24/2015	75,000	-	-	-	-
2014 stock option plan	07/03/2017	10,000	-	-	-	-
Lapsed, forfeited or expired options		**169,000**				
Outstanding options		**1,293,500**				
thereof already exercised options		859,000				

Valuation model

For each issuance date, a separate options valuation was simulated, on the basis of a Monte Carlo model. The model is based on the work of Kevin D. Brewer, which is acknowledged to be significant for the modelling of option valuations: 'Geometric Brownian Motion, Option Pricing, and Simulation: Some Spreadsheet-Based Exercises in Financial Modelling'.

The share price performance over six years is simulated 100,000 times using a Monte Carlo simulation method for each issuance date. Each price is checked to see if it cleared the hurdle (condition 1) and is higher than the strike price on the predefined exercise dates (condition 2). If this is not the case, a zero value is assigned for each exercise date and also to the present value on the issuance date. If the value of the stock is above the strike price on one of the pre-defined exercise dates, then the option has an intrinsic value, which is discounted for the issuance date using a five-year risk-free rate (source: Bundesbank). It is assumed that the option is exercised on the first date possible, and that the average time from the date of issuance to the date of exercise is five years.

Pricing factors

The first factor that goes into the model is the price of the stock at issuance date (Xetra closing price). The options strike price is EUR 7.30 for the 2014 stock option plan and EUR 12.79 for the 2015 option plan. The volatility could not be derived from an implied volatility due to non-existent derivatives on the shares of flatex AG. Volatility was thus derived from the historic volatility of the share price (source: Bloomberg).

The risk-free rate for the modelling of the six-year binomial expansion is based on the six-year rates valid for the respective months of issuance, based on the yield curve of listed German government bonds (source: Bundesbank). The number of annual trading days is assumed to be 250.

The hurdles are stipulated in the respective program plan: in the 2014 options plan, it is 2 times the issuance price, in the 2015 option plan, it is 1.5 times the issuance price. Based on experience from the operating business, transaction cost for options is only a few percentage points of the option value and is therefore being ignored for the purposes of this calculation.

Option values

The pre-emptive rights granted from the 2015 stock option plan 2015 in the 2019 calendar year (87,000 units) had an average market value of EUR 362,790 (EUR 4.17 per option).

Stock option plan expenses

In relation to the stock option plans, kEUR 251 was recognised as an expense in the income statement and transferred to additional paid-in-capital in 2019 (previous year: kEUR 382). The underlying assumption was that 82% of issued options will in fact be exercised by the entitled employees.

The expense was divided pro rata temporis over the time from the date of issuance of the option to the first day the option was exercisable (end of vesting period). The resulting amounts are shown in the following table:

Program/year of issuance	Total value of options/ total expenditure in kEUR	Number of days	Expected allocation	2019 expenses to be captured/ capital reserve in kEUR
2015	**656**	**365**	**82%**	**147**
2014	**1,352**	**365**	**82%**	**103**
Total				**251**

NOTE 32 Segment reporting in accordance with IFRS 8

flatex AG is required by IFRS 8 to report on its operating segments. The manner of segmentation is based on the so-called management approach. Segments are subdivisions of the business for which separate financial information is available that is regularly evaluated by the Management Board and other managers as they allocate resources and evaluate performance.

The Financial Services (FIN) segment includes the products in B2C online brokerage, B2B white-label banking and electronic securities settlement and brokerage account management and other banking services. The segment is derived from flatex Bank AG, factoring.plus.GmbH and Brokerport Finance GmbH.

The Technologies (TECH) segment includes all IT-services; among other things it develops and operates the Group's FTX core banking system (FTX:CBS). In addition, this segment includes activities in research and development. The segment consists of the Group companies of flatex AG, financial.service.plus GmbH and Xervices GmbH.

Services provided between the segments are undertaken at arm's length based on existing contracts. Expenses for the holding structure are allocated to both segments using the apportionment procedure. For all transactions between the reporting segments, the basis of recognition is in compliance with IFRS provisions. There is a corresponding segment reporting to the Management Board of flatex AG.

The Group generates income from the transfer of goods and services on a time-related basis exclusively from the Group companies based in Germany. During the 2019 fiscal year, flatex AG did not realise any material revenues (> 10%) with just one customer.

Segment reporting for continuing activities in 2019

In kEUR	FIN	TECH	Consolidation	Total
Revenues	112,767	36,230	-17,045	131,952
Raw materials and consumables	45,465	5,608	-12,901	38,172
Personnel expenses	21,294	8,018	-3,904	25,409
Other administrative expenses	24,798	6,234	-241	30,791
EBITDA	**21,209**	**16,370**	**-**	**37,580**
Depreciation				12,829
Consolidated earnings before interest and income tax (EBIT)				**24,751**
Financial result				-3,123
Consolidated earnings before income tax (EBT)				**21,628**
Income tax expense				6,720
Consolidated net profit from continuing activities				**14,908**

Segment reporting for continuing activities in 2018

In kEUR	FIN	TECH	Consolidation	Total
Revenues	107,140	39,730	-21,770	125,100
Raw materials and consumables	44,517	5,462	-13,132	36,847
Personnel expenses	17,274	9,470	-4,830	21,914
Other administrative expenses	17,001	10,779	-3,808	23,972
EBITDA	**28,349**	**14,019**	**-**	**42,368**
Depreciation				8,180
Result from the derecognition of financial assets*				-3,570*
Consolidated earnings before interest and income tax (EBIT)				**30,618**
Financial result				-2,179
Consolidated earnings before income tax (EBT)				**28,440**
Income tax expense				10,965
Consolidated net profit from continuing activities				**17,475**

**Previous year's figures were adjusted. For a detailed presentation, see Note 7*

NOTE 33 Financial risk management

The Management Board incorporates potential opportunities and threats into its business and risk strategy and adjusts it accordingly as necessary. Monitoring and managing risks is a central component of flatex AG's management tools.

flatex AG takes a risk inventory on a regular basis - which may also be updated on an ad hoc basis – to counter any risks to which it is exposed through its business activities. With regards to financial instruments, these risks comprise the following categories:

- Credit default risk (also referred to as: default risk or credit risk): the risk of losses or forgone profits due to unexpected default by or unforeseeable deterioration in the creditworthiness of counterparties, in particular in the case of customers of flatex AG, and of bond issuers.
- Market price risk: the risk of losses due to changes in market prices, in particular as a result of changes in interest rates.
- Liquidity risk: the risk of losses resulting from liquidity shortfalls.

flatex AG has set up a separate Risk Management department for the overall and comprehensive assessment, limitation and management of risks. It contributes significantly to the Group-wide tasks of

- Risk identification
- Rsk assessment
- Risk management and
- Risk monitoring and risk communication.

flatex AG thereby supplements the extensive structural and procedural measures implemented to ensure that, in different parts of the Group, all relevant banking activities include material risk management and control processes.

The measures undertaken to standardise and produce a Group-wide, consistent risk management function have been completed.

Credit default risk

Counterparty default risk arises, in general, in every transaction that flatex AG undertakes with a business partner, in particular in loans to customers, trade receivables and, also in bonds in which the Group has invested. The maximum credit default risk essentially corresponds to the carrying amount of the financial assets. Collateral received as collateral or other credit enhancements are not available; we refer to the explanations below for further collateral received in connection with the granting of loans.

The Group undertakes individual impairment tests on an ad hoc basis (if there is an impairment trigger) and for the end of each reporting period. Impairment is recognised, for instance, when a business partner is in unexpected economic difficulty.

In addition, a number of receivables are bundled into homogeneous clusters and subjected to impairment tests.

Cash loans due to local authorities and other receivables are subject to their business-specific credit default risk, which is looked at and analysed on a daily basis.

Expected credit losses at the individual transaction and portfolio level

Impairment losses must already be taken into account at the time of initial recognition of the financial asset. The risk provision allocated to level 1 can be formed both at the level of individual transactions and at the portfolio level.

With regard to the credit strategy and the structure of the credit portfolios, please refer to the section entitled 'Management and Limitation of Counterparty Default Risks' in the risk report of the Group management report.

For larger credit exposures, including those arising from the surety holdbacks, the Group reviews periodically and on an ad hoc basis whether the credit default risk at the individual transaction level has significantly increased.

For credit exposures whose default or credit exposures are monitored and controlled in homogeneous portfolios by the bank's credit risk management, it is necessary to assess the default risk at the portfolio level, since the assessment at the level of the individual financial instrument would result in a change in the credit default risk being recognised too late.

Risk provisions at portfolio level are calculated at least quarterly.

For the calculation of the expected credit loss, parameters are used which are available to fulfil the supervisory requirements of the CRR. In order to determine the expected lot (EL) according to CRR, a multiplicative link between the probability of default (PD), the loss given default (LGD) and the exposure amount in the exposure at default (EaD) is carried out using the following formula:

$$\text{Impairments or risk provisions (EL)} = PD \times LGD \times EaD$$

At the Group level, an allowance is recognised in the amount of the expected credit losses that occur within the next twelve months.

Risk provisions for Level 1 financial instruments must therefore be recognised in the amount of the 12-month ECL. The 12-month ECL corresponds to the expected loss over the residual maturities resulting from a loss that is possible within the next twelve months. This requires the weighting of the ECL with the likelihood of a default of the financial instrument within the next twelve months following the valuation day (hereinafter 12-month PD; PD_t^{12M}). Using the CRR calculation formula described above, the 12-month ECL is as follows:

$$ECL_t^{12M} = PD_t^{12M} \times LGD_t \times EAD_t$$

This corresponds to the portion of expected credit losses from default events expected within twelve months of the end of the reporting period. If the credit risk has not increased significantly since the initial recognition, the financial instrument remains at level 1.

For an assessment at the loan portfolio level, a grouping of individual transactions takes place on the basis of credit default risk characteristics of similar financial product groups.

The Financial Services security-backed loans (Lombard & flatex flex loans) are loans secured by diversified deposited security collateral in the custody accounts. The mortgage lending value is set very conservatively with high discounts. Lombard and flatex flex customers are immediately warned in a three-stage dunning process for payment if the mortgage lending limits are not met.

The loans allocated to the diversified factoring portfolio in the Financial Services division are collateralised by deposited security collateral, contingency insurance, guarantees, assignments of claims, in particular sponsorship, TV and advertising rights. The LGD is derived from the one-year historic recovery rate by rating from the recent study by Moody's (Annual Default Study: Corporate default and recovery rates, 1920-2017, from 15 February 2018). As an EaD, the factoring receivables are calculated based on utilisation less trade credit insurance and security deposits.

Determination of the significant increase in credit risk

To assess a significant increase in the risk of default, the credit default risk at the time of acquisition is compared with the default risk at the end of the reporting period.

An allowance is recognised in the amount of the lifetime expected credit loss (LTECL) for those financial assets that have assumed a significant increase in credit risk since their initial recognition. This requires the calculation of the ECL based on the lifetime probability of default (LTPD), which represents the probability of default over the residual maturities of the financial assets. Credit risk provisioning is higher at this stage as credit risk increases and the impact of a longer time horizon compared to twelve months in level 1 is taken into account.

The Group considers comprehensible information that is relevant and available without undue burden when determining whether the credit risk (i.e. the credit default risk) of a financial asset has increased significantly since the initial recognition. This includes quantitative and qualitative information that is based on previous experience of the Group, analyses and assessments of credit default risk, among others

- the considered financial instrument,
- the debtor and
- the geographical region of the debtor and
- forward-looking information (including macroeconomic factors).

Procedure for the early detection of increased default or credit risks

The procedure for the early detection of increased default or credit risks is used to identify borrowers whose commitments are beginning to show latent or increased risks. It is designed to enable the Group to identify credit default risk exposures at an early stage so that appropriate risk mitigation measures can be taken if necessary.

The monitoring of early warning signals in lending businesses is organised at various levels:

- annual monitoring
- systematic, event-oriented monitoring in the context of electronic dunning
- systematic, event-oriented monitoring by credit agencies (SCHUFA and Creditreform)
- event-oriented monitoring on the basis of other information (e.g. press reports)

The following are early warning signals in the lending business, which make it easier to identify a possible increased risk. If factors for the determination of an increased credit default risk cannot be identified at individual loan level, an investigation is carried out at a higher aggregated level (e.g. sub-portfolio).

Significant changes in the external market indicators of credit default risk for a particular financial instrument, such as borrower default credit default swap rates, and internal credit ratings are used as early warning indicators.

The assessment of credit default risk at the debtor level may lead to divergent results than an individual transaction-level assessment. Therefore, other financial instruments of the same borrower are also checked to see whether the credit default risk has increased significantly.

Accountability, contractual compliance and behaviour of the borrower (among other things overdue), including in the form of overdrafts of credit lines, non-compliance with agreements, conditions and covenants as well as non-payment of interest and principal of more than 30 days, are early warning signals for an increased credit risk in the Group. When these early warning signs occur, a test is carried out to determine whether an increase in risk provisioning and possibly also a different allocation to levels is necessary due to a change in the external rating.

Any actual or anticipated significant adverse changes in the borrower’s regulatory, economic or technological environment that results in a significant change in the borrower's ability to meet its debt obligations (such as a decline in demand for the borrower’s products due to a technology shift) will serve as further indicators of increased credit default risk.

Furthermore, significant changes in the value of the collateral for the obligation or the quality of the guarantees or collateral security of third parties are recorded that is likely to reduce the economic incentive of the borrower to make planned contractual payments or that is likely to affect the likelihood of a default occurring.

If the debtor is likely to indicate breaches of contract that may lead to waivers or supplements, interest payment pauses, increases in interest rates, additional collateral or guarantees required or changes in the contractual framework of the instrument, it is examined whether any potential increased default risks can be identified.

Framework for identification of financial assets at risk of default

Under IFRS 9, the Group follows the definition of loans classified as defaults in accordance with the Capital Requirements Regulation (CRR) pursuant to Art. 178 with its definition of impaired loans.

The assessment of whether a financial asset is at risk of default concentrates exclusively on credit default risk without taking into account the effects of credit risk mitigants such as collateral or guarantees. Specifically, a financial instrument is at risk of default and assigned to level 3 if the Group assumes that the borrower (debtor) will not meet its loan obligations to the Group company. This definition includes measures where the borrower has been granted, for economic or legal reasons, a concession that is a qualitative indicator of a credit reduction or contractual payments of principal or interest by the debtor are more than 90 days past due.

As part of the allocation to levels, financial instruments with an external investment grade rating are allocated to level 1 in the case of irrevocable addition as well as in the case of subsequent measurement, since a lower default risk is expected in those cases. For financial instruments with an investment grade rating, it is thus not necessary to examine a significant increase in the default and to perform ongoing risk assessment.

Financial instruments with an external non-investment grade rating are also allocated to level 1 upon acquisition. If the above-mentioned early warning signs occur in the course of subsequent measurement, a test is performed to determine whether there is a significant increase in the default risk, whether an increase in risk provisions is necessary and whether the financial instrument needs to be transferred out of level 1. The assessment is based on the development of the external rating, among other things.

The default risk in level 1 essentially corresponds to an analogous investment grade rating, in level 2 to that below an investment grade rating and in level 3 no full repayment is expected. Level 3 financial instruments are considered individually with regard to the determination of an impairment.

The changes in the risk provisions in 2019 was as follows:

In kEUR	12-month ECL	Total ECL maturity – unimpaired financial instruments	Total ECL maturity – depreciated financial instruments	Total
Risk provision at the beginning of the year	942	28	6,889	7,859
Changes in the provision for losses of financial assets including newly issued or acquired financial assets	-76	637	3,366	3,927
Changes in impairment for irrevocable loan commitments	-15	-	-	-15
Risk provision at the end of the reporting period	**851**	**665**	**10,256**	**11,771**

The changes in the risk provisions in 2018 was as follows:

In kEUR	12-month ECL	Total ECL maturity – unimpaired financial instruments	Total ECL maturity – depreciated financial instruments	Total
Risk provision at the beginning of the year	560	-	-	560
Changes in the provision for losses of financial assets including newly issued or acquired financial assets	345	28	6,889	7,262
Of which: additions to risk provisions through acquired financial assets in the context of the acquisition of factoring.plus.GmbH	-	-	889	889
Changes due to disposals of financial instruments (including repayments, disposals)	-	-	-13	-13
Changes in impairment for irrevocable loan commitments	37	-	-	37
Risk provision at the end of the reporting period	**942**	**28**	**6,876**	**7,846**

The increase in risk provisions in the amount of kEUR 3,366 (previous year: kEUR 6,015) results in particular from specific provision for losses on receivables from the factoring business of factoring.plus.GmbH from companies in Germany.

The first level (12-month ECL) particularly includes the security-backed loans (Lombard and flatex flex loans) with a gross carrying amount of kEUR 134,781 (previous year: kEUR 108,109). Due to the very conservative lending system and the low historical defaults, they are treated as financial instruments with an external investment grade rating for which a lower default risk is expected. Furthermore, level 1 includes receivables from borrowers with an external investment grade rating from the factoring portfolio with a gross carrying amount of kEUR 190,325 (previous year: kEUR 77,320) from the portfolio of other financing in the amount of kEUR 84,325 (previous year: kEUR 35,187), receivables from banks from the treasury portfolio in the amount of kEUR 124,973 (previous year: kEUR 150,772) and shares in infrastructure and residential property funds in the amount of kEUR 65,746 (previous year: kEUR 0). In addition, irrevocable loan commitments with a gross carrying amount of kEUR 216,827 (previous year: kEUR 193,812) are allocated to this level 1. For further information on the irrevocable loan commitments, see Note 16 Liabilities to customers.

Level 2 (full term ECL of non-impaired financial instruments) includes security-backed loans and loans from credit platforms secured by securities with a significantly increased credit default risk with a gross carrying amount of kEUR 1,998 (previous year: kEUR 33), purchased receivables from true sale factoring with a gross carrying amount of kEUR 8,472 (previous year: kEUR 0) and purchased receivables from platforms with a gross carrying amount of kEUR 611 (kEUR 1,546).

Level 3 (full term ECL of impaired financial instruments) comprises receivables from the factoring business from retail companies in Germany with a gross carrying amount of kEUR 15,371 (previous year: kEUR 12,496) and security-backed loans with a gross carrying amount of kEUR 380 (previous year: kEUR 0)

Market price risk

flatex Bank AG has extensive cash deposits. Since these funds are not reinvested at times congruent to when they are taken in, flatex Bank AG incurs an additional market risk in the form of interest rate risk through the resulting yield curve gaps. Market interest rates have a significant impact on the prices and valuations of the financial instruments of flatex Bank AG and may therefore have a positive or negative impact on the profitability of the Group.

flatex AG mitigates these interest rate risks by reinvesting its customers' cash deposits with a small time gap (conservative asset liability management), so there is currently no need for hedging transactions. However, the management of flatex AG reserves the right to take action if interest rates change unfavourably or if the overall risk situation should require it.

The following table shows the sensitivity of the Group's profit before tax and the Group's equity to possible changes in market interest rates of 0.5 percentage points up or down, all other variables remaining equal:

In kEUR	Change in market interest rate in percentage points	Pre-tax Earnings (new) in kEUR	Equity (new) in kEUR
2019	+0.5 percentage points	19,312	186,606
2019	-0.5 percentage points	10,504	177,798
2018	+0.5 percentage points	25,448	171,629
2018	-0.5 percentage points	16,640	162,821

The risk from movements in exchange rates (currency risk) in financial instruments at flatex AG is immaterial.

Liquidity risk

flatex AG monitors its liquidity regularly and ensures its continuous funding through the use of debt financing and operating leases. flatex AG has taken appropriate measures to secure financing of the ongoing expansion and introduced so-called liquidity coverage ratios in its internal reporting structure, so that the risks of insufficient financial resources are regularly monitored.

Risk concentration

Risk concentration is of particular importance for flatex AG, especially with regard to potential cumulative counterparty default risks among bond issuers or partners in the Group's lending business ('cluster risk'). flatex AG has investment guidelines, and a limit system derived from it, which generally prevents risk concentrations. In addition, the new loan portfolio model introduced in 2016 and the Group's ongoing risk reporting facilitate initiation of countermeasures at an early stage, as soon as potential risk concentrations appear. The monitoring is thereby carried out with regard to possible concentration trends in maturity terms, in the geographic spread of counterparties, and in asset classes, but in particular with regard to possible concentration risks in individual counterparties (outside the central banking sector). As at the end of reporting period on 31 December 2019, the nominal value of the highest claim to a single counterparty was EUR 19.6 million (previous year: EUR 26.9 million).

Capital management

The Group's objectives with regard to capital management are to ensure the continuation of the business, in order to meet the requirements of the shareholders and other stakeholders regarding its expected performance. To date, flatex AG has relied on traditional equity financing (e.g. issuance of new shares) and debt financing. The sum of the equity and debt capital is managed as capital. The key control parameter for the strategic capital structure is the equity ratio derived from the consolidated statement of balance sheet. It is the stated goal of our long-term capital management to further strengthen the equity ratio over the coming years. Compared to the previous year, there have been no material changes in terms of capital management.

Individual group companies have been subject to regulatory minimum capital requirements during the reporting period. Such requirements are included in the capital management planning at Group level. All existing minimum capital requirements have been consistently met.

NOTE 34 Dividends

No dividends were distributed by flatex AG during the reporting period.

NOTE 35 Auditors' fees

The fees for the auditors recognised as expenses in the fiscal year are as follows:

In kEUR	2019	2018
Audit of the financial statements	996	1,388
of which: BDO AG	570	711
of which: Baker Tilly GmbH & Co. KG	354	-
of which: TREUWERK AUDIT GmbH	72	657
of which: for previous year	262	360
Other assurance services	-	-
Tax advisory services	-	34
Other	-	14
Total	**996**	**1,436**

The decrease in expenses for audits of the financial statements by kEUR 392 is due to the absence of special accounting and regulatory effects in the previous year.

NOTE 36 Events after the reporting period

Coronavirus pandemic in Europe

With the outbreak of the respiratory disease COVID-19 and the resulting Europe-wide pandemic, the World Health Organization (WHO) declared an international health emergency on 30 January 2020. Since then, flatex AG has regularly followed the current recommendations of the Robert Koch Institute and the orders of state and federal government of the Federal Republic of Germany to contain the pandemic. Wherever possible, the employees are working from home.

The COVID-19 pandemic has not yet had any negative effects on the economic situation of flatex AG. Nevertheless, the sharp rise in volatility on the stock markets has resulted in a significant increase in transactions in the Group's brokerage business.[11]

[11] onvista Media GmbH (publ.): flatex AG: Best quarter ever – volatility generates absolute record growth. April 2020.

Independent auditor's report

To flatex AG, Frankfurt am Main

AUDIT OPINIONS

We have audited the consolidated financial statements of flatex AG, Frankfurt am Main, and its subsidiaries (the Group). Our audit included the consolidated balance sheetas of 31 December 2019, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated cash flow statement, and the consolidated statement of changes in equity for the fiscal year from 1 January 2019 to 31 December 2019, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. We also audited the group management report of flatex AG for the fiscal year from 1 January 2019 to 31 December 2019. We have not examined the components of the Group's annual report included under 'OTHER INFORMATION'.

In our opinion, based of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply in all material respects with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to HGB-Section 315e(1) and give a true and fair view of the net assets and financial position of the Group as of 31 December 2019 as well as its earnings for the fiscal year from 1 January 2019 to 31 December 2019, and
- the accompanying Group management report gives a true and fair view of the Group's position. The Group management report is consistent with the consolidated financial statements in all material respects, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development.

Pursuant to HGB Section 322(3)(1), we declare that our audit has not led to any objections regarding the compliance of the consolidated financial statements and the Group management report.

BASIS FOR THE AUDIT CONCLUSIONS

We conducted our audit of the consolidated financial statements and the Group management report in accordance with HGB Section 317 and Germany's generally accepted standards for the audit of financial statements as promulgated by the Institute of Public Auditors in Germany (IDW).

Our responsibilities under these rules and regulations are further described in the section of our auditor's opinion entitled 'AUDITORS' RESPONSIBILITY FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT'. We are independent of the Group companies in accordance with German commercial law and the professional code of conduct and have fulfilled our other professional obligations under German law in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit conclusions on the consolidated financial statements and the Group management report.

OTHER INFORMATION

Management is responsible for the other information. Other information includes:

- the parts of the Group's Annual Report entitled 'Highlights', 'Key Figures of the Company', 'Letter from the Management Board' and 'Report of the Supervisory Board' provided as a draft by the date of the auditor's opinion.

Our audit opinions on the consolidated financial statements and the Group management report do not involve the other information and accordingly we are not issuing any audit conclusion or other form of audit findings for them.

In connection with our audit of the consolidated financial statements, we have a responsibility to read the other information and to assess whether the other information

- reveals material inconsistencies with the consolidated financial statements, the Group management report or our knowledge acquired during the audit, or
- otherwise appears materially misrepresented.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVE AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Management is responsible for the preparation of the consolidated financial statements, that complies in all material respects with the IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to HGB Section 315e(1). They must also ensure that the consolidated financial statements provide a true and fair view of the net assets, finances and earnings of the Group. Furthermore, the legal representatives are responsible for the internal control features that they have determined to be necessary to facilitate the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparating the consolidated financial statements, management is responsible for assessing the Group's to continue as a going concern. They are also responsible for disclosing, as applocable, matters related to going concern. Furthermore, they are responsible forfinancial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative, but to do so.

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

The Supervisory Board is responsible for overseeing the Group's accounting process for preparing the consolidated financial statements and the Group management report.RESPONSIBILITY OF THE AUDITOR FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements,whether due to fraud or error,and whether the Group management report as a whole provides an appropriately view of the situation of the Group as a whole; and is consistent in all material respects with the consolidated financial statements, as well as with the obtained insights from the audit; if it complies with the German statutory regulations and represents the chances and risks of the future development correctly, as well as to issue an auditor´s report that includes our opinions on the consolidated financial statements and the Group management report.

Reasonable assurance is a high degree of certainty, but no guarantee that an audit conducted in accordance with HGB Section 317 and in compliance with the German Generally Accepted Standards for the Audit of Financial Statements as promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) will always reveal a material misstatement. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economicdecisions of addressees made on the basis of these consolidated financial statements and the Group management report.

During the audit, we exercise professional judgment and maintain professional scepticism throughout the audit. Furthermore,

- we identify and assess the risks of material misstatement, whether due to fraud or error, in the consolidated financial statements and the group management report. We also plan and perform audit procedures in response to such risks and obtain audit evidence that is sufficient and suitable to form the basis of our audit opinions. The risk of not detecting material misstatements from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- we obtain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- we evaluate the appropriateness of accounting policies used by Management and the reasonableness of the estimates and related disclosures made by the Management.
- we conclude on the appropriateness of management´s use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may give rise to significant doubts as to the Group’s ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in the auditor’s report to the relevant disclosures in the consolidated financial statements and the Group management report or, if these disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances cause the Group to cease be able to continue as a going concern.
- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner to ensure that the consolidated financial statements comply in all material respects with the IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to HGB Section 315e(1). They must also ensure that the consolidated financial statements provide a true and fair view of the net assets, financial and earnings position of the Group.
- we obtain sufficient, appropriate audit evidence for the financial information of the entities or business activities within the Group to provide audit opinions on the consolidated financial statements and the Group management report. We are responsible for the guidance, supervision and execution of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- we evaluate the consistency of the Group management report with the consolidated financial statements, its compliance with the German law, and the fair view of the Group’s position that it provides.

- we perfom audit procedures on prospective information presented by management in the Group management report. Based on sufficient, appropriate audit evidence, we evaluate, in particularly, the significant assumptions used by management as a basis for the prospective information from these assumptions. We do not provide an independent opinion on the prospective information and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the prospective information.

Among other things, we discuss the planned scope and timing of the audit with the people in charge of monitoring, as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

Frankfurt am Main, 19 May 2020

BDO AG

Wirtschaftsprüfungsgesellschaft

signed Otte	signed Hebel
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

Audited Consolidated Financial Statements of flatex AG prepared in accordance with IFRS as at and for the financial year ended 31 December 2018

Consolidated Balance Sheet -IFRS

as of 31 December 2018

In TEUR	Note	12/31/2018	12/31/2017
Assets		**1,227,738**	**1,107,433**
Non-current assets		**132,493**	**97,373**
Intangibles assets	9	82,664	62,953
Goodwill	9	36,555	28,780
Internally-generated intangible assets	9	35,128	26,022
Customer relationships	9	7,960	5,262
Other intangible assets	9	3,021	2,890
Property, plant and equipment	11	7,593	6,973
Financial assets and other assets		1,126	951
Non-current loans due to customers	12	41,110	26,497
Deferred tax	26	-	-
Current assets		**1,095,245**	**1,009,677**
Inventories and work in progress		188	113
Trade receivables		15,512	7,593
Other receivables		7,156	1,255
Other current financial assets	12	417,342	603,714
Financial assets measured at fair value through other comprehensive incom (FVOCI)	12	57,374	87,297
Financial assets measured at fair value through profit or loss (FVPL)	12	893	1,125
Cash loans due to local authorities	12	18,900	237,165
Current loans due to customers	12	217,244	175,415
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)		82,465	90,102
Other receivables due to banks	12	40,466	12,610
Cash and cash equivalents	12	655,046	397,002
Cash - cash on hand	12	11,564	26,937
Cash balances with banks	12	5,367	11,870
Cash - balances with central banks	12	550,079	224,355
Receivables due to banks (on demand)	12	88,036	133,839
Assets from discontinued operations		**-**	**383**

In kEUR	Note	12/31/2018	12/31/2017
Liabilities and Shareholders' Equity		**1,227,738**	**1,107,433**
Equity		**167,225**	**112,724**
Subscribed capital	13	18,737	17,506
Additional paid-in capital	13	101,406	67,540
Retained earnings	13	46,592	27,677
Noncontrolling interests		490	-
Liabilities		**1,060,513**	**994,709**
Non-current liabilities		**30,395**	**29,392**
Non-current liabilities to banks	14	9,874	16,040
Non-current liabilities to non-banks	14	5,952	3,345
Pension obligations	15	6,253	7,203
Deferred tax liabilities	26	8,316	2,804
Current liabilities		**1,030,118**	**965,317**
Trade payables		2,780	963
Liabilities to customers	16	955,489	885,112
Liabilities to banks	17	57,259	61,010
Other financial liabilities	18	2,219	7,463
Tax provisions	20	5,541	3,215
Other provisions	19	6,830	7,554

Consolidated Statement of Income - IFRS

as from 01 January to 31 December 2018

In kEUR	Note	2018	2017
Total net revenues	21	125,100	107,014
Thereof interest income from financial instruments measured at amortized cost		10,909	9,012
Raw materials and consumables	22	36,846	30,985
thereof impairment losses	32	6.970	n.a.
Personnel expenses	23	21,914	23,143
Other administrative expenses	24	23,972	20,812
Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA)		**42,368**	**32,073**
Depreciation, amortisation and write-downs	911	8,180	5,590
Consolidated earnings before interest and income tax (EBIT)		**34,188**	**26,484**
Net financial income/finance costs	25	-2,179	-1,288
Consolidated earnings before income tax (EBT)		**32,010**	**25,195**
Income tax expense	26	10,965	8,179
Consolidated net profit from continuing activities		**21,044**	**17,016**
Loss from discontinued operations		-	-220[1)]
Consolidated net profit		**21,044**	**16,796**
Minority shareholders' share of income		-	-
Majority shareholders' share of income		-	16.796

[1)] 2018, the loss from discontinued operations amounted to kEUR -55

Consolidated Statement of Comprehensive Income - IFRS -

as from 01 January to 31 December 2018

In kEUR	Note	2018	2017
Consolidated net profit		**21,044**	**16,796**
Income and expense items recognised directly in equity			
Pensions		433	-303
Actuarial gains/losses	15	399	-164
Remeasurement of plan assets	15	68	91
Reimbursement rights	15	-34	-46
Adjustment previous year		-	-184
Securities			
Change in value reported in equity		-3.605	544
Deferred tax	26	910	-152
Pensions		-135	92
Securities		1,045	-244
Total other loss/earnings		**-2,262**	**90**
Comprehensive income		**18,782**	**16,885**

Consolidated Cash Flow Statement - IFRS -

In kEUR	**2018**	**2017**
Net income from continuing activities	**21,044**	**17,016**
Depreciation and amortisation/appreciation on property, plant and equipment and intangible assets	7,813	5,590
Increase/decrease in trade receivables	-7,937	944
Increase/decrease in other receivables, act. def. taxes, coverage	-6,064	10,134
Increase/decrease in inventories	-75	220
Increase/decrease in trade payables	1,817	-4,881
Increase/decrease in other financial liabilities	-5,226	3,650
Increase/decrease in provisions, changes in def. taxes, pension obligations	6,164	-8,883
Other non-cash transactions	-	-60
Cash flow from operating activites - before banking operations	**17,536**	**23,729**
Increase/decrease in receivables from customers	-54,347	-70,787
Increase/decrease in receivables from cash loans due to local authorities	216,171	164,006
Increase/decrease in receivables from credit institutions	-27,856	-282
Increase/decrease in liabilities to customers	70,377	-454,734
Increase/decrease in liabilities to credit institutions	-3,751	735
Increase/decrease in financial assets measured at FVOCI	37,550	336,817
Increase/decrease in financial assets measured FVPL	223	228
Other non-cash transactions	-2,262	544
Cash flow from banking operating activities	**236,105**	**-23,473**
Cash flow from operating activities - continuing activities	**253,641**	**256**
Cash flow from discontinued operations	-	-144
Cash flow from operating activities	**253,641**	**112**

In kEUR	2018	2017
Proceeds from the disposal of intangible assets	6	-
Disbursements for investments in intangible assets	-13,211	-9,343
Proceeds from the disposal of fixed assets	134	-
Disbursements for investments in fixed assets	-3,082	-3,244
Inflow from disposals from the scope of consolidation	-	-
Payments for disbursements to the scope of consolidation	-	-
Non-cash movements in fixed assets (merger)	-11,604	-
Cash flow from investments in continuing activities	**-27,756**	**-12,587**
Cash flow from investments in discontinued operations	-	-
Net cash flow from investing activities	**-27,756**	**-12,587**
Increase/decrease in non-current liabilities to banks (loans)	-6,166	13,165
Increase/decrease in non-current liabilities to non-banks	2,607	2,291
thereof from changes in the group of consolidated companies	1,602	-
Inflow from capital increase by the parent company`s shareholders	97	-
Inflows from capital increase by other shareholders	34,934	18,158
Outflows for increase of shares without change of control	-	-
Outflows for acquisition of own shares	-	-
Non-cash changes in equity	687	-
Outflow for increase of shares without change of control	-	-13,340
Cash flow from financing activities	**32,160**	**20,273**
Change in cash and cash equivalents	**258,045**	**7,799**
Cash and cash equivalents at the beginning of the period	397,002	389,202
Cash and cash equivalents at the end of the period	**655,047**	**397,002**

Additional information according to IAS 7

In kEUR	As of 01/01/2018	Cash changes
Non-current liabilities		
Liabilities to banks	16,040	-6,166
Liabilities to non-banks	3,345	2,607
Total	**19,385**	**-3,559**

				Non-cash changes	As of 12/31/2018
Acquisitions	Currency effects	Fair values	Reclassifications	Other	
-	-	-	-	-	9,874
-	-	-	-	-	5,952
-	**-**	**-**	**-**	**-**	**15,826**

Consolidated Statement of Changes in Equity -IFRS-

as of 31 December 2018

In kEUR	Subscribed capital	Additional paid-in capital	Consolidated paid-in capital
As of 12/31/2016/ 01/01/2017	**16,811**	**49,690**	**7,343**
Issue of new shares	696	-	-
Contributions to / withdrawals from reserves	-	17,850	-
Changes in the group of consolidated companies not involving a change of control	-	-	1,727
Dividend distribution	-	-	-
Other earnings	-	-	-
Consolidated net profit	-	-	16,796
As of 12/31/2017/ 01/01/2018	**17,507**	**67,540**	**25,866**
Issue of new shares	1,230	33,708	139
Contributions to / withdrawals from reserves	-	388	-7
Changes in the group of consolidated companies not involving a change of control	-	-230	-
Dividend distribution	-	-	-
Other earnings	-	-	-
Consolidated net profit	-	-	21,044
As of 12/31/2018	**18,737**	**101,406**	**47,042**

Actuarial gains / losses	Unrealized net gains / losses from financial assets, measured at fair value through other comprehensive income (FVOCI)	Total	Noncontrolling interests	Total Equity
1,969	**-247**	**75,565**	**15,063**	**90,629**
-	-	696	-	696
-	-	17,850	-	17,850
-	-	1,727	-15,063	-13,336
-	-	-	-	-
-182	271	89	-	89
-	-	16,796	-	16,796
1,787	**24**	**112,724**	**-**	**112,724**
-	-	35,077	-	35,077
-	-	381	-	381
-	-	-230	490	260
-	-	-	-	-
298	-2,560	-2,262	-	-2,262
-	-	21,044	-	21,044
2,085	**-2,536**	**167,734**	**490**	**167,225**

List of abbreviations

acc.	according to
AFE position	Assets, financial and earnings position
afs	Financial assets available for sale
AG	Stock corporation
AK/HK	Acquisition or production costs
AktG	Stock Corporation Act
B2B	Business to Business
B2C	Business to Consumer
BaaS	Banking as a Service
BPO	Business Process Outsourcing
C&T	Credit & Treasury
CAD	Canadian Dollar
CDS	Credit Default Swap
CEO	Chief Executive Officer
CFD	Contract for Difference
cfe.	compare
CFO	Chief Financial Officer
CGU	Cash generating unit
CHF	Swiss Franc
CODM	Chief Operating Decision Maker
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
DACH	Germany, Austria, Switzerland
DAX	German stock index
DCF	Discounted Cash-Flow
DRS	German Accounting Standard
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EBT	Earnings before income taxes
EC	European Community
ECB	European Central Bank
ECL	Expected Credit Loss
ERP	Enterprise Resource Planning
EU	European Union
FIN	Financial Services
FTG	FinTech Group AG
FTG Bank	flatex Bank AG (fka FinTech Group Bank AG)
FTG:CBS	FinTech Group Core Banking System
FX	Foreign Exchange
GAAP	Generally Accepted Accounting Principles
GCM	General Clearing Member
GfBk	Gesellschaft für Börsenkommunikation
GmbH	Limited liability company

hft	Financial assets measured at fair value through profit or loss
HGB	German Commercial Code
HRB	Commercial register Department B
HV	General meeting
i. e. S	strictly speaking
i. S. d	as defined in
i.e.	that means
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFRS IC	IFRS Interpretations Committee
ISO	International Organisation for Standardisation
IT	Information Technology
KDE	Cash and securities custody account opening
kEUR	Thousand euros
KPI	Key Performance Indicator
KWG	German Banking Act
L.O.X	Limited Order Xervices
M&A	Mergers & Acquisitions
MaRisk	Minimum Requirements for Risk Management
mbh	with limited liability
mEUR	Million euros
MiFID	Markets in Financial Instruments Directive II
MIR	Market interest rate
MRR	Monthly Risk Report
OCI	Other Comprehensive Income
OTC	Over The Counter
P&L	Profit and loss account
p.a.	per annum
Para.	Paragraph
PSD2	Revised Payment Service Directive 2
R&D	Research and Development
reg.	regarding
SaaS	Software as a Service
SIN	Securities identification number
T2S	TARGET2-Securities
TecDax	Index of technology stocks
TECH	Technologies
TRG	Transition Resource Group
USD	United States Dollar
VaR	Value at Risk
WACC	Weighted average cost of capital
WpHG	Weighted average cost of capital

Notes to the Consolidated Financial Statement as of 31 December 2018

NOTE 1 About the Company / the Group

The consolidated financial statements presented here are those of FinTech Group AG and its subsidiaries.

FinTech Group AG is headquartered in Frankfurt on the Main, Germany; its Frankfurt commercial register number is HRB 103516. The registered business address is Rotfeder-Ring 7, 60327 Frankfurt am Main, Germany.

The registered no-par-value shares of the company are traded on the regulated open market (ISIN DE000FTG1111 / German securities code FTG111).

The Group's business activities are the supply of innovative technologies for the financial sector in general and for online brokerage in particular, as well as the provision of financial services and IT services.

FinTech Group AG's immediate parent company is GfBk Gesellschaft für Börsenkommunikation mbH, Kulmbach. The ultimate parent company of the Group is BFF Holding GmbH,

The consolidated financial statements of the Group have been finalised on 27 June 2019 and presented to the Supervisory Board on 27 June 2019 for approval of publishing. Once published, the consolidated financial statements cannot be restated.

NOTE 2 Basis of Preparation

For companies within the European Union, the preparation of consolidated accounts in financial statements with IFRS is mandatory, as long as the companies are publicly traded companies (Article 4 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002). All other parent companies shall prepare consolidated financial statesments in accordance with their respective national laws.

The German Federal Government has implemented the EU Regulation through the Accounting Law Reform Act, which has introduced, inter alia, Section § 315e of the German Commercial Code (HGB). Accordingly, a publicly traded German parent company must prepare consolidated financial statements in accordance with IFRS (Section 315e para. 1 in conjunction with Section 290 para. 1 HGB). A publicly traded company is defined as a company whose stock is listed on an organised market (Section 2 par. 11 German Securities Act (WpHG).

Since FinTech Group AG is currently only traded on the open market (scale segment), it does not have to prepare IFRS-compliant consolidated financial statements.

However, in line with Section 315e (3) HGB, FinTech Group AG has opted to voluntarily prepare its consolidated financial statements in accordance with IFRS. The first consolidated financial statements according to IFRS were prepared as per 31 December 2015.

The consolidated financial statements are in full compliance with IFRS as applicable within the European Union, and with the supplementary provisions of Section 315e HGB. The consolidated financial statements of FinTech Group AG are based on the going concern assumption of accounting.

The asset, financial and earnings position as well as the cash flows of the Group correspond to the actual circumstances.

The accounting and measurement methods applied in the previous year have been upheld, except for changes required by new or amended Standards as well as an adjustment in the segment reporting in accordance with IFRS 8 to increase the quality of information.

FinTech Group AG presents information in thousands or millions of currency units. Generally, the information is expressed in millions of units. Detailed information in the income statement is presented in thousands of units. The presentations in thousands and millions of units are rounded. When calculating with rounded numbers, slight rounding differences may occur.

NOTE 3 Group of consolidation companies

The consolidated financial statements include the financial statements of FinTech Group AG and the subsidiaries controlled by it.

As a parent company, FinTech Group AG controls other entities if FinTech Group AG has direct or indirect control over the potential subsidiary through voting or other rights, participates in positive or negative variable returns from its involvement with the potential subsidiary and has the ability to affect those returns through its power over the investee.

Group of consolidated companies of FinTech Group AG as of 01 January 2017:

- Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach (100%)
- flatex GmbH, Kulmbach (100%)
- flatex & friends GmbH, Kulmbach (100%)
- XCOM AG, Willich (73.77%)

XCOM AG in turn had direct and indirect equity investments in the following companies:

- XCOM Finanz GmbH, Willich (100%, now: flatex Finanz GmbH)
- biw Bank für Investments und Wertpapiere AG, Willich (100%, now: flatex Bank AG)
- ViTrade GmbH, Willich (100%)
- Brokerport Finance GmbH, Willich (100%)
- Xervices GmbH, Willich (100%)
- BrokerPort AG in processing, Willich (100%)
- XCOM Trading Services GmbH in Liquidation, Willich (100%)
- b2clear GmbH, Willich (100%)

Changes in group of consolidated companies in 2017:

In 2017, there was no change in the group of consolidated companies. Within the group of consolidated companies, the following changes occurred in the companies that were included in the consolidated financial statements for fiscal year 2017:

XCOM AG and flatex & friends GmbH were merged to from FinTech Group AG retrospectively from 01 January 2017. The remaining noncontrolling shareholders of XCOM AG, in this context, were squeezed out against cash compensation, in a squeeze-out based on merger law. In addition, b2clear GmbH was merged to from XCOM AG, also retrospectively from 01 January 2017.

biw Bank für Investments und Wertpapiere AG changed its name to FinTech Group Bank AG on 15 June 2017; XCOM Finanz GmbH changed its name to FinTech Group Finanz GmbH on 10 October 2017.

The merger of ViTrade GmbH to flatex Bank AG have been effected retrospectively from 01 January 2017 on. Operations and staff were taken over and integrated by FinTech Group Bank AG, who will continue to use the ViTrade brand.

BrokerPort AG in Liquidation Proceedings and XCOM Trading Services GmbH in Liquidation were liquidated in 2017.

Group of consolidated companies overview of FinTech Group AG as of 31 December 2017/01 January 2018:

- Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach (100%)
- flatex GmbH, Kulmbach (100%)
- FinTech Group Finanz GmbH, Frankfurt am Main (100%, now: flatex Finanz GmbH)
- FinTech Group Bank AG, Frankfurt am Main (100%, now: flatex Bank AG)
- Brokerport Finance GmbH, Frankfurt am Main (100%)
- Xervices GmbH, Willich (100%)

Changes in group of consolidated companies in 2018:

Effective 12 July 2018, Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach, was sold and deconsolidated. This company was classified as a discontinued operation until its disposal. The current loss of Die AKTIONÄRSBANK Kulmbach GmbH in the amount of kEUR -55.4 is attributed to the Financial Services segment for materiality reasons. For further information, please refer to the 2017 Annual Report.

With effect of 30 December 2018, factoring.plus.GmbH, Leipzip, was acquired. This includes the acquisition of a 72% stake in financial.service.plus GmbH, Leipzig.

The associated company Finotek Europe GmbH, Frankfurt am Main, was sold with effect from 31 December 2018. The associated company was not included in the consolidated financial statements due to materiality.

Within the group of consolidated companies, the following changes occurred in the companies that were included in the consolidated financial statements for fiscal year 2018:

Flatex GmbH was merged to from flatex Bank AG with a commercial register entry dated 29 March 2018 with retroactive effect of 01 January 2018.

Group of consolidated companies overview of FinTech Group AG as

of 31 December 2018:

- FinTech Group Finanz GmbH, Frankfurt am Main (100%, now: flatex Finanz GmbH)
- FinTech Group Bank AG, Frankfurt am Main (100%, now: flatex Bank AG)
- Brokerport Finance GmbH, Frankfurt am Main (100%)
- Xervices GmbH, Willich (100%)
- factoring.plus.GmbH, Leipzig (100%)
- financial.service.plus GmbH, Leipzig (72%)

Associated companies and associates are not available as of 31 December 2018.

Consolidated financial statements for the largest group of conslidated companies

BFF Holding GmbH, Kulmbach, is preparing the consolidated financial statements for the largest group of conslidated companies. FinTech Group AG is included as a subsidiary in these consolidated financial statements. In accordance with the legal regulations, the consolidated financial statements are published in the electronic Federal Gazette.

Consolidated financial statements for the smallest group of consolidated companies

FinTech Group AG prepares the consolidated financial statements for the smallest group of consolidated companies. The consolidated financial statements are published in the electronic Federal Gazette as well as on the FinTech Group AG website.

NOTE 4 Accounting policies

Business combinations and consolidations

IFRS 3 applies to a transaction or ther event that meet the definition of a business combination.

For the initial accounting for a business combination, identifiable assets and liabilities shall be measured at their acquisition-date fair values of the consideration given. Any non controlling interests in the to acquiree is measured either at fair value or at the noncontrolling interests' proportionate share of the acquiree's identifiable net assets (this is determined for each business combination). Acquisition-related costs are recognized as expenses in the period in which they are incurred. The excess of the aggregate of the cost of an acquisition and any noncontrolling interests in the acquiree over the Group'sshare of the fair value of the identifiable net assets acquired is recorded as goodwill.

If the aggregate of the acquisition cost and any noncontrolling interests is below the fair value of the identifiable net assets negative goodwill, a gain is reported in other income. The results of acquired subsidiaries are included from the date of acquisition by the Group, i.e. from the date on which the Group was able to exercise control.

Derivative goodwill

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the aggregate of the cost of an acquisition and any noncontrolling interests in the acquiree over the fair value of the identifiable net assets acquired at the date of the acquisition. Goodwill on the acquisition of subsidiaries is capitalized and reviewed for impairment annually. If the goodwill is impaired, an impairment loss should be recognized in the P&L recognised. Otherwise, the carrying amount of the goodwill is recognized in the balance sheet unchanged from the previous year.

Internally-generated intangible assets

Expenditure on an intangible asset arising from the development phase of an internal project shall be recognised if the following can bemonstrated all of the following: its ability to measure reliably the expenditure attributable to the intangible asset during its development,, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits. The initial measurement of these expenditures will be based on the assumption that such technical and economic feasibility of completing the intangible asset has been established. Besides the availability of sufficient resources, there must be an intention and the ability within the Group to complete the project, the intangible asset, and use or sell it.

The cost of an internally generated intangible asset is the sum of include all individual and overhead costs directly attributable to the project. Once projects are completed, the sum of the expenditure directly attributable to the intangible costs are amortised over their useful lives, starting at the time when economic benefits are generated. An annual impairment test is taken place. The future benefit cash inflows are documented through appropriate business cases. The start of a development project may be based on basic research results or on a non-exclusive customer order, whereby the expenditures on research or directly attributable to the research phase should always be recognized as an expense in the P&L when it is incurred.

Seprately acquired acquired intangible assets

Purchased software, licenses and industrial property rights are recognised at their cost and amortised on a straight-line basis over their expected useful lives as follows:

- Technology and software: The expected useful life over which these items are amortised on a straight-line basis is 8 years.
- Customer relationships: Amortised on a straight-line basis occurs over 6, 8, 16, and 20 years.
- Trademarks: Straight line amortised over 10 years.

Seprately acquired Intangible assets are subject to impairment testing if triggering events are identified in advance. Triggering events have not been identified in 2018.

Property, plant and equipment

Property, plant and equipment that shall be depreciated and is used for more than one year is measured at amortised cost and depreciated on a straight-line basis over the expected useful life. Office buildings are depreciated over an expected useful life of 10 to 50 years. Land is ordinarily not depreciated. Other plant and equipment is depreciated over the expected useful life of the underlying asset, which is between 3 and 5 years for computer hardware and generally 13 years for office furnishings. Maintenance and repair costs are recognised as expense for the period.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of, the asset shall be reduced to its recoverable amount. The reduction is an impairment loss. The recoverable amount is the higher amount of the value in use and the fair value less costs to sell.

Impairments

The carrying amounts of property, plant and equipment and of intangible assets are examined for indications of impairment at the end of each reporting period. If any such triggering event exists, the recoverable amount of the asset is calculated so that a potential impairment expense may be assessed. To the extent that the recoverable amount cannot be calculated at the level of the individual asset, the calculation is carried out at the level of the cash generating unit (CGU) to which the asset in question is allocated, on an appropriate and consistent basis. Assets are allocated to the individual CGUs or the smallest grouping of CGUs, as the case may be, on an appropriate and consistent basis. In the case of an intangible asset with an indefinite useful life or an intangible asset not yet available for use, impairment testing is carried out at least annually and whenever there are indications of impairment (triggering events).

The derivative goodwill is not subject to amortisation, but it is tested for impairment on the basis of the recoverable amount of the CGU to which it is allocated. For this, the goodwill acquired in the course of a business combination is allocated to each individual CGU which is likely to benefit from the synergies generated by the combination. The maximum size of such a CGU will be the operational segment as reported to the primary decision-making body, thereby establishing a link to the internal reporting system. Impairment testing is carried out at least once a year, and additionally when there is an indication of impairment of the CGU. There were no such indications in the fiscal year under review.

In the event that the carrying amount of the CGU, to which the derivative goodwill has been allocated, exceeds the recoverable amount, the derivative goodwill must be written off in the amount of the established difference. Once an impairment loss of a derivative goodwill has been recognised, it may not be reversed. Where the difference established for the CGU exceeds the carrying amount of the derivative goodwill allocated to it, the carrying amount of the assets allocated to the CGU are subjected to pro-rated impairments for a total of the remaining impairment amount.

The recoverable amount is the higher amount of the value in use and the fair value less costs to sell. Determining the value in use is based on the planning of the management for the CGU. From this planning, the cash flows for the CGU in question are derived taking into account the expected growth rates of the respective markets. They are discounted at the appropriate interest rate. The determination of the interest rate is based on the interest rate for risk-free investments, the market risk premium and the borrowed capital interest rate. Moreover, specific peer group information is taken into account for the beta factor and the level of indebtedness. The composition of the peer groups for the determination of the beta factor is continuously reviewed and adjusted if necessary.

Inventories and work in progress

Inventory is measured at the lower of purchase/production cost or net realisable value as of the reporting date. The production costs approach is based on directly attributable individual and overhead costs.

Financial instruments

Financial assets and liabilities are recognised where FinTech Group AG has a contractual right to receive cash or other financial assets from another party or is subject to a contractual obligation to transfer a financial asset to another party. Financial assets and financial liabilities are recognised from the point in time when FinTech Group becomes a contractual party to the financial instrument.

The classification of financial assets depends on the business model (held to maturity, held to maturity and selling, trading) as well as the type of cash flows associated with the financial instrument. Based on these criteria, a decision is made as to whether the financial asset is supposed to be measured at amortised cost or at fair value – either through profit or loss or through other comprehensive income. The classification and the value scale for the subsequent measurement take place upon receipt of the financial instrument.

Regular way purchases or sales of financial assets are principally recognised or derecognised on trade date.

After being classified as 'held to maturity', 'held to maturity and selling' or 'trading' and the type of cash flows associated with the financial instrument, the financial assets of FinTech Group AG are allocated to the following categories, which must also be considered as classes within the meaning of IFRS 9:

- Amortised cost
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Financial assets measured at fair value through profit or loss (FVPL)
- Financial equity instruments measured at fair value through other comprehensive income (FVOCI-EK)

Amortised cost

The following financial instruments are assigned to the 'held to maturity' business model and measured at amortised cost by the FinTech Group:

- Trade account receivables
- Loans to customers (long and short term)
- Cash loans due to local authorities
- Other receivables
- Cash and cash equivalents

Financial instruments assigned to this category include only interest and principal payments on the principal amount outstanding as cash flows.

Financial assets measured at fair value through other comprehensive income (FVOCI)

The bonds assigned to the business model 'held to maturity and sell' are valued at fair value through other comprehensive income (FVOCI). At the time of purchase or access, they are recognised at the amortised cost plus ancillary acquisition costs and subsequently measured at fair value. Changes in the measurement of the bond portfolio are recognised in other comprehensive income and only recognised through other comprehensive income upon sale or maturity (FVOCI with recycling). The cash flows of this category of allocated financial instruments consist exclusively of interest and principal payments.

Financial assets measured at fair value through profit or loss (FVPL)

This item includes securities held for trading. The initial valuation is carried out at amortised costs and ancillary acquisition costs are recognised in profit or loss. Subsequent measurement is at fair value, with the changes in value being recognised directly in profit or loss.

Financial equity instruments measured at fair value through other comprehensive income (FVOCI-EK)

For equity instruments, insofar as they are not assigned to the trading portfolio, at the time the financial instrument was accessed, there is a fair value option recognised through profit or loss or at fair value through other comprehensive income. Fund shares are assessed as equity instruments measured at fair value through through other comprehensive income (FVOCI-EK) by the FinTech Group. As part of the first-time adoption of IFRS 9, the option for fair value through profit or loss was exercised for them. Measurement changes are recognised in this category in other comprehensive income (FVOCI without recycling). In case of a later sale, the amounts recognised in other comprehensive income are reclassified to retained earnings.

Measurement of financial liabilities

Financial liabilities are measured at amortised cost or at fair value through profit or loss. In the fiscal year, the financial liabilities of FinTech Group were still valued at amortised cost compared to the previous year.

Impairment

For financial instruments that are valued at amortised cost or at fair value (FVOCI with recycling) and for loan commitments, FinTech Group AG recognises a provision for risk under the 3-step approach in accordance with IFRS 9, taking expected losses into account (expected credit loss model).

Upon addition, risk provision level 1 is set up at the level expected next year (12-month horizon) (expected credit loss model (ECL)). If the credit rating has worsened or if the credit default risk of the financial instrument has increased significantly since initial recognition, the financial instrument moves into to level, and a loss allowance for full maturity expected credit losses is required (lifetime ECL). If an objective indication of an expected loss can be observed, the financial instrument moves to level 3, and a loan loss allowance is required which is assessed on an individual basis and covers the full lifetime of the financial instrument (lifetime ECL).

For the purpose of risk provisions calculations at FinTech Group AG, financial instruments with similar credit risks are grouped together or the credit risk is assessed individually.

Hedge Accounting

FinTech Group continues to make no use of the option of hedge accounting in the fiscal year compared to the previous year.

Measurement hierarchy levels for fair value

The following hierarchy levels apply to the fair value:

Level 1: The fair value of financial instruments traded in active markets (such as listed derivatives and equity instruments) is based on quoted market prices at the end of the reporting period. The quoted market price of the financial assets held by FinTech Group AG corresponds to the current bid price. These instruments are classified as Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using measurement techniques that maximise the use of observable market data and rely as little as possible on company-specific estimates. If all significant input factors to the fair value of an instrument are observable, the instrument is classified as Level 2.

Level 3: If one or more of the significant input factors are unobservable, the instrument is classified as Level 3. This applies to unlisted equity instruments.

Cash and cash equivalents

The measurement of cash and cash equivalents is at nominal value.

Pension obligations

The Group assesses the claims arising from defined benefit plans by applying the projected unit credit method in accordance with the requirements of IAS 19. In determining the net present value of the future benefit entitlement for services already provided, the Group takes into account future wage and pension increases. Actuarial gains and losses are recognised directly in other comprehensive income.

Income tax

Income tax for the period comprises current tax and deferred tax. Tax is recognised as income or expense and included in the profit or loss for the period, unless the tax arises from an item which is recognised in other comprehensive income. In this case, the relevant tax is recognised in other comprehensive income as well. Current tax is calculated on the basis of profit or loss realised in the fiscal year, which is determined according to applicable tax rules.

Deferred tax

For deferred taxes, the difference is calculated between the values of assets and liabilities in the consolidated financial statements and their values for tax purposes. Deferred tax assets are recognised to the extent that it is probable that these will generate future income against which the deductible temporary differences, any unused tax losses and any unused tax credits may be offset.

The capitalisation of deferred tax assets relating to loss carryforwards is subject to a special rule: These may only be capitalised where it is highly likely that sufficient taxable profits will be available in the future to offset the losses. The measurement is generally based on future taxable income over a planning period of five years.

The calculation of deferred amounts is made using the tax rate to be expected at the time of realisation.

Deferred tax assets and liabilities will be offset where a legally enforceable right exists to offset actual tax assets against actual tax liabilities, and where the deferred tax assets and the deferred tax liabilities relate to income tax levied by one and the same tax authority on one and the same taxpayer or on a number of taxpayers, if the balance is to be settled on a net basis.

Deferred taxes are reported in separate items on the balance sheet.

Provisions

A provision will be recognised where the Group is subject to a current de facto or legal obligation to third parties arising from a past event, the outflow of resources of economic benefit for the satisfaction of the obligation is likely, and it is possible to reliably estimate the extent of the obligation. Provisions with residual maturities of more than one year are discounted. Discounting is based on market interest rates. The settlement amount also includes the expected cost increases.

Contingent liabilities

If the criteria for forming a provision are not met, it is unlikely that the outflow of financial resources will be lost, as these obligations are reported in the notes to the consolidated financial statements. An outflow of financial resources is recognised as soon as it becomes probable and the amount of the outflow can be reliably estimated.

Liabilities

Current liabilities are stated at the repayment or settlement amount.

Non-current liabilities are carried at amortised cost in the balance sheet. Differences between the historical amortised costs and the repayment amount are taken into account using the effective interest method.

Liabilities from lease obligations are recognised at their present value.

Recognition of revenues

Revenues from contracts with customers are recognised when the power of disposal has been transferred or the service has been provided in accordance with the contractual agreements.

For the purpose of measuring customer contracts, a 5-step model is applied, which applies to all contracts for the delivery of goods and services, with the exception of leases, insurance contracts and financial instruments in particular; it also regulates the type, amount and timing of the collection of income. The individual steps are the following:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the independent performance obligations
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the individual performance obligations
- Step 5: Capturing revenue when (or as) the entity satisfies a performance obligation

If a contract contains several service components, the transaction price is split between all service obligations. Generally, the transaction prices for the individual service components result from the contractual provisions. If this is not the case, the transaction price will be assigned to all performance obligations based on the relative individual selling prices. If they are not directly observable, they are estimated using the expected cost-plus-margin approach.

Revenues from longer-term contracts that are fulfilled over a certain period of time are treated according to the input method. Thereafter, the proceeds are realised in the amount of completion level achieved. The stage of completion corresponds to the ratio of incurred costs to expected total costs. This method was adopted because the realisation of profits from the project phases corresponds to the actual conditions as closely as possible.

The Standard is mandatory for annual periods beginning on or after 01 January 2018. Please refer to further explanations and the impact of the first-time adoption of IFRS 15 as of 01 January 2018 in Note 5.

Leasing

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

The classification of leases is based on the extent to which significant risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

If substantially all risks and rewards are attributable to the lessor (operating lease), the leased asset is recognised in the statement of financial position of the lessor. The measurement of the leased asset is based on the accounting policies applicable to that asset. The lease payments are recognised in profit or loss by the lessee.

If all risks and rewards incidental to ownership of the leased asset are substantially attributable to the lessee (finance lease), the lessee must recognize the leased asset in the statement of financial position. At the commencement of the lease term, the leased asset is measured at the lower of fair value or present value of the future minimum lease payments and is depreciated over the shorter of the estimated useful life or the lease term. Depreciation is recognised as expense. Also at the commencement of the lease term, the lessee recognizes a lease liability equal to the carrying amount of the leased asset. Lease payments are apportioned between a finance charge and a reduction of the outstanding liability using the effective interest method, where the finance charge is recognised in profit or loss.

FTG Group companies have only liabilities from leasing contracts; thus they only act as lessees.

Earnings per share

The undiluted earnings per share are calculated by dividing the consolidated earnings of the Group attributable to the shareholders of the parent company by the average number

NOTE 5 Changes in accounting policies – amended Standards and interpretations

Annual improvements

As part of its 'annual improvements', IASB makes small changes to existing standards. There is always a 3-year review cycle. They are listed in tabular form together with the current status of the EU endorsement. In addition to the ongoing revision of standards and interpretations as part of the 'annual improvement' project, new pronouncements are also issued on a regular basis.

New but not yet mandatory Standards and interpretations

The following new or amended Standards and interpretations have already been adopted by the IASB and the IFRS Interpretations Committee (IC), but have not yet come into force or have not yet been enacted in European law. The Group has opted against early application of these Standards and interpretations.

New Standards, interpretations and improvements

Standard / Interpretation	Date of Publication	Amendment/new regulation	Date of application (EU)	EU endorsement
IFRS 9 Financial instruments	10/12/2017	Prepayment feature with negative compensation	Fiscal years that started on or after 01/01/2019	Yes
IFRS 16 Leases	01/13/2016	New accounting regulation for leases with the introduction of a single accounting model for lessees	Fiscal years that started on or after 01/01/2019	Yes
IFRIC 23	06/07/2017	Uncertainty over income tax treatments	Fiscal years that started on or after 01/01/2019	Yes
IAS 19 Employee benefits	02/07/2018	Reassessment in the event of a plan change, reduction or fulfilment/availability of reimbursement from a defined benefit plan	Fiscal years that started on or after 01/01/2019	No
IAS 28: Investments in associates	10/12/2017	Clarification on the application of IFRS 9 to long-term equity participations in an associate or joint venture	Fiscal years that started on or after 01/01/2019	No
IFRS 3 Business combinations	10/22/2018	Clarification to determine whether a business or group of assets has been acquired	Fiscal years that started on or after 01/01/2020	No
IFRS 17 Insurance contracts	05/18/2017	New accounting regulation for insurance contracts	Fiscal years that started on or after 01/01/2021	No
Improvement of International Financial Reporting Standards 2015 - 2017	12/12/2017	IFRS 3/IAS 11: Clarification on the remeasurement of shares on initial control IAS 12: Clarification that all income tax effects of dividends should be presented IAS 23: Treatment of borrowing costs after completion of the asset	Fiscal years that started on or after 01/01/2019	No
Framework Amendments to References to the Conceptual Framework in IFRS Standards	03/29/2018	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32 updates some of those references and quotations so that they refer to the 2018 Conceptual Framework	Fiscal years that started on or after 01/01/2020	No

All of the above Standards, interpretations, and amendments to existing Standards and interpretations, will probably be applied by FinTech Group AG - to the extent that they are relevant – not earlier than from the date when their first-time application is mandatory.

Presentation of the effects of IFRS 16 on the Group

For the purpose of first-time application of IFRS 16, the Group recognises lease liabilities for leases previously classified as operating leases under IAS 17. These liabilities are measured at the net present value of the remaining lease payments, discounted at the lessee's marginal interest expense on borrowings as of 01 January 2019. The weighted marginal interest expense on borrowings of the lessee applied to the lease liabilities as of 01 January 2019 is approximately 10.35 %. Leasing liabilities from rental lease agreements are discounted at the respective interest rate of the suppliers.

The associated rights of use for property leases are retrospectively assessed as if IFRS 16 had always been applied. Other usufructuary rights are recognised in the amount of the associated lease liabilities, adjusted by the amount of any prepaid or deferred lease payments recognised in the balance sheet as of 31 December 2018. As of 01 January 2019, this will result in an increase in property, plant and equipment by an expected mid single-digit million amount.

Upon first-time adoption of IFRS 16, the Group will apply the following practical expedients:

- Appliying of a single discount rate to a portfolio of similarly constructed leasing contracts (similar characteristics)
- Recognisingt for leases that had a residual maturities of less than 12 months as of 01 January 2019 as current leases
- Disregarding of initial direct costs when measuring usufructuary rights at the time of initial application
- Retroactive determination of the lease term for contracts with extension or termination options

The Group does not apply IFRS 16 to agreements classified as non-leases under IAS 17 and IFRIC 4 'Determining Whether an Arrangement Contains a Lease'. The Group also waives the applicability of IFRS 16 for intragroup leases and applies the adjusted management approach (allocation of head leases to Group companies).

The impact on earnings after taxes of the adoption of the new regulations is not expected to be material. With regard to EBITDA, an increase in the low single-digit million euro range is expected as a result of the operating lease payments; however, the depreciation of the

Newly applied Standards and interpretations in the current reporting period (2018)

The following Standards became mandatory in 2018 and were newly applied by FinTech Group AG:

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39. IFRS 9 financial instruments contains the applicable rules for recognition and measurement, derecognition and hedge accounting. Please refer to Note 4 for detail the new accounting and measurement methods applied: Explanations of significant accounting and measurement methods. In compliance with the transitional provisions of IFRS 9 (7.2.15 and 7.2.26), comparison figures were not adjusted retrospectively.

Impact of IFRS 9 on the consolidated financial statements of FinTech Group AG

As part of the first-time application of IFRS 9 as of 01 January 2018, the following significant reclassifications and effects within the balance sheet item 'Other current financial assets' were identified with regard to the categorisation and the carrying amounts of the financial instruments:

In kEUR (01/01/2018)

From IAS 39 / To IFRS 9	Financial assets measured at fair value through profit or loss FVPL	Financial assets measured at fair value through other comprehensive income or loss (FVOCI)	Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	Total IAS 39
From IAS 39				
Available-for-sale financial assets (afs)	119	87,297	90,102	177,517
Financial assets at fair value through profit or loss (htf)	1,006	-	-	1,006
Total IFRS 9	**1,125**	**87,297**	**90,102**	**178,524**

The reclassifications due to their first application as of 01 January 2018 had no significant impact.

In accordance with the transitional provisions of IFRS 9.7.2.15, comparison figures were not adjusted retrospectively.

The financial assets measured at amortised cost in the consolidated financial statements have been assigned to the business model 'held to maturity' and meet the cash flow criterion. Measurement continues to be carried out at amortised cost, with the result that the first-time application as of 01 January 2018 had no impact.

First-time application of IFRS 9 has no impact on financial liabilities.

The risk provision as of December 31, 2017 in accordance with IAS 39 for financial instruments measured at amortized cost in the amount of kEUR 399 increased by kEUR 169 from IFRS 9 to kEUR 560 due to the first-time application effect as of January 1, 2018 and was allocated to Level 1. There were no other significant first-time application effects with regard to risk provisioning.

Hedge Accounting

FinTech Group AG continues to make no use of hedge accounting. Thus, there were no effects on the consolidated financial statements.

Impact of IFRS 15 on the consolidated financial statements of FinTech Group AG

As of 01 January 2018, FinTech Group AG will retrospectively apply IFRS 15 'Revenue from Contracts with Customers' and in accordance with the transitional provisions. Thereafter, IFRS 15 was only applied to those contracts that were not yet fulfilled by 01 January 2018. IFRS 15 requires quantitative and qualitative disclosures about the breakdown of revenues, performance obligations and contractual balances as well as significant judgements.

In fiscal year 2017, FinTech Group AG set up a project team to evaluate contracts with customers in accordance with IFRS 15. FinTech Group AG uses a semi-automated process to record customer contracts in the Group's ERP system to minimise the administrative burden of introducing IFRS 15.

According to IFRS 15, this is about revenue in the amount at which a company can expect the corresponding consideration in return for the transfer of goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new regulation applies to all companies and will replace all current regulations on revenue recognition in accordance with IAS/IFRS. Either full or modified retroactive application is required for fiscal years beginning on or after 01 January 2018. FinTech Group AG applies a modified version of IFRS 15 with retrospective effect, since the effects of the application are classified as non-material. In mid-April 2016, the International Accounting Standards Board (IASB) published the final clarifications to IFRS 15. Questions regarding implementation were particularly clarified with the changes. These questions concern the identification of performance obligations, the principal agent and intellectual property application guidelines, and the transitional provisions.

For transaction-based business, IFRS 15 does not change the amount or timing of revenue recognition because transaction-based revenue requires no other consideration under the new Standard. In addition, IFRS 15 does not change the timing of revenue recognition.

NOTE 6 Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with IFRS implies the adoption of assumptions and the use of estimates which have an impact on the amounts and the disclosure of assets and liabilities and/or revenues and expenses. All available information has been taken into account in this regard. The assumptions and estimates relate mostly to the stipulation of useful lives in a consistent manner throughout the Group, the determination of recoverable amounts for impairment testing of individual CGUs, and the recognition and measurement of provisions. The currently strained interest rate scenario in the financial markets provides a particular example for uncertainty in estimates, specifically as it relates to the measurement of reported pension provisions. As a consequence, values actually realised in the future may deviate from the estimates made now. New information is taken into account as soon as it becomes available. The assumptions and estimates are deemed not to have changed significantly between the reporting date and the presentation of these consolidated financial statements.

The impairment test of non-financial assets (in particular goodwill, capitalised development costs and customer relationships) is based on assumptions regarding future cash flows during the planning period and, if necessary, beyond, as well as the discount interest rate to be used.

The fair values of assets and liabilities assumed in the course of a business combination are determined using recognised measurement methods (e.g. license price analogy method, residual value method), provided there are no observable market values.

The estimation of useful life on which depreciation on depreciable fixed assets is based is generally based on past experience and is reviewed regularly.

Determining the recoverability of financial assets requires estimates of the amount and probability of occurrence of future events. In this context, we refer to the comments on financial instruments under Note 14.

The accounting for and measurement of provisions requires an estimate of the amount and probability of occurrence of future events as well as estimates of the discount rate. These estimates are usually based on past experience or external expertise.

The calculation of deferred tax assets involves an estimate of future taxable income and the date of realisation.

NOTE 7 Business combinations

There were no business combinations in accordance with IFRS 3 in the 2017 fiscal year.

In fiscal year 2018, flatex Bank AG acquired the majority interest (direct purchase of 100% of the voting shares) in factoring.plus.GmbH, Leipzig, whereby 30 December 2018 is the acquisition date and 31 December 2018 is the initial consolidation date.

Factoring.plus.GmbH is a factoring provider based in Leipzig and also has a branch in Frankfurt. The business was founded in 2002. The company's services include the ongoing purchase of receivables, bad debt protection and debtor management. As a financial service provider, the company is subject to supervision by the Federal Financial Supervisory Authority (BaFin). By acquiring factoring.plus.GmbH, FinTech Group AG intends to expand its portfolio in the Financial Services segment and strategically strengthen its C & T segment in particular.

The purchase price for the acquisition of factoring.plus.GmbH totalled kEUR 6,400 and consists of the following:

- kEUR +0.1 direct payment
- kEUR +6,000 claims of flatex Bank AG from acknowledgement of debt to factoring.plus.GmbH
- kEUR -2,361 cash deposits at flatex Bank AG
- kEUR +2.761 account credit line of factoring.plus.GmbH at flatex Bank AG.

With the exception of direct payment, the purchase price components were taken into account as part of the consolidation of pre-commercial relationships.

The remeasurement of the intangible assets from customer relationships after the acquisition date in the amount of kEUR 3,560.0, less deferred taxes (32%) resulted in remeasured equity of factoring.plus in the amount of kEUR -1,374.2. The purchase price allocation resulted in goodwill of kEUR 7,775. The capitalised goodwill has no relevance for income tax purposes and is attributable to continuing operations.

With full consolidation of factoring.plus.GmbH as of 01 January 2018, sales revenues would have been 5,634 kEUR and the net loss for the year -9,922 kEUR. In the consolidated financial statements of FinTech Group AG as of 31 December 2018, the contributions of the acquisition object are included exclusively for the reporting date 31 December 2018.

NOTE 8 Group subsidiaries with minority shareholders

As of 31 December 2018, significant minority shareholders existed only at the level of factoring.plus.GmbH, Leipzig. The non-controlling interest relates to the direct subsidiary of factoring.plus.GmbH, financial.service.plus GmbH, Leipzig. As of 31 December 2018, this share amounted to 28.0% of the equity of factoring.plus.GmbH. These non-controlling interests accounted for a gain of kEUR 12 on the result of factoring.plus.GmbH.

The following tables disclose condensed financial information on assets and liabilities, profit and loss, and cash flows of financial.service.plus GmbH for the fiscal years 2018 and 2017. The information provided relates exclusively to financial.service.plus GmbH prior to any intra-group eliminations.

Statement of financial position (condensed)

In kEUR	2018	2017
Current		
Assets	678	761
Liabilities	-368	-463
Total current net assets	310	298
Non-current		
Assets	723	508
Liabilities	-263	-78
Total non-current net assets	460	430

Income statement (condensed)

In kEUR	2018	2017
Revenues	1,616	1,760
Earnings before income taxes	66	155
Earnings from continuing operations net from tax	44	104
Other earnings	-	-
Comprehensive income	44	104
Total earnings attributable to minority shareholders	12	29
Dividends paid to minority shareholders	-	-

Combined cash flow presentation

In kEUR	2018
Net income from continuing activities	**44**
Depreciation and amortisation/appreciation on property, plant and equipment and intangible assets	193
Increase (+)/decrease (-) in the debit difference from asset allocation	-
Increase (+)/decrease (-) in provisions	-31
Other non-cash expenses (+)/income (-)	-
Gain (-)/loss (+) on disposal of objects or fixed assets	-
Increase (-)/decrease (+) in inventories, trade receivables and other assets	178
Increase (+)/decrease (-) in trade payables and other liabilities	121
Interest expense (+)/income (-)	
Income tax expense (+)/income (-)	
Income tax payments (+/-)	
Cash flow from operating activities - continuing activities	**505**

In kEUR	2018
Proceeds from the disposal of assets (+)	
Purchase investments in assets (-)	-409
Interest received (+)	
Net cash flow from investments	**-409**
Issue (-)/repayment (+) of loans to related parties	
Taking out (+)/repayment (+) of loans from third parties	
Interest paid (-)	
Dividend distribution	
Inflows from capital increase by the parent company´s shareholders	
Cash flow from financing activities	**-**
Change in cash and cash equivalents	**96**
Cash and cash equivalents at the beginning of the period	66
Cash and cash equivalents at the end of the period	**162**

NOTE 9 Intangibles assets

Intangible assets in 2018 are as follows:

In kEUR	Acquisition/ production costs as of 01/01/2018	Additions
Goodwill	28,780	7,775
Completed development costs	26,479	9,942
Current development cost	5,300	2,369
Customer relationships	6,200	3,040
Industrial property rights and similar rights	9,455	724
Trademarks	700	-
Down payments	283	308
Intangible assets	**77,197**	**24,158**

The additions to goodwill and customer relationships are attributable to the acquisition of factoring.plus.GmbH, Leipzig

Disposals	Reclassifications	Acquisition/ production costs as of 12/31/2018	Accumulated amortisation as of 12/31/2018	Carrying amount as of 12/31/2018	Amortisation in 2018
-	-	36,555	-	36,555	-
-	2,941	39,362	9,069	30,292	3,205
-	-2,941	4,728	107	4,835	-
-	-	9,240	1,280	7,960	341
6	-	10,185	7,521	2,451	1,338
-	-	700	263	438	70
459	-	133	-	133	-
465	**-**	**100,903**	**18,240**	**82,664**	**4,955**

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Intangible assets in 2017 are as follows:

In kEUR	Acquisition/ production costs as of 01/01/2017	Additions	Disposals
Goodwill	28.780	-	-
Completed development costs	16.925	2.510	-
Current development cost	6.965	5.379	-
Customer relationships	6.200	-	-
Industrial property rights and similar rights	8.813	2.374	1.732
Trademarks	700	-	-
Down payments	-	283	-
Intangible assets	**68.383**	**10.546**	**1.732**

Reclassifications	Acquisition/ production costs as of 12/31/2017	Accumulated amortisation as of 12/31/2017	Carrying amount as of 12/31/2017	Amortisation in 2017
-	28,780	-	28,780	-
7,044	26,479	5,757	20,722	2,192
-7,044	5,300	-	5,300	-
-	6,200	938	5,262	341
-	9,455	7,356	2,099	1,130
-	700	193	508	70
-	283	-	283	-
-	**77,197**	**14,244**	**62,953**	**3,733**

Goodwill is the only intangible asset with an indefinite useful life.

Intangible assets with a definable useful life are stated at their acquisition or production cost, less accumulated amortisation and impairments. Amortisation of intangible assets is presented in the statement of profit or loss and other comprehensive income under the line item. Depreciation, amortisation and write-downs. Intangible assets are amortised a straight-line basis.

Goodwill as well as current development costs are subject to annual impairment testing.

The recoverable amount of the asset is determined by calculating its 'value in use' on the basis of five-year cash flow forecasts and a pre-tax discount rate of 9.52% p. a. (previous year: 10.35%). Cash flows beyond the five-year period are extrapolated by assuming a long-term growth rate of 1% p. a. The assumptions in the impairment tests are based on management's previous experiences regarding the respective asset.

Management believes that no reasonable possible change in one of the assumptions used to determine the respective 'value in use' of the tested assets could result in the carrying amount of such an asset to significantly exceed its recoverable amount.

Individual, material intangible assets:

Assets	Line item	Carrying amount 12/31/2018 TEUR	Carrying amount 12/31/2017 TEUR	Remaining amortisation Years
Technology and software (XCOM)	Capitalised development costs	8,659	**10,697**	**4**
Customer relationships (ViTrade)	Customer relationships	3,006	**3,191**	**16**
Customer relationships (factoring.plus)	Customer relationships	3,040	**-**	**12**
Customer relationships (Bank)	Customer relationships	1,914	**2,070**	**12**

No significant portion of personnel expenses was invested in research (previous year: kEUR 2,086). The significant decline resulted from increased research services in 2017 with regard to regulatory development services in 2018.

NOTE 10 Group impairment of derivative goodwill

Cash generating units

For the purpose impairment testing, the derivative goodwill acquired as part of a business combination is allocated to the existing segments as cash-generating units (CGUs). Goodwill from the acquisition of XCOM AG totalling kEUR28,780 (previous year: kEUR28,780) is distributed over the segments 'TECH' (20%) and 'FIN' (80%). The goodwill from the acquisition of factoring.plus.GmbH is fully allocated to the 'FIN' segment.

1. 'FIN': This CGU includes products and services in B2C online brokerages, in B2B white-label banking, and electronic custody and portfolio management and other banking services.
2. 'TECH': This CGU includes IT services and R&D activities.

Impairment testing of goodwill

The impairment of goodwill is tested on a regular basis at the end of each annual period, and also if and when a triggering event for an impairment is identified.

To determine the economic value of each segment, the Group takes into account, among other things, increasing competition and strategy changes within the respective segment.

The cash flow forecasts are based on the detailed five-year budget approved by management. The discount rate used to calculate the expected pre-tax cash flow is based on the 'weighted average cost of capital' (WACC) concept. Any cash flows expected after the detailed four-year budget period are calculated by using an extrapolated perpetual growth rate (perpetuity). The growth rate used for this is the same as the long-term average growth rate predicted for the financial technology industry as a whole, which is also expected for our CGUs. Both past data and forward-looking data, i.e. expectations as to future market developments, are incorporated into the cash flow forecasts. Anticipated growth of the company's business is also taken into account for the forecast.

Basic assumptions for calculating the recoverable amount

In estimating the value in use of the CGU, there are uncertainties affecting the underlying assumptions, in particular with respect to:

- Discount factor (interest rate)
- Market share attainable during the reporting period
- Growth rate used for extrapolating expected cash flows beyond the five-year detailed budget period.

Discount factor: The discount rate reflects current market assessments of the specific risks attributable to a CGU. The discount rate is estimated based on the industry average 'WACC'. The interest rate is further adjusted for expected market risks attributable to a CGU, which have not already been reflected in the future cash flow estimates for that CGU.

Assumptions about the market share: Assumptions about market share correspond to the estimate of the growth rate. It thus reflects management's view of how a CGU positions itself relative to other competitors during the budget period.

Estimated growth rates: Growth rates are based on published industry-specific market research.

As of 31 December 2018 and per 31 December 2017, no impairment of derivative goodwill had to be recognised as a result of impairment testing.

The carrying amount of the CGU 'TECH' as of 31 December 2018 amounts to kEUR 52,829 (previous year: kEUR 41,148). The recoverable amount of this CGU is kEUR 58,898 (previous year: kEUR 63,258). The derivative goodwill allocated to this CGU as of 31 December 2018 was kEUR 5,756 (previous year: kEUR 5,756). The pre-tax discount rate used for the cash flow forecast was 9.52% (previous year: 10.35%). The long-term growth rate is 1.0% (previous year: 1.0%). The change in the recoverable amount of the CGU results from the adjustment of the "Other & Consolidation" segment from the 2017 financial year by allocating the holding expenses to the two operating business segments. Without the adjustment, the recoverable amount would have been kEUR 148,558.

The carrying amount of the CGU 'FIN' as of 31 December 2018 amounts to kEUR 127,401 (previous year: kEUR 75,591). The recoverable amount of this CGU is kEUR 356,364 (previous year: kEUR 247,437). The derivative goodwill allocated to this CGU as of 31 December 2018 was kEUR 30,631 (previous year: kEUR 23,024). The pre-tax discount rate used for the cash flow forecast was 9.52% (previous year: 10.35%). The long-term growth rate is assumed to be 1.0% (previous year: 1.0%). The increase in the recoverable amount results from the focus on the expansion of the business model and associated, expected cash inflows in the forecast period.

Sensitivity of assumptions

Management believes that no reasonably possible change in one of the assumptions used to determine the respective 'value in use' of either the TECH-CGU or the FIN-CGU could result in the carrying amount of either CGU to significantly exceed its recoverable amount. The carrying amount of the CGU TECH correspond to the Group units of FinTech Group AG and Xervices GmbH, while the FIN CGUs are the Group units flatex Bank AG, Brokerport Finance GmbH and factoring.plus.GmbH.

NOTE 11 Property, plant and equipment

Property, plant and equipment in fiscal year 2018 was as follows

In kEUR	Acquisition/ production costs as of 01/01/2018	Additions	Disposals	Acquisition/ production costs as of 12/31/2018	Accumulated amortisation as of 31/12/2018	Carrying amount as of 12/31/2018	Amortisation in 2018
Land and buildings including buildings on leased land	4,581	523	3	5,101	3,033	2,068	310
Other plant and equipment	13,687	2,926	131	16,482	10,957	5,525	2,548
Property, plant and equipment	**18,268**	**3,449**	**134**	**21,583**	**13,990**	**7,593**	**2,859**
of which from discontinued business segments						-	-
Property, plant and equipment from continuing activities	**-**	**-**	**-**	**-**	**-**	**7,593**	**2,859**

Property, plant and equipment in fiscal year 2017 was as follows

In kEUR	Acquisition/ production costs as of 01/01/2017	Additions	Disposals	Acquisition/ production costs as of 12/31/2017	Accumulated amortisation as of 31/12/2017	Carrying amount as of 12/31/2017	Amortisation in 2017
Land and buildings including buildings on leased land	4,848	309	576	4,581	2,598	1,983	393
Other plant and equipment	15,780	2,357	4,449	13,687	8,314	5,373	1,541
Property, plant and equipment	**20,627**	**2,665**	**5,025**	**18,268**	**10,912**	**7,356**	**1,933**
of which, from discontinued business segments						382	76
Property, plant and equipment from continuing activities	-	-	-	-	-	**6,973**	**1,857**

For fiscal year 2018 – as well as in 2017 – no impairment expense or appreciation in value was recorded. No property, plant and equipment has been pledged as collateral.

The carrying amounts of property, plant and equipment essentially correspond to their fair values. Considerable discrepancies were not found.

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NOTE 12 Financial instruments

The following table presents the carrying amounts and the fair values (for underlying measurement level, see Note 4 'Explanation of Significant Accounting Policies') of each financial asset and liability depending on the nature of the business model and the measurement category:[1234]

In kEUR	Carrying amount 12/31/2018	Carrying amount 12/31/2017
Business Model 'hold until maturity'		
(Amortised) cost 1)4)		
Long-term loans to customers	41,110	26,497
Cash loans due to local authorities	18,900	237,165
Current loans due to customers	217,244	175,415
Other receivables due to banks	40,466	12,610
Cash and cash equivalents	655,046	397,002
Business Model 'hold to collect and sell'		
Financial assets measured at fair value through other comprehensive income (FVOCI) 2)	57,374	87,297
Business model 'hold to sell'		
Financial assets recognised at fair value through profit or loss (FVPL) 3)	893	1,125
Equity instruments without held for trading		
Financial assets measured at fair value through other comprehensive income (FVOCI-EK) 2)	82,465	90,102
Financial liabilities		
Financial liabilities measured at amortised cost (including trade payables) 4)	**1,016,718**	**981,136**

For the description of the business model, see Note 4: Explanations of significant accounting and measurement methods.

The amount by which the fair value of financial liabilities has changed during the reporting period due to a change in counterparty default risk

Please refer to our comments under Note 5 for the first-time application of IFRS 9 as of 1 January 2018 with regard to the categorisation and the measurements of financial instruments as well as the reclassifications and effects at item level: Changes in accounting policies.

The majority of the receivables have a term of less than one year, so there is no material difference between the carrying amount and fair value. Furthermore, long-term loans to customers have a maximum term of up to 3 years. The carrying amount of these loans is also an appropriate approximation of their fair value.

1 As of 31 December 2017, these financial instruments were still assigned to the holding category 'amortised cost' in accordance with IAS 39.
2 Previous year's figures: Financial assets available for sale
3 Previous year's figures: Financial instruments at fair value through profit or loss (held for trading)
4 The carrying amounts represent an appropriate approximation of the fair values.

Cash and cash equivalents

In kEUR	2018	2017
Balances with central banks	550,079	224,355
Receivables due from banks (due on daily basis)	88,036	133,839
Cash on hand	11,564	26,937
Credit balances	5,367	11,870
Total	**655,046**	**397,002**

The cash and cash equivalents amount in the cash flow statement corresponds to the respective amount in the balance sheet. In fiscal year 2018, there were no material restrictions regarding cash and cash equivalents.

Loans to customers

Loans to customers mainly include security-backed loans such as Lombard loans and flatex flex loans, the acquired claims from true-sale factoring with factoring.plus.GmbH, which are collaterized by commercial credit insurances from large insurance companies, as well as the specialised lending options that include contingency insurance, guarantees and assignments of claims, TV and advertising rights.

With further expansion of the loan book, loans to customers increased overall to kEUR 258,254 (previous year: kEUR 201,912). The increase in short-term receivables and advances to customers is due to the expansion of the factoring business. The share of factoring in the loan book increased to kEUR 96,624 (previous year: kEUR 47,558). Of this amount, kEUR 4,115 relates to receivables from true-sale factoring resulting from the acquisition of factoring.plus.GmbH.

The increase in long-term loans to customers compared to the previous year is mainly due to the expansion of specialised lending.

Cash loans due to local authorities

Cash loans to municipalities declined by kEUR 218,265 to kEUR 18,900, as in the previous year. The reason for this was the continuing negative returns and the associated reduced investment attractiveness. The liquidity freed up was deposited as a cash with the European Central Bank and was weighed against risk and return considerations.

Other receivables due to banks

Other loans and advances to banks amounting to kEUR 40,466 (previous year: kEUR 12,610) mainly include receivables for collateral provided by cooperation banks in the amount of kEUR 15,530 (previous year: kEUR 10,530), kEUR 15,000 for cash collateral granted and kEUR 5,000 for security for foreign exchange transactions.

Financial assets (FVOCI) and equity instruments (FVOCI-EK) measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income include bonds of non-public issuers in the amount of kEUR 57,922 (previous year: kEUR 71,669) and shares in funds in the amount of kEUR 82,344 (previous year: kEUR 89,913). Bonds issued by public issuers are not held by the Group as of 31 December 2018 (previous year: kEUR 15,067).

Amounts recognised in OCI

For the financial assets and equity instruments measured directly in equity, the following amounts were recognised in other comprehensive income (OCI):

In kEUR	12/31/2018	12/31/2017
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	82,465	90,102
Financial assets measured at fair value through other comprehensive income	57,374	87,297

It is possible to designate the equity instruments not held for trading as 'at fair value with changes in fair values in other comprehensive income (OCI)'. As the shares and the investment funds are held as strategic investments, there is no intention to sell the investments and the FVOCI option for equity instruments has been exercised.

The debt instruments held (bonds) are classified at fair value with changes in value in other comprehensive income (FVOCI-FK) because the financial assets are held in a portfolio with in the business model 'held to collect and sell' and whose contractual cash flows meet the SPPI criterion.

Financial assets measured at fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss mainly include shares in the amount of kEUR 881 (previous year: kEUR 699) and other non-fixed-income securities from the designated sponsoring business in the amount of kEUR 12 (previous year: kEUR 139).

Financial instruments measured at fair value

FinTech Group AG carries out fair value measurements of selected financial instruments on a regular/recurrent basis.

Fair values for the instruments of these three categories are based on quoted prices in active markets that the entity can access on the measurement date (level 1 of the measurement techniques for the fair value hierarchy according to IFRS 13). This includes fixed income securities, mutual funds, and equities.

The fair value of financial instruments listed in active markets accessible to the Group is determined on the basis of observable market price quotations, insofar as these represent prices used in regular and current transactions, and is primarily to be recognised as a fair value on the measurement date (market to market).

The fair value disclosed for these instruments is to be categorised as level 3 input in the fair value hierarchy. The inputs for the fair value measurement of loans and receivables as well as financial liabilities are the prices which were agreed between the Group companies and their counterparties for individual transactions. This relates to receivables from long-term loans from the area of special financing as well as long-term loan liabilities (see also Note 14 Non-current liabilities to banks and non-banks).

Fair value of financial instruments that are not recognised at fair value

The disclosure of fair values is only required for financial instruments that are not measured at fair value. A fair value that deviates from the carrying amount can occur, above all, with fixed-rate financial instruments in the event of a significant change in interest rates. The effect of a change in the market interest rate is greater, the longer the residual maturities of the business.

The carrying amount represents a reasonable approximation of the fair value of the following financial instruments, which are predominantly short-term. There is no material difference between the carrying amount and fair value. These include the following financial instruments:

In kEUR	Carrying amount 12/31/2018
Assets:	
Cash on hand and balances at credit institutions and central banks	567,010
Current loans due to customers	217,144
Receivables due from banks	40,466
Cash loans to due local authorities	18,900
Receivables from banks due on daily basis	88,036
Liabilities and stockholders' equity:	-
Trade payables to third parties	1,780
Liabilities to customers	955,433
Liabilities to banks	57,260
Other financial liabilities	2,245

For financial instruments that are not to be recognised in the statement of financial position at fair value, fair values must also be disclosed in accordance with IFRS 7, the measurement method of which is presented below.

Financial instruments that are not measured at fair value are not managed on the basis of their fair value. This applies, for example, to receivables from the field of football financing, credit facilities issued to corporate customers and individual receivables purchased as part of true-sale factoring. For such instruments, the fair value is calculated only for the purposes of the notes and has no effect on the consolidated balance sheet or on the consolidated statement of comprehensive income.

For longer-term financial instruments in these categories, the fair value is calculated by discounting the contractual cash flows using interest rates that could have been obtained for assets with similar residual maturities and credit default risks. In the case of liabilities and stockholders' equity, interest rates are used on which corresponding liabilities with similar residual maturities could have been taken on the reporting date.

Fair value is determined using DCF techniques that take into account credit risk, interest rate risk, currency risk, estimated loss of outage and the amounts utilised in the event of default. The parameters credit risk, counterparty default risk and claim at the time of default are, if available and appropriate, based on information from the relevant credit agreement.

Collateral held

FinTech Group AG does not hold any financial or non-financial collateral according to IFRS 7.15.

Collateral provided

The Group has provided collateral with the clearing and depositary agents of flatex Bank AG for the processing of the bank's financial commission business. The collateral is largely provided in the form of deposited securities. As of 31 December 2018, the carrying amount of collateral provided amounts to kEUR 45,201 (31 December 2017: kEUR 46,808).

The material transactions and their underlying contractual terms are the following:

- A substantial portion of the total amount of collateral is attributable to the securities traded at the Eurex stock exchange. There are two types of collateral, the so-called 'clearing fund' and the 'margin'. The clearing fund, amounting to kEUR 5,000 as of 31December 2018 (31 December 2017: kEUR 5,000), represents the minimum level of collateral to which Eurex would have access in the event of default of a clearing member. The margin amount (31 December 2018: kEUR 15,000; 31 December 2017: kEUR 15,000) depends in particular on the risk content of the transactions. The margin is supposed to cover the risk of pending transactions at Eurex. This is supposed to secure potential market price fluctuations. The required 'margin' amount is determined by Eurex on a daily basis.
- FinTech Group AG executes out foreign exchange transactions with two business partners. For the credit default risk inherent in these transactions, it has to provide collateral in contractually fixed amounts. As of 31 December 2018, the total amount thus provided is kEUR 10,030 (31 December 2017: kEUR 10,030).
- Its business partners have granted FinTech Group AG credit lines for the settlement of securities transactions in foreign currency, for a total of kEUR 8,721 (31December 2017: kEUR 16,778). Collateral is provided in the form of deposited securities in the amount of kEUR 9,491 (31 December 2017: kEUR 16,778). FinTech Group AG can dispose of the deposited securities pledged as collaterals at any time with a reduction of the respective credit line simultaneously.
- The collateral can be delivered in the form of pre-defined securities with a fixed maturity and short- and long-term maturities as well as short-term available cash. An exchange within the permissible collateral is possible at any time as long as the collateral requirement is met.

In addition, FinTech Group has provided collateral for the financing of an owner-occupied business property in the German federal state of North Rhine-Westphalia. Collateral is provided in the form of a registered mortgage in the amount of kEUR 1,500 against the owner-occupied business property, in favour of the lender of the instalment loan. The loan amount as of 31December 2018 is kEUR 875 (previous year: kEUR 1,042).

Net gains/losses from financial instruments

The net gains/losses from financial instruments are as follows:

In kEUR	Net gains 2018	Net losses 2018
Financial assets measured at fair value through profit or loss	-	135
Financial assets measured at amortised cost	13	6,028
Investments in equity instruments designated at fair value through other comprehensive income (FVOCI-EK)	247	62
Financial assets measured at fair value through profit or loss (fair value through OCI for debt instruments)	574	169
Total interest revenue and total interest expense for financial assets measured at amortised cost	10,912	739
Fees income and expense	-	-

In kEUR	Net gains 2017	Net losses 2017
Financial assets measured at fair value through profit or loss	1,078	-
Total interest income and total interest expenses from loans and receivables	9,660	228
Financial assets available for sale	189	-

The net gains and losses from loans and receivables result mostly from adjustments to bad loan charges as well as from the recovery of previously written off principal and interest. The net gains and losses from financial assets available for sale, as well as from financial assets or liabilities measured at fair value through profit or loss, mostly come from changes in market value, and from dividends and interest received.

NOTE 13 Equity

Subscribed capital

At the end of the reporting year, the subscribed capital is divided into 18.737 million (previous year: 17.511 million) common shares issued in registered form without par value with a proportionate, notional par value of EUR 1.00 each. As of the balance sheet date, the subscribed share capital of FinTech Group AG amounts to kEUR 18,737 (previous year: kEUR 17,506).

In September 2018, Österreichische Post Aktiengesellschaft, Vienna, participated in FinTech Group AG as part of a strategic cooperation by means of a 7% capital increase. With this transaction, the number of issued and outstanding shares increased by 1,225,761, and subscribed capital was increased by kEUR 1,226.

No treasury shares were held by FinTech Group AG and its subsidiaries on 31 December 2018 (end of the previous year: 4,450 shares). The distribution of treasury shares to its own employee from a special Christmas bonus 2017 and the complete sale of remaining treasury shares took place in the current reporting period.

Authorised capital

At the beginning of reporting period 2018, FinTech Group AG had authorised capital of kEUR 7,705.

The following resolutions regarding the issuance of new shares were passed in 2017:

1. The authorised capital 2014 in the amount of kEUR 5,598 was revoked in its entirety by resolution of the general meeting on 05 July 2017.
2. By resolution of the general meeting on 05 July 2017, subject to approval by the Supervisory Board, the Management Board was authorised to increase the subscribed share capital, by a total of up to kEUR 5,598, by issuing new, no-par-value registered shares against contributions in cash and/or in kind, in one or more instalments, until 04 July 2022 (authorised capital 2017). Principally, the existing shareholders must be granted pre-emptive rights. Subject to approval by the Supervisory Board, the Management Board, is authorised to exclude such pre-emptive rights of the shareholders in specific instances. On 13 December 2017, the Management Board, with the consent of the Supervisory Board, and on the basis of the authorisation granted on 05 July 2017, resolved to increase the subscribed share capital by kEUR 700 to a new total of kEUR 17,511 by issuing 700,000 new no-par-value registered shares. The capital increase was transacted against contribution in cash. The authorised capital 2017 was hereby partly utilised; after registration of the capital increase, the remaining authorised capital as of the reporting date was kEUR 4,898.
3. On 31 December 2017, FinTech Group AG had authorised capital of kEUR 7,705 (authorised capital 2016: kEUR 2,807; authorised capital 2017: kEUR 4,898).

The following resolutions regarding the issuance of new shareswere passed in 2018:

1. The authorised capital 2016 in the amount of kEUR 2,807 was revoked in its entirety by resolution of the general meeting on 07 August 2018.
2. By resolution of the general meeting on 07 August 2018, subject to approval by the Supervisory Board, the Management Board was authorised to increase the subscribed share capital, by a total of up to kEUR 3,857 by issuing new, no-par-value registered shares against contributions in cash and/or in kind, in one or more instalments, until 06 August 2023 (authorised capital 2018/I). Principally, the existing shareholders must be granted pre-emptive rights. Subject to approval by the Supervisory Board, the Management Board, is authorised to exclude such pre-emptive rights of the shareholders in specific instances. On 10 September 2018, the Management Board, with the consent of the Supervisory Board, and on the basis of the authorisation granted on 07 August 2018, resolved to increase the subscribed share capital by kEUR 1.226 to a new total of kEUR 18,737 by issuing 1,225,761 new no-par-value registered shares. The capital increase was transacted against contribution in cash. The authorised capital was hereby partly utilised; after registration of the capital increase, the remaining authorised capital as of the reporting date was kEUR 2,632.

On 31 December 2018, the company had authorised capital of kEUR7,530 (authorised capital 2017: kEUR 4,898; authorised capital 2018: kEUR 2,632).

	12/31/2018	12/31/2017
Number of authorised shares	7,529,677	7,705,438

Conditional capital

1) Conditional capital 2013

By resolution of the general meeting on 27 June 2013, the Management Board was authorised to conditionally increase the subscribed share capital until 26 June 2018 by a total of up to kEUR 5,425 by issuing up to 5,425,000 new no-par-value shares, with profit participation from the beginning of the fiscal year of their issuance (conditional capital 2013). According to the resolution of 27 June 2013, the exclusive purpose of the conditional capital 2013 is to secure subscription rights, which are issued on the basis of the general meeting's authorisation of 27 June 2013.

The general meeting on 27 July 2016 resolved to convert the bearer shares of the company into registered shares. Accordingly, the conditional capital 2013 was modified for the issuance of registered shares. By resolution of the extraordinary general meeting 04 December 2017, the total nominal amount of the bonds authorised to be issued by the Management Board was increased to up to kEUR 160,000 (from previously up to kEUR 50,000). At the same time, it was determined by resolution that the conditional capital 2013 will be used to service bonds issued on the basis of the general meeting's authorisation of 27 June 2013, as amended by the resolution of the Extraordinary General Meeting of 4 December 2017.

The authorisation of 27 June 2013 has not been used and expired on 26 June 2018.

2) Conditional capital 2014

By resolution of the extraordinary general meeting on 30 October 2014, the Management Board was authorised to conditionally increase the subscribed share capital by a total of up to kEUR 1,390 by issuing up to 1,390,000 new, no-par-value bearer shares, with profit participation from the beginning of the fiscal year of their issuance (conditional capital 2014). According to the resolution of 30 October 2014, the exclusive purpose of the conditional capital 2014 is to secure pre-emptive rights, which are issued on the basis of the general meeting's authorisation of 30 October 2014, as part of the 2014 stock option plan, to the members of the Management Board and to employees of FinTech Group AG, as well as to members of the management boards and to employees of companies affiliated with FinTech Group AG, in the period up to and including 30 September 2019.

The general meeting on 27 July 2016 resolved to convert the bearer shares of the company into registered shares. Accordingly, the conditional capital 2014 was modified for the issuance of registered shares.

By resolution of the extraordinary general meeting on 04 December 2017, the general meeting's authorisation of 30 October 2014, with modifications by the general meeting on 27 July 2016, to issue subscription rights as part of the 2014 stock options plan, was modified and specified. At the same time, the conditional capital 2014 was modified in so far as it may now also service pre-emptive rights which have been or will be issued on the basis of the general meeting's authorisation of 30 October 2014, also with modifications by the general meeting of 27 July 2016 and also as amended by the resolution of the extraordinary general meeting on 04 December 2017, and also to the extent that the conditions underlying the respective subscription rights have been or will be revised after their issuance in accordance with the respective resolution of the general meeting of 04 December 2017.

3) Conditional capital 2015

By resolution of the general meeting on 28 August 2015, the Management Board was authorised to conditionally increase the subscribed share capital by a total of up to kEUR 230 by issuing up to 230,000 new, no-par-value bearer shares, with profit participation from the beginning of the fiscal year of their issuance (conditional capital 2015).

According to the resolution of 28 August 2015, the exclusive purpose of the conditional capital 2015 is to secure pre-emptive rights, which are issued on the basis of the general meeting's authorisation of 28 August 2015, as part of the 2015 stock option plan, to the members of the Management Board and to employees of the company, as well as to members of the management boards and to employees of affiliated companies, in the period up to and including 27August 2020.

The general meeting on 27 July 2016 resolved to convert the bearer shares of the company into registered shares. Accordingly, the conditional capital 2015 was modified for the issuance of registered shares.

By resolution of the extraordinary general meeting on 04 December 2017, the general meeting's authorisation of 28 August 2015, with modifications by the general meeting on 27 July 2016, to issue subscription rights as part of the 2015 stock options plan, was modified and specified. At the same time, the conditional capital 2015 was modified in so far as it may now exclusively service only pre-emptive rights which have been or will be issued on the basis of the general meeting's authorisation of 28 August 2015, also with modifications by the general meeting of 27 July 2016, and also as amended by the resolution of the extraordinary general meeting on 04 December 2017, and also to the extent that the conditions underlying the respective subscription rights have been or will be revised after their issuance in accordance with the respective resolution of the general meeting of 04 December 2017.

4) Conditional capital 2017

By resolution of the extraordinary general meeting of 04 December 2017, with addendum of 07 August 2018, the Management Board was authorised to conditionally increase the subscribed share capital until 03 December 2022 by a total of up to kEUR 3,500 by issuing up to 3,500,000 new no-par-value registered shares, with profit participation from the beginning of the fiscal year of their issuance (conditional capital 2018/I).

Additional paid-in capital

as of 31 December 2018 were kEUR 101,406
(previous year: kEUR 67,540), comprising the following components:

- Amounts exceeding the notional par value from payments for the issuance of new shares
- Direct payments by shareholders` into the equity account
- Payments by shareholders for the granting of precedence for their shares.

As result of the capital increase of kEUR 34,934 in September 2018, based on the 2018 authorised capital passed by resolution of the general shareholders' meeting, the subscriped capital increased by kEUR 1.226. The capital reserve was increased by the Agio (premium) of the issued shares by kEUR 33,708.

Also in reporting year 2018, kEUR 382 (previous year: kEUR 392) was recognised in additional paid-in capital for the employee subscription rights issued.

Retained earnings

The following table shows the changes in retained earnings during the relevant periods:

In kEUR	Change
As of 01/01/2017	**9,065**
Additions / consumption	18,523
of which: Allocation from net profit	16,796
of which: Dividend distribution	-
of which: Changes in the group of consolidated companies not involving a change of control	1,727
Other earnings	90
As of 12/31/2017	**27,678**
Additions / consumption	-
of which: Allocation from net profit	21,044
of which: Dividend distribution	-
of which: Changes in the group of consolidated companies not involving a change of control	132
Other earnings	-2,262
As of 12/31/2018	**46,592**

NOTE 14 Non-current liabilities to banks and non-banks

Non-current financial liabilities comprise the following:

In kEUR	2018	2017
Non-current liabilities to banks		
Loans with original terms > 1 year	8,999	14,998
Loans with original terms > 5 years	875	1,042
Total	**9,874**	**16,040**
Non-current liabilities to non-banks		
Liabilities from finance leases > 1 year to 5 years	5,952	3,345

Non-current liabilities to banks are EUR9.9million (previous year EUR16.0million). The decrease resulted from scheduled repayments amounting to kEUR 6,166 (previous year: kEUR 3,168) p.a. for two existing loans.

The loan with a maturity of more than one year concerns the financing of the purchase of the XCOM shares and the squeeze-out in 2017 in the amount of EUR 18.0 million, with a repayment of EUR 6.0 million p.a. The term of the loan ends in the year 2020 at the latest.

The non-current liability to banks with a maturity of more than five years relates to a secured mortgage loan for an office building used by the Group in the German federal state of North Rhine-Westphalia. The maturity ends with scheduled repayments amounting to kEUR 166 p.a. in the year 2024.

The leased assets recognised in the statement of financial position under finance leases are long-term contracts for office equipment and for IT infrastructure hardware.

The maturity of the contracts is 3 years. The contracts contain purchase options.

The net carrying amounts of the capitalised financial leasing goods are the following:

In kEUR	2018	2017
Hardware	3,281	2,538
Office Equipment	1,069	807
Total	**4,350**	**3,345**

In the previous year, the Group only accounted for lease liabilities related to leases, that, were classified as finance leases under IAS 17. These were reported as part of the Group's borrowings.

NOTE 15 Pensions and similar obligations

FinTech Group AG has defined benefit pension plans on the basis of individual fixed-sum commitments. Most pension plans provide life-long benefit payments, including retirement, disability and widow's/widower's pension. To finance the pension commitments, re-insurance policies were bought for the employees of Fintech Group AG from Swiss pension provider Swiss Life AG and German insurer MV Versicherungsgruppe. Some of the re-insurance contracts are pledged to the beneficiaries and qualify as plan assets. Other re-insurance contracts qualify as reimbursements rights.

The amount of the total obligation is calculated annually by independent actuaries using the 'projected unit credit method' prescribed by IAS 19. The calculation includes the pensions and acquired entitlements as per the reporting date as well as the expected increases of entitlements and pensions. Some commitments entail entitlement dynamics which are guided by inflation or by firmly agreed adjustment rates. Future pension adjustments depend on statutory provisions; partly they include additional minimum adjustment guarantees. The actuarial interest rate used to discount the benefit obligations at balance sheet date is based on the yield of high-quality corporate bonds.

Income from plan assets and expenses from the compounding of obligations are recognised in the net financial income/finance costs. Past service costs are classified as operating expense. Gains and losses from adjustments and changes in actuarial assumptions are recognised immediately in equity, without going through profit or loss, in the period in which they arise.

The measurement of the pension obligations as of 31 December 2018 is based for the first time on the Heubeck Tables 2018G. These mortality tables take into account the latest statistics of the statutory pension insurance policy in Germany and the Federal Statistical Office.

The principal actuarial assumptions used are the following:

In kEUR	12/31/2018	12/31/2017
Actuarial discount rate	1.90 %	1.70 %
Inflation rate	1.00 %	1.00 %
Mortality	Heubeck - Tables 2018G	Heubeck - Tables 2005G

The net liability for defined benefit pension obligations is calculated as follows:

In kEUR	12/31/2018	12/31/2017
Present valued of defined benefit obligations	24,791	24,857
Fair value of plan assets	-18,538	-17,654
Net liability for pension obligations	6,253	7,203

The change in the net liability for pension obligations was as follows:

In kEUR	2018	2017
As per statement of financial position at beginning of the reporting year	**7,203**	**7,541**
Current service expense	78	78
Past service expense	-935	65
Net Interest expense	99	120
Remeasurements	-	73
Actuarial (gains) / losses	-467	-
due to changes in demographic assumptions	424	-
due to changes in financial assumptions	-1,060	-
due to adjustments in experience	237	164
Income from plan assets other than amounts recognised in the income statement	-68	-91
Employer's contributions to plan assets	-678	-673
Pension benefits paid	-	-
Transfers and company transactions	-	-
As per statement of financial position at end of the reporting year	**6,253**	**7,203**

In the reporting year under review, past service cost was incurred through the cessation of partial retirement.

The changes in the present values of defined benefit obligations, and the fair values of plan assets and reimbursement rights, are shown in following tables:

Defined benefit obligations:

In kEUR	2018	2017
Present value of defined benefit obligations at beginning of the fiscal year	**24,857**	**24,302**
Amounts recognised in Income statement	**499**	**554**
Current service esxpense	76	78
Accrued interest expense	423	412
Past sevice expense and (gains) / losses from plan settlements	-	65
Amounts recognised in OCI	**-399**	**164**
Actuarial (gains) / losses	-399	164
due to changes in demographic assumptions	424	-
due to changes in financial assumptions	-1,060	-
due to adjustments in experience	237	164
Payments and other adjustments	**-166**	**-164**
Employee contributions	-	-
Pension benefits paid	-166	-164
Payments for plan settlemetns	-	-
Transfers and company transactions	-	-
Present value of defined benefit obligations at end of the fiscal year	**24,791**	**24,857**

Plan assets:

In kEUR	2018	2017
Fair value of plan assets at beginning of the reporting year	**-17,654**	**-16,761**
Amounts recognised in the income statement	**-304**	**-292**
Interest Income	-304	-292
Amounts recognised in OCI	**-68**	**-91**
Income from plan assets other than amounts recognised in the income statement	-68	-91
Payments and other adjustments	**-511**	**-510**
Employee contributions	-	-
Employer contributions	-677	-673
Payments for settlements	-	-
Pension benefits paid	166	164
Transfers and company transactions	-	-
Fair value of plan assets at end of the reporting year	**-18,537**	**-17,654**

Reimbursement rights:

In kEUR	2018	2017
Fair value of reimbursement rights at beginning of the fiscal year	**-951**	**-790**
Amounts recognised in the Income statement	**-18**	**-15**
Accrued interest Income	-18	-15
Amounts recognised in OCI	**34**	**46**
Income from reimbursement rights other than amounts recognised in the income statement	34	46
Payments and other adjustments	**-191**	**-191**
Employee contributions	-	-
Employer contributions	-191	-191
Fair value of reimbursement rights at end of the fiscal year	**-1,126**	**-951**

In the statement of financial position, reimbursement rights are included in 'financial assets and other assets'.

The allocation of the defined benefit obligations to the different groups of entitled plan participants, and their weighted average duration, are shown in the following table:

In kEUR	12/31/2018	12/31/2017
Active employees	484	650
Former, vested employees	20,266	20,013
Retirees	4,041	4,194
Present value of benefit obligations	**24,791**	**24,857**
Weighted average duration of obligations in years	22	23

The plan assets consist of re-insurance policies for which there is no active secondary market.

The pension commitments are subject to the regulations of the German Company Pensions Act (BetrAVG). Since the commitments provide life-long pension benefits, there is a biometric risk in the event of increasing life expectancies. Insofar as the entitlements and pension benefits are pegged to inflation, there is an inflation risk. To the extent that the actuarial discount rate, as well as the actual return on plan assets and reimbursement rights, depend on future market developments, there are respective financial risks.

The sensitivities to changes in the capital markets and to significant assumptions are shown in the table below. The sensitivities were determined on the basis of the same stock and the same measurement method as the measurement of the pension obligations per reporting date. When calculating the sensitivities, each assumption was changed in isolation; any correlations between the individual parameters are being ignored for this purpose.

In kEUR	12/31/2018	12/31/2017
Total obligation when the actuarial discount rate is increased by 0.25 % p.a.	23,545	23,234
Total obligation when the actuarial discount rate is decreased by 0.25 % p.a.	26,124	25,941
Total obligation when inflation rate increases by 0.25 % p.a.	25,148	24,940
Total obligation when inflation rate decreases by 0.25 % p.a.	24,440	24,148
Total obligation when life expectancy of a 65-year-old increases by 1 year	25,368	25,429

For the upcoming year, pension payments of kEUR 170 are expected (previous year: kEUR 166). Payment contributions to plan assets are expected in the amount of kEUR 618 (previous year: kEUR 678) and to reimbursement rights in the amount of kEUR 191 (previous year: kEUR 191).

NOTE 16 Liabilities to customers

As of 31 December 2018, liabilities to customers are kEUR 955,489 (previous year: kEUR885,112). The liabilities to customers primarily consist of customer deposits at flatex Bank AG, mainly balances from cash accounts of customers of the ViTrade brand and of flatex GmbH. The year-on-year increase is due in particular, to the steady growth of the flatex brand. As of 31 December 2018, customers' foreign currency balances decreased by kEUR 1,138 to kEUR 1,645 (previous year: kEUR 2,783). As of the balance sheet date, the security deposits dropped by kEUR 7,000 to kEUR 3,000 (previous year: kEUR 10,000).

In addition, there are contingent liabilities from unutilised portions of irrevocable lines of credit in the amount of kEUR 193,812 (previous year: kEUR 181,500). They stem largely from securities-related loan agreements with customers, whereby the loans are fully collateralised by the customers' securities deposits, consisting for example of stocks and bonds (Lombard loans).

NOTE 17 Current liabilities to banks

Current liabilities to banks comprise the following:

In kEUR	2018	2017
Liabilities to banks	47,245	48,370
Foreign currency balance	10,014	12,640
Total	**57,529**	**61,010**

Short-term financial liabilities to banks in the fiscal year amount to kEUR57,259 (previous year: kEUR61,010) and include kEUR47,245 (previous year: kEUR48,370) in settlement liabilities from settlements processing on behalf of customers; foreign currency balances from transactions on behalf of customers in the amount of kEUR 10,014 (previous year: kEUR12,640).

Foreign currency balances consist mainly of liabilities towards foreign banks for the settlement of securities transactions, undertaken in the name of our customers. The currencies in question are for the most part USD, CHF and CAD.

NOTE 18 Other financial liabilities

Other financial liabilities comprise the following:

In kEUR	12/31/2018	12/31/2017
Tax liabilities	1,409	5,627
Accruals and deferrals	657	1,769
Other financial liabilities	153	67
Total	**2,219**	**7,463**

Other financial liabilities in the amount of kEUR 2,219 (previous year: kEUR 7,463) mainly comprise tax liabilities and deferred income.

The decrease of kEUR 4,218 in tax liabilities mainly results from income tax (kEUR 503) and value added tax (kEUR 786). In the case of deferred income, the residual maturities of multi-year customer contracts expired at the end of 2017 led to a decrease of kEUR 1,112.

NOTE 19 Other provisions

The changes in provisions in the fiscal year were as follows:

In kEUR	01/01/2018	Utilisation	Reversals	Additions	12/31/2018
For warranty claims	55	-	55	-	-
Other provisions	7,499	6,001	436	5,768	6,830
Total	**7,554**	**6,001**	**491**	**5,768**	**6,830**

In kEUR	01/01/2017	Utilisation	Reversals	Additions	12/31/2017
For warranty claims	65	65	-	55	55
Other provisions	3,100	1,452	859	6,710	7,499
Total	**3,165**	**1,517**	**859**	**6,765**	**7,554**

The warranty claims were released in full (previous year: kEUR 55) as there were no claims in previous years.

Other provisions include the measurable risk exposures towards third parties. These provisions are valued at full cost and amount to kEUR6,830 at year-end (previous year: kEUR 7,499). They mainly include Group provisions for performance-based variable compensation of kEUR 1,615 (previous year: kEUR 2,633) and other personnel costs including vacation provisions of kEUR 226 (previous year: kEUR 597). Provisions for audit and other professional fees amount to kEUR 1.169 (previous year: kEUR 761), and for pending invoices to kEUR 3,395 (previous year: kEUR 3.411).

NOTE 20 Tax provisions

Provisions for taxes are composed as follows as of the reporting date:

In kEUR	01/01/2018	Utilisation	Reversals	Additions	12/31/2018
Corporation tax	1,088	-919	-	2,883	3,052
Trade tax	2,127	-2,266	-	2,628	2,489
Miscellaneous	-	-	-	-	-
Total	**3,215**	**-3,185**	**-**	**5,511**	**5,541**

NOTE 21 Net Revenues

Net Revenues for reporting year 2018 and 2017 were composed as follows:

In kEUR	2018	2017
Commission income	84,861	77,488
Provision of IT services	18,462	16,006
Interest income	11,733	10,352
Other operating income	10,044	3,168
Total	**125,100**	**107,014**
Timeline of revenue recognition		
at a certain time	125,100	107,014
over a period of time	-	-

In the reporting year 2018, commission income in the amount of kEUR 84,861 (previous year: kEUR 77,488) was mainly generated from the flatex and ViTrade securities business as well as the B2B services of flatex Bank AG. The increase is mainly due to the successful onboarding of new customers and the concomitant increase in the number of transactions.

The group reported net revenues of kEUR 18,462 for the IT services (previous year: kEUR 16,006). Significant were the IT services of the OTC trading systems L.O.X. and the Tristan system, flanked by further software development services for customers from the Technologies segment. The increase results in particular from the expanded customer requirements resulting from new regulatory requirements in the FTG:CBS. The group meets its performance obligations by executing an order or providing an IT service.

The item "Provision of IT services" also includes the sale of goods.

Interest income in the amount of kEUR 11,733 (previous year: kEUR 10,352) increased in comparison to the same period of the previous year, is primarily due to the growing, secured loan book.

The other operating income mainly includes income from a debt acknowledgement from the factoring business to a German retail company.

Revenues for the provision of IT services relate exclusively to the Technologies segment. Proceeds from commission and interest income are to be allocated to the Financial Services segment.

In kEUR	**12/31/2018**	**01/01/2018**
Short-term contractual assets from IT contracts	-	-
Short-term contractual assets from banking transactions	-	-
Total contractual assets	**-**	**-**
Receivables from IT contracts	7,967	853
Receivables from banking transactions	4,095	3,950
Total receivables	**12,062**	**4,803**
Contract liabilities from IT contracts	116	186
Contract liabilities from banking transactions	536	-
Total current contract liabilities	**652**	**186**

No revenue was recognised in the reporting period that was included in the balance of contract liabilities at the beginning of the period. Likewise, there was no recognition of proceeds from performance obligations that were (partially) fulfilled in previous periods. All services included in the IT contracts are invoiced after one year at a latest. A corresponding periodization is carried out during the year As permitted by IFRS 15, the transaction price attributed to these unfulfilled performance obligations is not disclosed.

In addition to the contract balances shown above, the Group has recognised an asset in connection with the costs for the fulfilment of a long-term IT contract. This is shown in the statement of financial position under other assets:

In kEUR	**2018**	**2017**
Costs capitalised at the time of execution of a contract with a customer on 31 December	187	83
Amortisation amounts and impairments	-	-
Total	**187**	**83**

NOTE 22 Raw materials and consumables

Raw materials and consumables used for reporting year 2018 and 2017 were composed as follows:

In kEUR	2018	2017
Commission expenses	22,363	20,569
Other operating expenses	9,577	6,951
IT business expenses	4,186	3,295
Interest expense	721	170
Total	**36,846**	**30,985**

In the reporting year, commission expenses of kEUR 22,363 (previous year: kEUR 20,569) were recognised, which increased in proportion to rise in fee and gross commission income. They essentially include expenses incurred in connection with the settlement of securities transactions with counterparties.

For the provision of IT services, the Group incurred expenses of kEUR4,186 (previous year: kEUR 3,295). Also included here is the cost of selling goods in the end-customer business.

In the fiscal year under review, other operating expenses amounting to kEUR 9,577 (previous year: kEUR 6,951) include, in particular, allocations to risk provisions in accordance with IFRS 9 (Level 1 - 3) in the amount of kEUR 6,970 (previous year: kEUR 457). The increase results in particular from a specific allowance for receivables from the factoring business against a German retail company.

NOTE 23 Personnel expenses

The average number of employees in 2018 was 497 (previous year: 453). Personnel expenses break down as follows:

In kEUR	2018	2017
Wages and salaries	18,512	18,991
Social security contributions and discretionary benefits	4,177	4,034
Income/expenses for pension obligations and employee benefits	-775	118
Total	**21,914**	**23,143**

In fiscal year 2018, wages and salaries amount to kEUR18,512 (previous year: kEUR18,991). The decline compared to the previous year results from the capitalisation of development services amounting to kEUR 12,311 (previous year: kEUR 7,889) for intangible assets in accordance with IAS 38. Total gross personnel costs per capita are at the same level as the previous year.

NOTE 24 Other administrative expenses

Other administrative expenses for 2018 and 2017 are as follows:

In kEUR	2018	2017
Legal and professional services	4,024	3,004
Marketing and advertising	3,842	4,220
Premises	3,765	3,896
Other expenses	3,468	1,488
IT	2,362	1,836
Bank-specific contributions	2,115	2,944
Insurance, contributions, official fees	1,309	876
Vehicle expenses	1,236	932
Travel	881	753
Postage and office supplies	762	614
Entertainment	208	248
Total	**23,972**	**20,812**

The increase in legal and consulting costs by kEUR 1,020 results from one-off corporate strategy and positioning issues. The increase in IT costs by kEUR 526 results from the expansion of the group-wide infrastructure. Expenses for insurance, contributions and levies increased slightly to kEUR 433 due to increased investor relations activities.

Other expenses include, among others, expenses for the disposal of fixed assets from scrapping in the amount of kEUR 620 (previous year: kEUR 53), education and training costs in the amount of kEUR 551 (previous year: kEUR 301), and compensation for the Supervisory Board in the amount of kEUR 513 (previous year: kEUR 439).

NOTE 25 Financial result

The net financial income/finance costs for fiscal years 2018 and 2017 is composed as follows:

In kEUR	2018	2017
Interest income pensions	304	292
other interest income	20	85
Total other financial income	**324**	**377**
Interest expense for deposit facility	1,736	975
Interest expense pensions	423	228
Interest expense for long-term liab.	344	439
Other interest expense	-	23
Total other financial expenses	**2,503**	**1,666**
Net financial income/finance costs	**-2,179**	**-1,288**

The increase in interest expenses for deposit facilities amounting to kEUR 761 results from increased deposits at the Bundesbank. The interest expense for pensions, which increased by kEUR 195, resulted from the adjustment of interest rates at the expense of the lender.

Interest expense for non-current liabilities consists exclusively of interest on the loan to finance the purchase of the shares of XCOM AG.

NOTE 26 Tax on income

Income tax expense on 31 December 2018 and 31 December 2017 consists of the following components:

In kEUR	2018	2017
Current income tax		
Current income tax expense	-5,025	-2,463
Tax refunds / tax expense from previous years	-139	103
Deferred tax		
Deferred tax recognised	-3,157	-1,923
Deferred tax recognised	-2,644	-3,896
Income tax as per income statement	**-10,965**	**-8,179**
Comprehensive income		
Changes in deferred taxes recognised directly in other comprehensive income of which:	910	-152
Actuarial gains / losses from defined benefit pension liabilities	-135	92
thereof gains / losses on changes in the value of available-for-sale assets	1,045	-244
Recycling of deferred taxes	-	-
Income tax in comprehensive income	**-10,055**	**-8,331**

Other earnings as of the reporting date on 31 December 2018 include deferred tax liabilities (income tax charge) from actuarial gains on defined benefit pension liabilities of kEUR-135 (previous year: kEUR 92) and deferred tax liabilities from changes in the value of financial assets available for sale in the amount of kEUR 1,045 (previous year: kEUR -244).

German business income tax is based on a corporation tax at a rate of 15%, with an added 'solidarity surcharge' of 5.5% of the corporation tax amount. Including the additional trade tax, which is levied on a local level, the combined income tax rate for the Group as a fiscal unity was 31.07% (previous year: 31.03%). The variance is due to a change in the weighted average trade tax multiplier.

The following table reconciles the theoretical interest expense – as a product of earnings before income taxes and the applicable tax rate for the Group – to the actual tax expense:

Tax reconciliation for 2018 and 2017 was composed as follows:

		2018	2017
Earnings before tax	kEUR	32,010	25,195
Applicable tax rate	%	31.07	31.03
Expected tax expense	kEUR	-9,945	-7,818
Effect from discontinued operations due to their inclusion in fiscal unity	kEUR	-	68
Effect from non-deductible expenses / non-taxable income	kEUR	-561	-362
Effect from non-deductible expenses from stock option plans	kEUR	-121	-122
Effect from current income taxes on previous year's income	kEUR	-139	103
Effect from deferred taxes for previous years	kEUR	-178	-100
Effect from changes in tax rates	kEUR	6	183
Effect from deviating tax rates	kEUR	75	19
Effect from use of Loss carryforwards without recognition Latencies in pr.yr.	kEUR	11	56
Other tax effects	kEUR	-113	-206
Actual tax expense	kEUR	-10,965	-8,179
Group tax rate	%	34.25	32.50

As of the reporting date, there are taxable temporary differences in connection with subsidiaries (so-called 'outside basis differences' according to IAS 12.39) in the amount of kEUR 806 (previous year: kEUR 443) on which no deferred tax liabilities were recognised.

The composition of deferred tax assets and liabilities is shown in the following table:

In kEUR	**2018**	**2017**
Deferred tax assets		
Tax losses	-	2,644
Financial instruments	905	-
Pension liabilities	4,281	4,481
Provisions	703	493
Other temporary differences	-	-
Offset in accordance with IAS 12.74	-5,889	-7,618
Total	**-**	**-**
Deferred tax liabilities		
Intangibles	-13,397	-9,680
Property and Equipment	-695	-564
Financial instruments	-	-178
Provisions	-113	-
Other temporary differences	-	-
Offset in accordance with IAS 12.74	5,889	7,618
Total	**-8,316**	**-2,804**

NOTE 27 Related party relationships and transactions

In accordance with IAS 24, the members of the governing boards of the parent company FinTech Group AG and their families, as well as members of the management/Management Boards and Supervisory Boards of other essential subsidiaries, are considered to be related parties. Mr Bernd Förtsch, his close family members, and the companies controlled by them are also considered to be related parties of FinTech Group AG, since Mr Förtsch, as sole shareholder of BFF Holding GmbH and GfBk Gesellschaft für Börsenkommunikation mbH and their subsidiaries, exerts a controlling influence over FinTech Group AG.

Legal transactions and other transactions with related parties

In 2018, FinTech Group AG Group companies have had the following legal transactions with related parties, whereby all transactions were completed under standard market conditions, i.e. at arm's length:

- With a company controlled by Supervisory Board member Martin Korbmacher, FinTech Group AG generated revenues of kEUR 0 (previous year: kEUR 158).
- With companies controlled by Mr. Bernd Förtsch, Group companies had transactions totalling kEUR 1,600 in fiscal year 2017 (parent company kEUR 37, subsidiaries kEUR 1,563; in previous year: total kEUR 1,111). These were mostly related to advertising and PR activities and the lease of commercial space.

At year-end 2018, the Group had receivables against related parties in the amount of kEUR 28 (previous year: kEUR 0); liabilities to related parties amounted to kEUR 45 (previous year: kEUR 58).

In addition, a number of related parties maintain cash and/or securities custody accounts with flatex Bank AG. All transactions on these accounts are done at arm's length.

NOTE 28 Compensation of Management Board of FinTech Group AG

Members of the Management Board of FinTech Group AG continued to be Frank Niehage and Muhamad Said Chahrour.

Management Board members received fixed and variable compensation as follows:

		2018	2017
Fixed compensation	EUR	700,000.00	700,000.00
Variable compensation			
- short-term award	EUR	1,150,000.00	550,000.00
2014 program	No.	35,000	60,000
Value at time of award	EUR	178,500.00	99,600
Fixed compensation for Supervisory Board memberships in Group companies	**EUR**	**8,998.36**	**34,447.54**

In addition, they received certain fringe benefits, mainly company cars and insurance coverage. There are no compensation commitments by FinTech Group AG to members of the Management Board for the time after the end of their respective terms of employment with the company.

Compensation of Supervisory Board of FinTech Group AG

Members of the Supervisory Board of FinTech Group AG were:

2018	Martin Korbmacher, Chairman of the Supervisory Board
	Stefan Müller
	Herbert Seuling
2017	Martin Korbmacher, Chairman of the Supervisory Board
	Stefan Müller (from February 23, 2017)
	Bernd Förtsch (until January 30, 2017)
	Herbert Seuling

Members of FinTech Group AG's Supervisory Board receive fixed compensation only. Their compensation in detail, divided into compensation for their membership in the Supervisory Board of the parent company Fin Tech Group AG (FTG AG), and for their memberships in the Supervisory Boards of other Group companies (subsidiaries), inclusive of 19% VAT respectively:

In kEUR	2018 Total	2017 Total
FinTech Group AG	285,600.00	192,459.88
Subsidiaries	178,500.00	133,322.14

In the fiscal year under review, the Supervisory Board members received compensation for travel expenses in the context of their Supervisory Board activities of kEUR 3 (previous year: kEUR 2).

NOTE 29 Earnings per share

Earnings per share (undiluted)

The undiluted earnings per share are calculated by dividing the consolidated earnings of the Group attributable to the shareholders by the average number of the parent company's shares issued and outstanding during the fiscal year. With regard to the value given for 2018, it should be noted that weighting of the number of issued shares is required for the calculation. This is due to new shares being issued during the year under a capital increase of FinTech Group AG and because of previous year's buy-back of own shares and the allocation of these own shares to the employees in the year under review. The number of 460 treasury shares was sold in the capital market.

Issued shares	2018	2017
Number of issued shares as of 01 January (all outstanding)	17,506,426	16,810,876
Number of own shares bought during fiscal year (treasury stock)	-	4,450
Time-weighted allocated of treasury stock for yearly average	-	-146
Time-weighted allocation of newly issued treasury stock in the fiscal year	3,673	-
Number of new shares issued during fiscal year	1,225,761	700,000
Time-weighted allocated of newly issued shares for yearly average	372,766	17,260
Average, time-weighted number of issued shares outstanding during fiscal year	**17,882,865**	**16,827,990**

Earnings in kEUR	2018	2017
From continuing activities	21,044	17,016
From discontinued operations	-	-220
Total	**21,044**	**16,796**
Undiluted earnings per share - in EUR		
From continuing activities	1.12	1.01
From discontinued operations	-	-0.01
Total	**1.12**	**1.00**

Earnings per share (diluted)

Separate values for diluted results have not been calculated for fiscal years 2018 and 2017, as no options for shares of the parent company were exercisable in the reporting period.

NOTE 30 Stock Option Plan

Description of stock option plans

FinTech Group AG has set up stock option plans to ensure that the total compensation package paid to its managers is competitive. The first stock option plan was launched in 2014. Pre-emptive rights from this programme were first issued in 2015. Each pre-emptive right issued pursuant to the stock option plan gives the holder the right to acquire one bearer share of FinTech Group AG against payment of the stipulated strike price. The strike price is determined on the basis of the average closing price of the stock over a fixed period of time preceding the adoption of the relevant resolution by the annual general meeting, minus a discount.

The maturity of these pre-emptive rights is six years from the date of issuance; they may only be exercised upon the expiration of a waiting period (vesting period) of four years. The right to exercise is conditional upon the stock price having risen by at least 100%, on any stock exchange trading day, during a period of two years from the date of issuance of such pre-emptive right (trigger - 2014 stock option plan). Only in the event of a change of control as defined in the authorisation and, if applicable, in subsequent amendments to the option terms, or in the event of a delisting, may FinTech Group AG pay, or may the holders of pre-emptive rights demand, a cash settlement in lieu of shares (in some cases also before the end of the vesting period).

A second stock option plan was launched in 2015 by another resolution of the annual general meeting (2015 stock option plan). In light of the development of the stock price, the terms of this second plan were modified in regard to the condition for exercise, in that the stock price must now have risen by at least 50%, on any stock exchange trading day, during a period of two years from the date of issuance of such pre-emptive right (trigger – 2015 stock option plan). The other terms remain the same as those applicable to the first program.

Changes in the stock option plans

The following table shows the changes in issued and outstanding pre-emptive rights/options:

Program	Date of issuance	Number issued	Exercise price	Price at date of issuance	Price per option in EUR	Option values total in kEUR
2014 stock option plan	03/02/2018	35,000	7.30	28.85	5.10	179
Options granted in 2018		**35,000**				**179**
2014 stock option plan	04/01/2017	73,000	7.30	14.78	1.66	121
2015 stock option plan	04/01/2017	45,000	12.79	14.78	3.14	141
2014 stock option plan	07/03/2017	10,000	7.30	17.98	1.66	17
2015 stock option plan	07/03/2017	10,000	12.79	17.98	3.14	31
Options granted in 2017		**138,000**				**310**
2015 stock option plan	04/07/2016	44,500	12.79	15.45	3.71	165
2015 stock option plan	07/01/2016	10,000	12.79	13.00	2.55	26
2014 stock option plan	07/01/2016	60,000	7.30	13.00	1.96	118
Options granted in 2016		**114,500**				**308**
2014 stock option plan	01/26/2015	924,000	7.30	8.60	1.11	1,026
2014 stock option plan	07/08/2015	84,000	7.30	14.81	2.40	202
2014 stock option plan	08/24/2015	55,000	7.30	11.40	1.77	97
2015 stock option plan	09/28/2015	20,000	12.79	12.44	2.60	52
2015 stock option plan	10/01/2015	5,000	12.79	12.37	2.55	13
Options granted in 2017		**1,088,000**				**1,389**
Total number of options issued		**1,375,500**				**2,186**
2014 stock option plan	07/08/2015	84,000	-	-	-	-
2014 stock option plan	08/24/2015	75,000	-	-	-	-
Lapsed, forfeited or expired options		**159,000**				
Outstanding options		**1,216,500**				

Valuation model

For each issuance date, a separate options valuation was simulated, on the basis of a Monte Carlo model. The model is based on the work of Kevin D. Brewer, which is acknowledged to be significant for the modelling of option valuations: 'Geometric Brownian Motion, Option Pricing, and Simulation: Some Spreadsheet-Based Exercises in Financial Modelling.'

In this valuation, 100,000 share prices are generated, according to the Monte Carlo method, for each issuance date. Each price is checked to see if it cleared the hurdle (condition 1) and is higher than the strike price at the predefined exercise dates (condition 2). If this is not the case, a zero value is assigned for each exercise date and also to the present value on the issuance date. If the value of the stock is above the strike price on one of the pre-defined exercise dates, then the option has an intrinsic value, which is discounted to the issuance date using a 5-year risk free interest rate (source: Bundesbank). It is assumed that the option is exercised on the first date possible, and that the average time from date of issuance to date of exercise is 5 years.

Pricing factors

The first factor that goes into the model is the price of the stock at issuance date (Xetra closing price). The options strike price is EUR 7.30 for the 2014 stock option plan and EUR 12.79 for the 2015 option plan. The volatility could not be derived from an implied volatility due to non-existent derivatives on the shares of FinTech Group AG. Volatility was thus derived from the historic volatility of the stock price (source: Bloomberg).

The risk-free interest rate for the modelling of the 6-year binomial expansion is based on the 6-year interest rates valid at the respective months of issuance, based on the yield curve of listed German government bonds (source: Bundesbank). The number of annual trading days is assumed to be 250.

The hurdles are stipulated in the respective program: In the 2014 options plan, it is 2 times the issuance price, in the 2015 option plan, it is 1.5 times the issuance price. Based on experience from the operating business, transaction cost for options is only a few percent of the option value and is therefore being ignored for the purposes of this calculation.

Option values

The pre-emptive rights granted from the stock option plan 2014 in the 2018 calendar year (35,000 units) had an average market value of EUR 178,500 (EUR 5.10 per option).

Stock option plan expenses

In relation to the stock option plans, kEUR 382 was recognised as an expense in the income statement and transferred to additional paid-in capital in 2018 (previous year: kEUR 392). The underlying assumption was that 82% of issued options will in fact be exercised by the entitled employees, so that an equity value of kEUR 179 x 82% = kEUR 147 was calculated.

The expense was divided pro rata temporis over the from time from the date of issuance of the option to the first day the option exercisable (end of vesting period). The resulting amounts are shown in the following table:

Plan / year of issuance	Total value of options/ Total expenditure in kEUR	Number of days	Expected Allocation	Expenses to be captured / Capital reserve in 2018 in kEUR
2014 stock option plan	179	304	82 %	30
2018	**179**			**30**
2017	**310**	**365**	**82 %**	**66**
2016	**308**	**365**	**82 %**	**63**
2015	**1.389**	**365**	**82 %**	**223**
Total				**382**

NOTE 31 Segment reporting in accordance with IFRS 8

FinTech Group is required by IFRS 8 to report on its operating segments. The manner of segmentation is based on the so-called management approach. Segments are subdivisions of the business for which separate financial information is available that is regularly evaluated by the Management Board and other managers as they allocate resources and evaluate performance.

The Financial Services (FIN) segment includes the products in B2C online brokerage, B2B white-label banking, as well as electronic securities settlements, securities custody, and other banking services. The segment is derived from flatex Bank AG, factoring.plus.GmbH and brokerport finance GmbH.

The Technologies (TECH) segment includes all IT-services; among other things it develops and operates the Group's core banking system (FTG:CBS). In addition, this segment includes activities in research and development. The segment consists of the Group companies of FinTech Group AG and Xervices GmbH.

Services provided between the segments are undertaken at arm's length based on existing contracts. For all transactions between the reporting segments, the basis of recognition is in compliance with IFRS provisions. There is a corresponding segment reporting to the Management Board of FinTech Group AG.

The Group generates income from the transfer of goods and services on a time-related basis exclusively from the Group companies based in Germany. In fiscal year 2018 FinTech Group AG did not realise any material revenues (> 10%) with just one customer.

Segment reporting for continuing activities in 2018

In kEUR	FIN	TECH	Consolidation	Total
Total net Revenues	107,140	39,730	-21,770	125,100
Raw materials and consumables	44,517	5,462	-13,132	36,847
Personnel expenses	17,274	9,470	-4,830	21,914
Other administrative expenses	17,001	10,779	-3,808	23,972
EBITDA	**28,349**	**14,019**	**-**	**42,368**
Depreciation				8,180
Consolidated earnings before interest and income tax (EBIT)				**34,188**
Net financial income/finance costs				-2,179
Consolidated earnings before income tax (EBT)				**32,010**
Income tax expense				10,965
Consolidated earnings from continuing activities				**21,044**
Earnings from discontinued operations				-
Consolidated net profit				**21,044**

Segment reporting for continuing activities in 2017

In kEUR	FIN	TECH	Consolidation	Total
Total net Revenues	89,113	30,642	-12,742	107,014
Raw materials and consumables	28,688	3,937	-1,640	30,985
Personnel expenses	15,353	2,702	5,088	23,143
Other administrative expenses	25,206	3,050	-7,445	20,812
EBITDA	**19,866**	**20,953**	**-8,745**	**32,073**
Depreciation				5,590
Consolidated earnings before interest and income tax (EBIT)				**26,483**
Net financial income/finance costs				-1,288
Consolidated earnings before income tax (EBT)				**25,195**
Income tax expense				8,179
Consolidated earnings from continuing activities				**17,016**
Earnings from discontinued operations				-220
Consolidated net profit				**16,796**

In the segment reporting for 2017, the proportion of the expenses of the holding structure was fully allocated to the segment "Other & Consolidation". After completing the 'From 5 to 2' strategy in 2018, the share will be allocated to both segments by means of a pay-as-you-go system. Thus, the transparency of the presentation of the segment key figures could be further increased.

In 2017, the revenue share from holding activities related exclusively to a group allocation of kEUR 9,106 and cost of materials amounting to kEUR 2,637. In addition, personnel expenses of kEUR 9,142 and other administrative expenses of kEUR 6,072 were allocated to the segment. The EBITDA share from holding expenses in the "Other & Consolidation" segment amounted to kEUR -8,745 in 2017.

NOTE 32 Financial risk management

The Management Board incorporates potential risks and rewards into its business and risk strategy and adjusts it accordingly as necessary. Monitoring and managing risks is a key element of FinTech Group AG's management tools.

FinTech Group takes a risk inventory on a regular basis - which may also be updated on an ad hoc basis – to counter any risks to which it is exposed through its business activities. With regards to financial instruments, these risks comprise the following categories:

- Counterparty default risk (also referred to as: default risk or credit risk): The risk of losses or forgone profits due to unexpected default by or unforeseeable deterioration in the creditworthiness of counterparties, in particular in the case of customers of FinTech Group Bank AG, and of bond issuers.
- Market price risk: The risk of losses due to changes in market prices, in particular as a result of changes in interest rates.
- Liquidity risk: The risk of losses resulting from liquidity shortfalls.

For the overall and comprehensive assessment, limitation and control of the aforementioned risks, FinTech Group AG has a separate department 'Risk Management'. It contributes significantly to the Group-wide tasks of

- Risk identification
- Risk assessment
- Risk management
- Risk monitoring and risk communication

FinTech Group AG thereby adds extensive structural and procedural measures implemented to ensure that, in different parts of the Group, to all relevant banking activities including material risk management and control processes.

The implementation of action items to standardise and produce a group-wide, consistent risk management has been completed.

Credit default risk

Credit default risk arises, in general, in every transaction that is undertaken with a business partner, in particular in loans to customers, trade receivables, but also in bonds in which the Group has invested. The maximum credit default risk essentially corresponds to the carrying amount of the financial assets. Collateral received as collateral or other credit enhancements are not available. With regard to further collateral in connection with lending, please refer to the explanations below.

The Group performs impairment tests on an ad hoc basis (if there is an impairment trigger event) and for each reporting date. Impairments are recognised, for instance, when a business partner is in unexpected economic difficulty.

In addition, a number of receivables are bundled into homogeneous clusters and subjected to group impairment tests.

Cash loans due to local authorities and other receivables are subject to their business-specific credit default risk, which is being looked at and analysed on a daily basis.

Expected credit losses at the individual transaction and portfolio level

Impairment losses already be taken into account at the date of initial recognition of the financial asset. The risk provision allocated to level 1 can be created both at the level of individual transactions, as well as at the portfolio level.

With regard to the credit strategy and the structure of the credit portfolios, please refer to the section entitled 'Management and limitation of counterparty default risks' in the risk report of the Group management report.

For larger credit exposures, including those arising from the opportunistic credit portfolio, the Group analysed the counterparty default risk at both the end of the month and on an ad hoc basis at the individual transaction level to ascertain whether the expected credit loss has significantly increased.

For credit exposures whose default or credit exposures are monitored and controlled in homogeneous portfolios by the bank's credit risk management, it is necessary to assess the default risk at the portfolio level, since the assessment at the level of the individual financial instrument would result in a change in the counterparty default risk being recognised too late.

Risk provisions at portfolio level are calculated at least quarterly.

For the calculation of the expected credit loss, parameters are used which are available to fulfil the supervisory requirements of the CRR. In order to determine the expected loss (EL) according to CRR, a multiplicative link between the Probability of Default (PD), the Loss Given Default (LGD) and the exposure amount in the Exposure at Default (EaD) is carried out using the following formula:

$$\text{Impairments or risk provisions (EL)} = PD \times LGD \times EaD$$

At the Group level, an allowance is recognised in the amount of the expected credit losses that occur within the next 12 months.

Risk provisions for level 1 financial instruments must therefore be recognised in the amount of the 12-month ECL. The 12-month ECL corresponds to the expected loss over the residual maturities resulting from a loss that is possible within the next twelve months. This requires the weighting of the ECL with the probability of default of the financial instrument within the next twelve months following the Valuation Day (hereinafter 12-month PD; PD_t^{12M}). Using the CRR calculation formula described above, the 12-month ECL is as follows:

$$ECL_t^{12M} = PD_t^{12M} \times LGD_t \times EAD_t$$

This corresponds to the portion of expected credit losses from default events expected within 12 months of the reporting date. If the credit risk has not increased significantly since initial recognition, the financial instrument remains at level 1.

For an assessment at the loan portfolio level, a grouping of individual transactions takes place on the basis of counterparty default risk characteristics of similar financial product groups.

The Financial Services security-backed loans (Lombard & flex loans) are loans collaterlized diversified fungible securities in the custody accounts. The mortgage lending value is determine very conservatively with high discounts. Lombard and flex customers are immediately warned in a three-stage order for payment procedure if the mortgage lending limits are not met.

The loans allocated to the diversified true sale factoring portfolio in the Financial Services division are collateralised by securities collateral, contingency insurance, guarantees, assignments of claims, in particular sponsorship, TV and advertising rights. The LGD is derived from the one-year historic recovery rate by rating from the recent study by Moody's (Annual Default Study: Corporate Default and Recovery Rates, 1920 - 2017, dated 15 February 2018). As an EaD, the factoring receivables are calculated based on utilisation less trade credit insurance and security deposits.

Determination of the significant increase in credit risk

To assess a significant increase in the risk of default, the counterparty default risk at of acquisition date is compared with the default risk at the reporting date.

An impairment provision has to be measured in the amount of the lifetime expected credit loss (LTECL) for those financial assets that have assumed a significant increase in credit risk since their initial recognition. This requires the calculation of the ECL based on the Lifetime Probability of Default (LTPD), which represents the probability of default over the residual maturities of the financial asset. Credit risk provisioning is higher at this stage as credit risk increases and the impact of a longer time horizon compared to 12 months in level 1 is taken into account.

The Group considers reasonable information that is relevant and available without undue burden when determining whether the credit risk (i.e. the counterparty default risk) of a financial asset has increased significantly since the initial recognition. This includes quantitative and qualitative information that is based on previous experience of the Group, analyses and assessments of counterparty default risk, among others:

- the financial instrument under consideration
- the debtor
- the geographical region of the debtor
- forward-looking information (including macroeconomic factors)

The procedure for the early detection of increased default or credit risks

The procedure for the early detection of increased default or credit risks is used to identify borrowers whose commitments are beginning to indicate latent or increased risks. It is designed to enable the Group to identify credit default risk exposures at an early stage so that appropriate risk mitigation measures can be taken if necessary.

The monitoring of early warning signals in lending businesses is organised at various levels:

- annual monitoring
- systematic, event-driven monitoring in the context of electronic dunning
- systematic, event-driven monitoring by arrival agencies (SCHUFA and Creditreform)
- event-driven monitoring on the basis of other information (e.g. press reports)

The following are early warning signals in the lending business, which make it easier to identify a possible increased risk. If factors for the determination of an increased counterparty default risk can not be identified at individual loan level, an investigation is carried out on a higher aggregated level (e.g. sub-portfolio).

Significant changes in the external market indicators of counterparty default risk for a particular financial instrument, such as borrower default credit default swap rates, and internal credit ratings are used as early warning indicators.

The assessment of counterparty default risk at the debtor level may lead to divergent results than an individual transaction level assessment. Therefore, other financial instruments of the same borrower are also checked to see whether the counterparty default risk has increased significantly.

Accountability, contractual compliance and behaviour of the borrower (among other things overdue), including in the form of overdrafts of credit lines, non-compliance with agreements, conditions and covenants as well as non-payment of interest and principal of more than 30 days, are early warning signals for an increased credit risk in the Group. When these early warning signals occur, a check is made as to whether an increase in risk provisioning and possibly also a different level allocation is necessary due to a change in the external rating.

Any actual or anticipated significant adverse change in the borrower's regulatory, economic or technological environment that results in a significant change in the borrower's ability to meet its debt obligations (such as a decline in demand for the borrower's products due to a technology shift) will serve as further indicators of increased counterparty default risk.

Furthermore, significant changes in the value of the collateral for the obligation or the quality of the guarantees or collateral security of third parties are recorded that is likely to reduce the economic incentive of the borrower to make planned contractual payments or that is likely to affect the probability of a default occurring.

If the debtor is likely to indicate breaches of contract that may lead to waivers or supplements, interest payment pauses, increases in interest rates, additional collateral or guarantees required or changes in the contractual framework of the instrument, will be examined whether any potential increased counterparty default risks can be identified.

Framework for identification of financial assets at risk of default

Under IFRS 9, the Group follows the definition of loans classified as defaults in accordance with the Capital Requirements Regulation (CRR) pursuant to Art. 178 with its definition of impaired loans.

The assessment of whether a financial asset is at risk of default concentrates exclusively on counterparty default risk without taking into account the effects of credit risk mitigants such as collateral or guarantees. Specifically, a financial instrument is at risk of default and assigned to level 3 if the Group assumes that the borrower (debtor) will not meet its loan obligations to the Group company. This definition includes measures where the borrower has been granted, for economic or legal reasons, a concession that is a qualitative indicator of a credit reduction or contractual payments of principal or interest by the debtor are more than 90 days past due. As part of the level allocation process, financial instruments with an external investment grade rating are assigned to level 1 in the event of irrevocable addition and in the subsequent measurement, since a low default risk is expected in these cases. For financial instruments with an investment grade rating, it is therefore not necessary to investigate a significant increase in the default risk and to continuously assess the risk.

Financial instruments with an external non-investment grade rating are also assigned to level 1 upon addition. As part of the subsequent measurement, when the early warning signals listed above occur, it is checked whether there is a significant increase in the default risk, an increase in risk provisioning and a transfer of the financial instrument from level 1 is necessary. The assessment is based, among other things, on the changes in external rating.

The changes in the risk provisions in the reporting period are shown as follows:

In kEUR	12-month ECL	Total ECL maturity – unimpaired financial instruments	Total ECL maturity – depreciated financial instruments	Total
Stock at the beginning of the year	**560**	**-**	**-**	**560**
Changes in amortisation of financial assets including newly issued or acquired financial assets	1,234	28	6,889	7,262
Of which: Additions to risk provisions from financial assets acquired as part of the acquisition of factoring.plus. GmbH	-	-	889	889
Changes due to disposals of financial instruments (including repayments, disposals)	-	-	-13	-13
Changes in impairments for irrevocable loan commitments	37	-	-	37
Stock at the end of the reporting period	**942**	**28**	**6,876**	**7,846**

The increase in risk provisions in the amount of kEUR 6,015 results in particular from an individual value adjustment on receivables from the factoring business from a German retail company.

In the first stage (12-month ECL), the securities-secured loans (Lombard & flex loans) with a gross carrying amount of kEUR 108,109 are particularly exposed. Due to the very conservative lending system and low historical defaults, these are treated as financial instruments with an external investment grade rating for which a lower default risk is expected. Level 1 also includes receivables from borrowers with an external investment grade rating from the true sale factoring portfolio with a gross carrying amount of kEUR 77,320 from the opportunistic loan portfolio of kEUR 26,725 and receivables from banks of the treasury portfolio of kEUR 150,772. Irrevocable loan commitments with a gross carrying amount of kEUR 193,812 are additionally aallocated to Level 1. For further details on irrevocable loan commitments, see Note 16 Liabilities to customers.

Level 2 (total term of ECL of non-impaired financial instruments) includes securities-secured loans with a significantly increased default risk with a gross carrying amount of kEUR 33. Level 3 (total term of ECL of impaired financial instruments) includes receivables from the factoring business with a German retail company with a gross carrying amount of kEUR 12,496 (see also Note 22 Cost of materials) as well as the impaired receivables with a gross carrying amount of kEUR 1,052 taken over in the wake of the acquisition of factoring.plus.GmbH.

Market price risk

flatex Bank AG has extensive cash deposits. Since these funds are not reinvested at the exact same terms that they are taken in, flatex Bank AG incurs an additional market risk in the form of interest rate risk through the resulting yield curve gaps. Market interest rates have a significant impact on the prices and measurements of financial instruments of flatex Bank AG and may therefore have a positive or negative impact on the profitability of the Group.

FinTech Group AG mitigates these interest rate risks by reinvesting its customer's cash deposits with a small time gap (conservative asset-liability management), so there is currently no need for hedging transactions. However, the management of FinTech Group AG reserves the right to take action if interest rates change unfavourably or if the overall risk situation should require it.

The following table shows the sensitivity of the Group's pre-tax profit and the Group's equity to possible changes in market interest rates of 0.5 percentage points up or down, all other variables remaining equal:

In kEUR	Change in market interest rate in percentage points	Pre-tax Earnings (new)	Equity (new) in kEUR
2018	+0.5 percentage points	25,448	171,629
2018	-0.5 percentage points	16,640	162,821
2017	+0.5 percentage points	27,895	114,521
2017	-0.5 percentage points	22,495	110,849

The risk from movements in exchange rates (currency risk) in financial instruments at FinTech Group is immaterial.

Liquidity risk

FinTech Group AG monitors its liquidity regularly and ensures its continuous funding through the use of debt financing and operating leases. FinTech Group AG has taken appropriate action items to guarantee the financing of the ongoing expansion and introduced so-called liquidity coverage ratios in its internal reporting structure, so that the risks of insufficient financial resources are regularly monitored.

Risk concentration

Risk concentration is of particular importance for FinTech Group, especially with regard to potential cumulative counterparty default risks among bond issuers or partners in the Group's lending business ('cluster risk'). FinTech Group has an investment guideline, and a limit system derived from it, which generally prevents risk concentrations. In addition, the new loan portfolio model introduced in 2016 and the Group's ongoing risk reporting facilitate initiation of countermeasures at an early stage, as soon as potential risk concentrations appear. Monitoring is therefore carried out with regard to possible concentration trends in maturity terms, in the geographic spread of counterparties, and in asset classes, but in particular with regard to possible concentration risks in individual counterparties (outside the central banking sector). As of the reporting date on 31 December 2018, the nominal value of the highest claim to a single counterparty was EUR 26.9 million. (previous year: EUR 25.5 million). On account of the good credit rating and the short residual maturities, the VaR for this receivable, calculated with the FinTech Group AG's credit portfolio model, was 0.0.

Capital management

The Group's objective with regard to capital management is ensuring the continuation of the business, in order to meet the requirements of the shareholders and other stakeholders regarding its expected performance. To date, FinTech Group AG has relied on traditional equity financing (e.g. issuance of new shares) and debt financing. The sum of the equity and debt capital is managed as capital. The key control parameter for the strategic capital structure is the equity ratio derived from the consolidated balance sheet. It is the stated goal of our long-term capital management to further strengthen the equity ratio over the coming years. Compared to the previous year, there have been no material changes in terms of capital management.

Individual group companies have been subject to regulatory minimum capital requirements during the reporting period. Such requirements are included in the capital management planning at Group level. All existing minimum capital requirements have been consistently met.

NOTE 33 Dividends

No dividends were distributed during the reporting period.

NOTE 34 Auditors' fees

The group auditor's fee recognised as an expense in the financial year is made up as follows:

In kEUR	**2018**	**2017**
Audit of the financial statements	1,388	414
of which: BDO AG	711	163
of which: TREUWERK AUDIT GmbH	657	118
of which for the previous year	360	-
Other assurance services	-	-
Tax advisory services	34	-
Other	14	-
Total	**1,436**	**414**

NOTE 35 Events after the balance sheet date

FinTech Group becomes flatex

After years of reorganisation of the Group and focused realignment, FinTech Group AG will integrate the main earnings and growth driver flatex in the company name from here on out. Together with the Supervisory Board, the management has decided to rename FinTech Group Bank AG into flatex Bank AG and to propose the renaming of the parent company FinTech Group AG to flatex AG at the upcoming general meeting in the summer of 2019.

New CRO of flatex Bank AG

Since 01 February 2019, Mr Jörn Engelmann has been the new CRO at flatex Bank AG and has become a permanent member of the Executive Committee of FinTech Group AG.

AUDITOR'S REPORT

For the reporting period from 01 January 2018 to 31 December 2018, in the versions included in this report as Annex I (Consolidated Financial Statements) and Annex II (Cconsolidated Management Report), we have issued the unqualified audit opinion, signed on 27 June 2019 in Frankfurt am Main, regarding the Consolidated Financial Statements and consolidated management report of FinTech Group AG, Frankfurt am Main, as follows:

INDEPENDENT AUDITOR'S REPORT

To FinTech Group AG, Frankfurt am Main

AUDIT OPINIONS

We have audited the Consolidated Financial Statements of FinTech Group AG, Frankfurt am Main, and its subsidiaries (the Group). Our audit included the consolidated balance sheet as of 31 December 2018, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated statement of changes in equity for the financial year from 1 January 2018 to 31 December 2018, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. We also audited the consolidated management report of FinTech Group AG for the financial year from 01 January 2018 to 31 December 2018. We have not examined the content of the components of the Group's annual financial report mentioned under 'OTHER INFORMATION'.

In our opinion, based on the findings of the audit,

> the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB and, give a true and fair view of the net assets and financial position of the Group as of 31 December 2018,, as well as its earnings for the fiscal year from 01 January 2018 to 31 December 2018, and

> the accompanying consolidated management report gives a true and fair view of the Group's position. The consolidated management report is consistent with the Consolidated Financial Statements in all material respects, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) (1) HGB, we declare that our audit has not led to any objections regarding the orderliness of the consolidated financial statements and the consolidated management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and the consolidated management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for the Audit of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

Our responsibilities under those rules and regulations are further described in the section of our auditor's opinion entitled 'AUDITORS' RESPONSIBILITY FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT'. We are independent of the Group companies in accordance with German commercial law and professional code of conduct and have fulfilled our other professional obligations under German law in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements and the consolidated management report.

OTHER INFORMATION

Management is responsible for the other information. Other information includes:

- the parts of the Group's Annual Report entitled 'Highlights', 'Key Figures of the Company', 'Letter from the Management Board' and 'Report of the Supervisory Board' provided as a draft by the date of the auditor's opinion.

Our audit opinions on the consolidated financial statements and the consolidated management report do not involve the other information and accordingly we are not issuing any opinion or other form of audit conclusion.

In connection with our audit of the consolidated financial statements, we have a responsibility to read the other information and to assess whether the other information

- reveals material inconsistencies with the consolidated financial statements, the consolidated management report or our knowledge acquired during the audit, or
- otherwise appears materially misrepresented.

RESPONSIBILITY OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

Management is responsible for the preparation of the consolidated financial statements thatcomply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB. They must also ensure that the consolidated financial statements provide a true and fair view of the net assets, financial and earnings position of the Group. Furthermore, the legal representatives are responsible for the internal control features that they have determined to be necessary to facilitate the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Supervisory Board is responsible for overseeing the Group's accounting process for preparing the consolidated financial statements and the consolidated management report.

RESPONSIBILITY OF THE AUDITOR FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the consolidated management report as a whole provides an appropriately view of the situation of the Group as a whole; and is consistent in all material respects with the consolidated financial statements, as well as with the obtained insights from the audit; if it complies with the German statutory regulations and represents the chances and risks of the future development correctly, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and the consolidated management report.

Reasonable assurance is a high degree of certainty, but no guarantee that an audit conducted in accordance with § 317 HGB and in compliance with the German Generally Accepted Standards for the Audit of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) will always reveal a material misstatement. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influencethe economic decisions of addressees made on the basis of these Consolidated Financial Statements and the consolidated management report.

During the audit, we exercise professional judgment and maintain professional skepticism throughout the audit. Furthermore,

- we identify and assess the risks of material misstatement (whether intentional or unintentional) in the consolidated financial statements and the consolidated management report. We also plan and perform audit procedures in response to such risks and obtain audit evidence that is sufficient and suitable to form the basis of our audit opinions. The risk of not detecting a material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, s, or the override of internal controls.
- we obtain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the consolidated management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- we evaluate the appropriateness of accounting policies used by management and the reasonableness of the estimates and related disclosures made by the management.
- we conclude on the appropriateness of management's use of the going concern basis of accounting and, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may give rise to significant doubts on the Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in the auditor's report to the relevant disclosures in the consolidated financial statements and the consolidated management report or, if these disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may cause the Group to cease to be able to continue as a going concern.
- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner to ensure that the consolidated financial statements comply in all material respects with the IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to § 315e (1) HGB. They must also ensure that the consolidated financial statements provide a true

and fair view of the net assets, financial and earnings position of the Group.

- we obtain sufficient appropriate audit evidence for the financial information of the entities or business activities within the Group to provide audit opinions on the consolidated financial statements and the consolidated management report. We are responsible for the guidance, supervision and execution of the consolidated financial statements audit. We are solely responsible for our audit opinions.
- we evaluate the consistency of the consolidated management report with the consolidated financial statements, its compliance with the German law, and the fair view of the Group's position that it provides.
- we perform audit procedures on prospective information presented by management in the consolidated management report. Based on sufficient, appropriate audit evidence, we evaluate, in particularly, the significant assumptions used by management as a basis for the prospective information, and assess the proper derivation of the prospective information from these assumptions. We do not provide an independent opinion on the prospective information and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the prospective information.

Among other things, we discuss the planned scope and timing of the audit with the people in charge of monitoring, as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit."

Frankfurt am Main, 27 June 2019

BDO AG

Wirtschaftsprüfungsgesellschaft

Audited Consolidated Financial Statements of flatex AG prepared in accordance with IFRS as at and for the financial year ended 31 December 2017

Consolidated Balance Sheet - IFRS -

of December 31, 2017

In kEUR	Note	12/31/2017	12/31/2016
Assets		**1,107,433**	**1,533,994**
Non-current assets		**97,373**	**78,889**
Intangible assets	10	62,953	57,339
Goodwill	11	28,780	28,780
Internally-generated intangible assets	10	26,022	20,376
Customer relationships	10	5,262	5,603
Other intangible assets	10	2,890	2,580
Property, plant and equipment	12	6,973	5,590
Financial assets and other assets		951	790
Non-Current loans to customers*	13	26,497	8,653
Deferred taxes	28	-	6,517
Current assets		**1,009,677**	**1,454,647**
Inventories and work in progress		113	334
Trade receivables		7,593	8,538
Other receivables		1,255	5,033
Other current financial assets	13	603,714	1,051,540
Financial assets available for sale	30	177,517	514,335
Financial instruments carried at fair value through profit or loss	30	1,006	1,234
Cash loans to local authorities	13	237,165	401,171
Current loans to customers*	13	175,415	122,472
Other receivables due from banks	13	12,610	12,328
Cash and cash equivalents	14	397,002	389,202
Cash reserve - cash on hand	14	26,937	14,167
Cash reserve - balances with central banks	14	224,355	178,122
Receivables owed by banks maturing daily	14	145,709	196,914
Assets from discontinued operations	**8**	**383**	**459**

* Previous year values were adjusted due to reclassifications (detailed presentation see note 13)

In kEUR	Note	12/31/2017	12/31/2016
Liabilities and Shareholders' Equity		**1,107,433**	**1,533,994**
Equity		**112,724**	**90,629**
Subscribed capital	15	17,506	16,811
Capital reserves	15	67,540	49,690
Retained earnings	15	27,677	9,064
Minority interests	15	-	15,063
Liabilities		**994,709**	**1,443,365**
Non-current liabilities		**29,392**	**14,808**
Non-current liabilities to banks	16	16,040	2,875
Non-current liabilities to non-banks	16	3,345	1,054
Pension obligations	17	7,203	7,541
Deferred tax liabilities	28	2,804	3,338
Current liabilities		**965,317**	**1,428,557**
Trade payables	18	963	5,844
Liabilities to customers *	19	885,112	1,339,845
Liabilities to banks	20	61,010	60,275
Other financial liabilities *	28	7,463	3,813
Tax provisions	21	3,215	15,615
Other provisions	30	7,554	3,165

* Previous year values were adjusted due to reclassifications (detailed presentation see note 20)

Consolidated Income Statement - IFRS -

for the period from January 01 to December 31, 2017

In kEUR	**Note**	**2017**	**2016**
Revenues	22	107,014	95,021
Raw materials and consumables used		30,985	25,481
Personnel expenses	23, 24	23,143	19,489
Other administrative expenses	25	20,812	19,427
Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA)		**32,073**	**30,624**
Depreciation and amortization	10 - 12	5,590	5,159
Consolidated earnings before interest and income tax (EBIT)		**26,484**	**25,465**
Financial result	27	-1,288	-1,226
Consolidated earnings before income tax (EBT)		**25,195**	**24,239**
Income tax expense	28	8,179	3,956
Consolidated earnings from continuing activities		**17,016**	**20,283**
Earnings from discontinued operations	8	-220	-7,967
Consolidated net profit		**16,796**	**12,316**
Minority shareholders' share of income		-	3,897
Majority shareholders' share of income		16,796	8,419

Consolidated Statement of Profit or Loss and Other Comprehensive Income - IFRS -

for the period from January 01 to December 31, 2017

In kEUR	Note	2017	2016
Consolidated net profit		**16,796**	**12,316**
Income and expense items recognized directly in equity			
Pensions			
Actuarial gains and losses	17	-164	-3,628
Valuation of plan assets	17	91	305
Reimbursement rights	17	-46	-
Adjustment previous year		-184	-
Securities			
Change in value reported in equity		544	-996
Deferred taxes	28	-152	1,517
Pensions		92	1,186
Securities		-244	331
Total other earnings		**90**	**-2,801**
Comprehensive income		**16,885**	**9,515**

Consolidated Cash Flow Statement - IFRS -

as of December 31, 2017

In TEUR	2017	2016
Earnings from continuing activities	**17,016**	20,283
Depreciation and amortization/appreciation on property, plant and equipment and intangible assets	5,590	5,159
Increase/decrease in trade receivables	944	17,854
Increase/decrease in other receivables, deferred tax assets, covered fund assets	10,134	-2,558
Increase/decrease in inventories	220	752
Increase/decrease in trade payables	-4,881	-12,986
Increase/decrease in other financial liabilities	3,650	-13,489
Increase/decrease in provisions, changes in deferred taxes, pension obligations	-8,883	204
Other non-cash transactions	-60	323
Cash flow from operations - before banking operations	**23,729**	**15,543**
Increase/decrease in receivables from customers	-70,787	-77,399
Increase/decrease in receivables from cash loans to local authorities	164,006	-19,995
Increase/decrease in receivables from banks	-282	-10,576
Increase/decrease in liabilities to customers	-454,734	346,257
Increase/decrease in liabilities to banks	735	-3,261
Increase/decrease in financial instruments available for sale	336,817	-384,759
Increase/decrease in financial instruments held to maturity (htm)	228	-611
Other non-cash transactions	544	-
Cash flow from banking operations	**-23,473**	**-150,344**
Cash flow from operations - continuing activities	***256***	-134,801
Cash flow from discontinued operations	-144	-9,155
Cash flow from operations	**112**	**-143,956**

In TEUR	2017	2016
Investments in intangible assets	-9,343	-6,119
Investments in property, plant and equipment	-3,244	-1,899
Cash flow from investments in continuing activities	**-12,587**	**-8,018**
Cash flow from investments in discontinued operations	-	-1,174
Net cash flow from investments	**-12,587**	**-9,192**
Increase/decrease in non-current liabilities to banks (loans)	13,165	-1,833
Increase/decrease in non-current liabilities to non-banks	2,291	-1,446
Proceeds from equity injections by shareholders of the parent company	-	-
Proceeds from equity injections by other shareholders	18,158	-
Incoming payments/disbursements for loss absorption from discontinued operations	-	9,389
Disbursements for increase of shares without change of control	-13,340	-5,032
Cash flow from long-term financing	**20,273**	**1,078**
Change in cash and cash equivalents	**7,799**	**-152,071**
Cash and cash equivalents at the beginning of the period	389,202	541,273
Cash and cash equivalents at the end of the period	**397,002**	**389,202**

Additional information according to IAS 7

In kEUR	as of 01/01/2017	cash changes	non-cash changes					as of 12/31/2017
			acquisitions	currency effects	fair values	reclassifications	other	
Non-current liabilities								
Non-current liabilities to banks	2,875	13,165	-	-	-	-	-	16,040
Non-current liabilities to non-banks	1,054	2,291	-	-	-	-	-	3,345
Total	**3,929**	**15,456**	**-**	**-**	**-**	**-**	**-**	**19,385**

Statement of Changes in Group Equity -IFRS-

as of December 31, 2017

In kEUR	Subscribed Capital	Capital Reserves	Consolidated retained earnings	Actuarial gains/ losses	Gains/losses from financial instruments measured at fair value through other comprehensive income	Total	Minority shares	Total equity
As at 12/31/2015 - 01/01/2016	**16,811**	**49,367**	**2,466**	**4,127**	**396**	**73,167**	**12,689**	**85,856**
Issue of new shares	-	-	-	-	-	-	-	-
Contributions to / withdrawals from reserves	-	323	-	-	-	323	-	323
Changes not involving a change of control	-	-	-3,520	-	-	-3,520	-1,512	-5,032
Dividend payments	-	-	-22	-	-	-22	-11	-33
Other earnings	-	-	-	-2,158	-643	-2,801	-	-2,801
Consolidated net profit	-	-	8,419	-	-	8,419	3,897	12,316
As at 12/31/2016 - 01/01/2017	**16,811**	**49,690**	**7,343**	**1,969**	**-247**	**75,565**	**15,063**	**90,629**
Issue of new shares	696	-	-	-	-	696	-	696
Contributions to / withdrawals from reserves	-	17,850	-	-	-	17,850	-	17,850
Changes not involving a change of control	-	-	1.727	-	-	1.727	-15,063	-13,336
Other earnings	-	-	-	-182	271	89	-	89
Consolidated net profit	-	-	16,796	-	-	16,796	-	16,796
As at 12/31/2017	**17,506**	**67,540**	**25,866**	**1,787**	**24**	**112,724**	**-**	**112,724**

List of abbreviations

AG	Corporation
AktG	Stock Corporation Act
ATM	Automatic Teller Machine
BaaS	Banking as a Service
BPO	Business Process Outsourcing
B2B	Business to Business
B2C	Business to Consumer
CAD	Canadian Dollar
CDS	Credit Default Swap
CEO	Chief Executive Officer
CFD	Contract for Difference
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CHF	Swiss Franc
CODM	Chief Operating Decision Maker
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
C&T	Credit & Treasury
DCF	Discounted Cash-Flow
EBIT	Earnings Before Interest and Taxes
EBT	Earnings Before Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
ECB	European Central Bank
ECL	Expected Credit Loss
ERP	Enterprise Resource Planning
ETC	Exchange Traded Commodity
ETF	Exchange Traded Fund
ETN	Exchange Traded Notes
ETP	Exchange Traded Products
EU	European Union
FIN	Financial Services
FTG	FinTech Group AG
FTG Bank	FinTech Group Bank AG
FTG:CBS	FinTech Group Core Banking System
FVTOCI	Fair Value not affecting profit or loss Though Other Comprehensive Income
FVTPL	Fair value through profit or loss
FX	Foreign Exchange
GAAP	Generally Accepted Accounting Principles
GCM	General Clearing Member

GfBk	Gesellschaft für Börsenkommunikation
GmbH	limited liability corporation
hft	Financial assets measured at fair value through profit or loss
HGB	Commercial Code
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICT	Information and Communications Technology
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFRS IC IFRS	Interpretations Committee
ISIN	International Securities Identification Number
ISO	International Organization for Standardization
IT	Information Technology
KDE	cash and securities custody account opening
kEUR	thousand Euros
KPI	Key Performance Indicator
KWG	Banking Act
L.O.X.	Limited Order Xervices
MaRisk	Minimum Requirements for Risk Management
mEUR	million Euros
MiFID II	Markets in Financial Instruments Directive II
MRR	Monthly Risk Report
MSCI	Morgan Stanley Capital International plc.
M&A	Mergers & Acquisitions
OCI	Other Comprehensive Income
OTC	Over The Counter
PSD 2	Payment Service Directive 2
p.a.	per anno
P&L	profit and loss
R&D	Research and Development
SaaS	Software as a Service
TECH	Technologies
TRG	Transition Resource Group
T2S	TARGET2-Securities
USD	United States Dollar
VaR	Value at Risk
WACC	Weighted average cost of capital
WpHG	Securities Trading Act

Notes to the Consolidated Financial Statement as of December 31, 2017

NOTE 1 About the Company / the Group

The Consolidated Financial Statements presented here are those of FinTech Group AG and its subsidiaries (the "Group").

FinTech Group AG is headquartered in Frankfurt on the Main, Germany; its Frankfurt trade register number is HRB 103516. The business address is Rotfeder-Ring 7, 60327 Frankfurt/Main.

The registered shares of the company are traded on the regulated open market (ISIN DE000FTG1111 / German securities code FTG111).

The Group's business activities are the supply of innovative technologies for the financial sector in general and for online brokerage in particular, as well as the provision of financial services and IT services.

FinTech Group AG's immediate parent company is GfBk Gesellschaft für Börsenkommunikation mbH, Kulmbach; the ultimate parent company of the Group is BFF Holding GmbH, Kulmbach.

The Consolidated Financial Statements of the Group were finalized on June 14, 2018 and are scheduled to be presented to the Supervisory Board on June 18, 2018 for approval to be published. After publication, the Consolidated Financial Statements may not be altered.

NOTE 2 Basis of Preparation

For companies within the European Union, preparation of consolidated financial statements in accordance with IFRS is mandatory, provided they are capital market-oriented companies (Article 4 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002). All other parent companies must prepare consolidated financial statements in accordance with their respective national laws.

The German Federal Government has implemented the EU Regulation through the Accounting Law Reform Act, which has introduced, inter alia, section § 315e of the German Commercial Code (HGB). Accordingly, a capital market-oriented German parent company must prepare consolidated financial statements in accordance with IFRS (section 315e par. 1 in conjunction with section 290 par. 1 HGB). A capital market-oriented company is defined as a company whose stock is listed on an organized market (section 2 par. 5 German Securities Act (WpHG).

Since FinTech Group AG is currently only traded on the open market (segment scale), it does not have to prepare IFRS-compliant consolidated financial statements.

However, FinTech Group AG has, in line with section 315e par. 3 HGB, opted to voluntarily prepare its consolidated financial statements in accordance with IFRS. The first consolidated financial statements according to IFRS were prepared as per 31 December 2015. Since, in the consolidated financial statements, the previous year's figures have to be provided for comparison, FinTech Group prepared an IFRS opening balance sheet per January 1, 2014.

The Consolidated Financial Statements are in full compliance with IFRS as applicable within the European Union, and with the supplementary provisions of section 315a HGB, the German Commercial Code. The Consolidated Financial Statements of FinTech Group AG are based on the assumption of a going concern.

FinTech Group presents information in thousands or millions of currency units. Generally, the information is expressed in millions of units. For detailed information on the income statement, information is presented in thousands of units. The presentations in thousands and millions of units are rounded. When calculating with rounded numbers, slight rounding differences may occur.

NOTE 3 Scope of consolidation

The consolidated Group accounts comprise the accounts of FinTech Group AG and the subsidiaries controlled by it.

Scope of consolidation of FinTech Group AG as at 01/01/2016:

- Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach (100%)
- flatex GmbH, Kulmbach (100%)
- flatex & friends GmbH, Kulmbach (100%)
- XCOM AG, Willich (63.65%)

Changes in scope of consolidation in 2016:

In 2016, there was no change in the number of consolidated firms.

Scope of consolidation of FinTech Group AG as at 12/31/2016 - 01/01/2017:

- Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach (100%)
- flatex GmbH, Kulmbach (100%)
- flatex & friends GmbH, Kulmbach (100%)
- XCOM AG, Willich (73.77%)

XCOM AG in turn had direct and indirect equity investments in the following companies:

- XCOM Finanz GmbH, Willich (100%)
- biw Bank für Investments und Wertpapiere AG, Willich (100%)
- ViTrade GmbH, Willich (100%)
- Brokerport Finance GmbH, Willich (100%)
- Xervices GmbH, Willich (100%)
- BrokerPort AG in Abwicklung, Willich (100%)
- XCOM Trading Services GmbH in Liquidation, Willich (100%)
- b2clear GmbH, Willich (100%)

Changes in scope of consolidation in 2017:

In 2017, there was no change in the scope of consolidation, concerning the individual subsidaries on the Group, there were the following changes in 2017:

XCOM AG and flatex & friends GmbH were merged onto FinTech Group AG retroactively from 01/01/2017. The remaining minority shareholders of XCOM AG, in this context, were squeezed out against cash compensation, in a squeeze-out based on merger law. In addition, b2clear GmbH was merged onto XCOM AG, also retroactively from 01/01/2017.

biw Bank für Investments und Wertpapiere AG changed its name to FinTech Group Bank AG on 06/15/2017; XCOM Finanz GmbH changed its name to FinTech Group Finanz GmbH on 09/10/2017.

The merger of ViTrade GmbH onto FinTech Group Bank AG was also effected retroactively from 01/01/2017. The business activities and staff were taken over by the bank, who will continue to use the "ViTrade" brand. flatex GmbH was merged onto FinTech Group Bank AG on 03/29/2018, wih retroactive effect from 01/01/2018. The "flatex" brand will be retained as well.

Also in 2017, the following companies were liquidated: BrokerPort AG in Abwicklung, Willich, and XCOM Trading Services GmbH in Liquidation, Willich.

Scope of consolidation of FinTech Group AG as at 12/31/2017:

- Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach (100%)
- flatex GmbH, Kulmbach (100%)
- FinTech Group Finanz GmbH (formerly XCOM Finanz GmbH, Willich) (100%)
- FinTech Group Bank AG (formerly biw Bank für Investments und
- Wertpapiere AG, Willich) (100%)
- Brokerport Finance GmbH, Willich (100%)
- Xervices GmbH, Willich (100%)

FinTech Group AG continues to own a share in a jointly controlled company, Finotek Europe GmbH, Frankfurt/Main, which remains outside the scope of consolidation due to immateriality. There are no associated companies, neither as at 12/31/2017 nor as at 12/31/2016.

NOTE 4 Business combinations

No business combinations occurred in fiscal 2016 or in fiscal 2017.

NOTE 5 Accounting policies

Business combinations and consolidations

Business combinations are recorded in accordance with the provisions of IFRS 3.

At initial consolidation, identifiable assets and liabilities are measured at their fair value at the time of acquisition. Shares of minority shareholders are recognized in proportion to their share of the fair value of assets and liabilities. Ancillary acquisition costs and fees are directly recorded as an expense. Any remaining excess of the cost of acquisition over the value of net assets measured at fair value is capitalized as goodwill. The results of acquired subsidiaries are included from the date of acquisition by the Group, i.e. from the date on which the Group was able to exercise control.

Inventory

Inventory is measured at the lower of purchase/production cost or net realizable value on balance sheet date.

Research and development costs

Research costs are recognized as expense in the profit and loss account. Development costs are capitalized if they can be reliably ascertained, if the product or process to which they pertain is realizable in technical and economic terms, and if the future economic benefit is probable. The initial capitalization of these costs will be based on the assumption that such technical and economic feasibility has been established. This will generally be the case where a project has reached a certain milestone previously defined in the Group's project management model. In addition to the availability of sufficient resources, there must be an intention within the Group to complete the project and use or sell the resulting asset. Once projects are completed, development costs are depreciated over the useful life, starting at the time when economic benefits are generated. Impairment testing is carried out on an annual basis, with future economic benefits substantiated by relevant business cases. The start of a development project may be based on basic research results or on a non-exclusive customer order, whereby the respective research effort must be expensed.

Intangible assets acquired for valuable consideration

Purchased software, licenses and industrial property rights are accounted for at their acquisition costs and depreciated on a straight-line basis over their expected useful lives as follows:

- Technology and software: The expected useful life over which these items are depreciated on a straight-line basis is 8 years.
- Customer relationships: Straight line depreciation over 16 and 20 years.
- Trademarks: Straight line depreciation over 10 years.

Intangible assets acquired for valuable consideration are subject to impairment testing if there is an indication that it may be impaired. There were no such indications at the end of 2017.

Property, plant and equipment

Property, plant and equipment which is subject to wear and tear and is used for more than one year is measured at amortized cost and depreciated on a straight-line basis over the expected useful life. Office buildings are depreciated over an expected useful life of 10 to 40 years. Land is ordinarily not depreciated. Other plant and equipment is depreciated over the expected useful life of the respective asset, which is between 3 and 5 years for computer hardware and generally 13 years for office furnishings. Maintenance and repair costs are recognized as expense for the period. Where there are indications of impairment and the recoverable amount is lower than the amortized acquisition or production cost, the asset is written down to the recoverable amount.

Impairments

The carrying values of property, plant and equipment and of intangible assets are examined for indications of impairment at the end of each reporting period. If any such indication exists, the recoverable amount of the asset is calculated so that a potential impairment expense may be assessed. To the extent that the recoverable amount cannot be calculated at the level of the individual asset, the calculation is carried out at the level of the cash generating unit (CGU) to which the asset in question is allocated, with assets being apportioned to the individual CGUs or the smallest grouping of CGUs, as the case may be, on an appropriate and consistent basis.

In the case of an intangible asset with an indefinite useful life or an intangible asset not yet available for use, impairment testing is carried out at least annually and when indications of impairment (triggering events) occur.

The derivative goodwill is not subject to scheduled depreciation, but it is tested for impairment on the basis of the recoverable amount of the CGU to which it is allocated. For this, the goodwill acquired in the course of a business combination is allocated to each individual CGU which is likely to benefit from the synergies generated by the combination. The maximum size of such a CGU will be the operational segment as in the reports to the primary decision-making body, thereby establishing a link to the internal reporting system. Impairment testing is carried out at least annually at the end of each reporting period, and additionally when there is an indication of impairment of the CGU. In the fiscal year under review, however, there was no such indication.

In the event that the book value of the CGU, to which the derivative goodwill has been allocated, exceeds the recoverable amount, the derivative goodwill must be written off in the amount of the established difference. Once an impairment loss of a derivative goodwill has been recognized, it may not be reversed. Where the difference established for the CGU exceeds the book value of the derivative goodwill allocated to it, the book values of the assets allocated to the CGU are subjected to pro-rated impairments for a total of the remaining impairment amount.

Financial instruments

Financial assets and liabilities are recognized where the Group has a contractual right to receive cash or other financial assets from another party or is subject to a contractual obligation to transfer a financial asset to another party. Financial assets and financial liabilities are recognized from the point in time when the Group becomes a contractual party to the financial instrument. Regular way purchases or sales of financial assets are principally recognized or derecognized on trade date.

The Group's financial instruments are divided into the following categories, which at the same time may be viewed as classes within the meaning of IFRS 7:

- Loans and receivables
- Financial assets at fair value through profit or loss
- Financial assets available for sale
- Financial liabilities measured at amortized cost
- Financial liabilities at fair value through profit or loss

There are no financial investments held to maturity.

Financial instruments are categorized at the time of their acquisition, with the categorization depending on the type and intended purpose of the financial asset or liability. At initial recognition, financial instruments are measured at their fair value.

"Loans and receivables" comprise cash, overdraft facilities granted to customers and issued loans. These are valued at their amortized acquisition cost according to the effective interest rate method. Any impairments are accounted for in profit or loss. Foreign currency assets or liabilities are converted into the home currency at the rate of the relevant reporting date. Foreign currency risks are largely ruled out by the conversion of foreign currency considerations simultaneously with each security transaction.

"Financial assets at fair value through profit or loss" comprise financial instruments in the trading portfolio. These are measured at their fair value through profit or loss.

"Financial assets available for sale" comprise equity participations and fixed-income securities. These are measured at fair value; in the absence of impairments, valuation changes during the current period are directly reported in equity through other comprehensive income without affecting profit or loss.

"Financial liabilities measured at amortized cost" comprise customer deposits and loan liabilities. These are measured at their amortized acquisition cost using the effective interest method.

"Financial liabilities at fair value through profit or loss" comprise financial liabilities in the trading portfolio. These are measured at their fair value through profit or loss.

Income tax

Income tax for the period comprises current tax and deferred tax. Tax is recognized as income or expense and included in the profit or loss for the period, except to the extent that the tax arises from an item which is recognized in other comprehensive income, in which case the relevant tax will be recognized in other comprehensive income as well. Current tax is calculated on the basis of profit or loss realized in the fiscal year, which has been determined according to applicable tax rules.

For deferred taxes, the difference is calculated between the values of assets and liabilities in the consolidated financial statements and their values for tax purposes. Deferred tax assets are recognized to the extent that it is probable that these will generate future income against which the deductible temporary differences, any unused tax losses and any unused tax credits may be offset. The capitalization of deferred tax assets relating to loss carryforwards is subject to a special rule: These may only be capitalized where it is highly likely that sufficient taxable profits will be available in the future to offset the losses.

Deferred tax assets and liabilities will be offset where a legally enforceable right exists to offset actual tax assets against actual tax liabilities, and where the deferred tax assets and the deferred tax liabilities relate to income tax levied by one and the same tax authority on one and the same taxpayer or on a number of taxpayers, if the balance is to be settled on a net basis.

Defined benefit plans

The Group values claims arising out of defined benefit plans using the projected unit credit method. In calculating the net present value of future benefit claims for services already provided, the Group takes future increases in salary and pensions into consideration. Actuarial gains and losses arising, for example, from adjustments to the discount rate, are reported under other comprehensive income for the period in which they occur.

Provisions

A provision will be recognized where the Group is subject to a current de facto or legal obligation arising as a result of a past event, the outflow of resources of economic benefit for the satisfaction of the obligation is likely, and it is possible to reliably estimate the extent of the obligation. Provisions with residual maturities of more than one year are discounted.

Recognition of revenues

Revenues are recognized on the basis of contractual agreements once the products in question have been delivered, if the amount of the remuneration can be reliably ascertained, if there are no material obligations toward the customer, and if the collection of the receivable is deemed likely. The net amount of the consideration, after deduction of any discounts, customer incentives and rebates, is recognized as revenue.

Interest is recognized on an accrual basis. Operating expenses are recognized in profit or loss when the service in question is being utilized or has been initiated.

Leasing

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

The classification of leases is based on the extent to which significant risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

If substantially all risks and rewards are attributable to the lessor (operating lease), the leased asset is recognized in the statement of financial position of the lessor. The measurement of the leased asset is based on the accounting policies applicable to that asset. The lease payments are recognized in profit or loss by the lessee.

If substantially all risks and rewards incidental to ownership of the leased asset are attributable to the lessee (finance lease), the lessee must recognize the leased asset in the statement of financial position. At the commencement of the lease term, the leased asset is measured at the lower of fair value or present value of the future minimum lease payments and is depreciated over the shorter of the estimated useful life or the lease term. Depreciation is recognized as expense. Also at the commencement of the lease term, the lessee recognizes a lease liability equal to the carrying amount of the leased asset. Lease payments are apportioned between a finance charge and a reduction of the outstanding liability using the effective interest method, where the finance charge is recognized in profit or loss.

FTG Group companies have only liabilities from leasing contracts; thus they only act as lessees.

Earnings per share

The undiluted earnings per share are calculated by dividing the consolidated earnings of the Group attributable to the shareholders of the parent company by the average number of the parent company's shares issued and outstanding during the fiscal year.

NOTE 6 Changes in accounting policies - amended standards and interpretations

Annual improvements and new ones from IASB and IC adopted standards and interpretations

As part of its "annual improvements", IASB makes small changes to existing standards. They always follow a 3-year review cycle. Below, the "annual improvements" are listed in tabular form together with the current EU endorsement statuses. In addition to the ongoing revision of standards and interpretations as part of the "annual improvement" project, new pronouncements are also issued on a regular basis.

Newly applied standards and interpretations in the current reporting year (2017)

The following standards became mandatory in 2017 and were newly applied by FinTech Group:

The amendment to IAS 12 "Income Taxes" aims to counteract the diverging practices in regards to the (non-) recognition of deferred tax assets for unrealized losses of debt instruments that are categorized as financial assets available for sale (afs). The insertion of the new paragraph 29A in IAS 12 now provides an explicit rule for the above-mentioned case, stating when one can principally assume that the reporting entity can realize an amount in excess of the carrying value of the asset. There are no effects for FinTech Group from the first-time application of the amendment to this new standard.

The amendments to IAS 7 "Cash Flow Statement" were implemented as part of the IASB's so-called "disclosure initiative" and relate to additional disclosures regarding liabilities arising from financing activities. According to the newly inserted paragraphs 44A to 44E, an entity has to make presentations that allow the recipients of the financial statements to assess changes in the liabilities arising from financing activities, including cash flow and non-cash flow items. FinTech Group applied the new rules for the first time in the year under review, and the additional presentations were made below the cash flow statement.

New but not yet mandatory standards and interpretations

The following new or amended standards and interpretations have already been adopted by IASB and IC, but have not yet come into force or have not yet been transferred into European law. The Group has opted against early application of these standards and interpretations.

New standards and interpretations

Standard / Interpretation	Date published	Amendment / new regulation	Date of application (EU)	EU endorsed
IFRS 9 Financial instruments	07/24/2014	Guidance on accounting for financial instruments	Fiscal years beginning on or after 01/01/2018	Yes
IFRS 15 Revenue from contracts with customers	05/28/2014 09/11/2015	Accounting rules for the timing and amount of revenue recognition	Fiscal years beginning on or after 01/01/2018	Yes
IFRS 16 Leases	01/13/2016	Accounting for leases	Fiscal years beginning on or after 01/01/2019	Yes
IFRIC 22 Foreign currency transactions and advance consideration	12/08/2016	Foreign currency translation of transactions in which the consideration is not a monetary asset	Fiscal years beginning on or after 01/01/2018	Yes
IFRIC 23 Uncertainty over income tax treatments	06/07/2017	Clarifies the accounting for uncertainties in income taxes	Fiscal years beginning on or after 01/01/2019	No

New standards and interpretations

Standard / Interpretation	Date published	Amendment / new regulation	Date of application (EU)	EU endorsed
Annual improvements to IFRS (2014-2016 cycle)	12/08/2016	IFRS 1: Deletion of short-term exemptions IAS 28: Clarification that the election to measure at fair value is available for each investment separately	Fiscal years beginning on or after 01/01/2018	Yes
IFRS 15 Revenue from contracts with customers	04/12/2016	Clarification and short-term exemptions from the Transition Resource Group for Revenue Recognition (TRG)	Fiscal years beginning on or after 01/01/2018	Yes
IFRS 2 Share-based payment transactions	06/20/2016	Classification and measurement of share-based payment transactions	Fiscal years beginning on or after 01/01/2018	Yes
IFRS 4 Insurance contracts	09/12/2016	Application of IFRS 9 Financial instruments together with IFRS 4 Insurance contracts	Fiscal years beginning on or after 01/01/2018	Yes
IAS 40 Property held to earn rentals or for capital appreciation	12/08/2016	Accounting for property (land and/or buildings) held to earn rentals or for capital appreciation	Fiscal years beginning on or after 01/01/2018	Yes
IFRS 9 Financial Instruments	10/12/2017	Prepayment features with negative compensation	Fiscal years beginning on or after 01/01/2019	No
IAS 28 Long-term interests in an associate or joint venture	10/12/2017	Clarification that IFRS 9 applies to long-term interests in an associate or joint venture to which the equity method is not applied	Fiscal years beginning on or after 01/01/2019	No
Annual improvements to IFRS (2015-2017 cycle	12/12/2017	IFRS 3/IAS 11: Clarification about the measurement of interests at the time in which the acquirer obtains control IAS 12: Clarification that all income tax consequences of dividends must be recognized IAS 23: Treatment of borrowing costs after the related qualifying asset is ready for its intended use or sale	Fiscal years beginning on or after 01/01/2019	No

All of the above standards, interpretations, and amendments to existing standards and interpretations, will probably be applied by FinTech Group AG - to the extent that they are relevant – not earlier than from the date when their first-time application is mandatory.

For fiscal 2018, the EU-adopted standards IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers will be applied for the first time. The effects on the consolidated financial statements from the first-time application of significant standards are described in the following paragraphs.

IFRS 9: Financial instruments

With the issuance of IFRS 9, the replacement of IAS 39 will now be completed. The introduction of IFRS 7 in 2007 had expanded the disclosure requirements and deleted the respective rules from IAS 39 and IAS 32.

Now the remaining regulations, namely for recognition and measurement of financial instruments as well as for hedge accounting, are being replaced by IFRS 9. The main rules and regulations are:

Recognition and measurement of financial assets

For the classification of financial assets, two criteria are deciding:

1. The business model (held to maturity, available for sale, held for trading)
2. The nature of the cash flows associated with the financial instrument (solely payments of principal and interest on the principal amount out-standing)

These criteria determine whether the instrument is to be measured at amortized cost or at fair value – through profit or loss, or not affecting profit or loss.

Business model

The classification into the three categories of financial assets is based on the company's business model for controlling financial assets and the characteristics of the contractual cash flows of the financial asset (IFRS 9.4.1.).

The classification is not to be made at the level of a single financial instrument, but at a higher aggregation level, e.g. a portfolio.

Measurement categories

According to IFRS 9, the following measurement categories are used for financial assets:

- Amortized cost: For financial assets whose cash flows consist exclusively of interest and principal payments, and where the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes).
- Fair value not affecting profit or loss through other comprehensive income (FVTOCI): For financial assets whose cash flows consist exclusively of interest and principal payments, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Fair value through profit or loss (FVTPL): For all other financial assets.

For equity instruments, for example stocks, as long as they are not allocated to the trading portfolio, the company has the option of measuring them either at fair value through profit or loss, or at fair value through other comprehensive income.

A financial asset is measured at amortized cost (IFRS 9.4.2), if the asset is held within a business model whose objective is achieved by collecting contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In all other cases, financial assets are measured at fair value.

The classification for the subsequent measurement of a financial asset has to be designated already at the time of its initial recognition.

Measurement of financial liabilities

The provisions of IAS 39 were retained to a large extent. Only for financial liabilities for which the fair value option was used, the change in fair value due to changes in the entity's own credit standing may, under certain conditions, accrue to OCI without affecting profit or loss.

Impairment

The impairment model deviates significantly from IAS 39. Whereas IAS 39 was based on the incurred loss model, IFRS 9 is based on the expected credit loss model.

IFRS 9 provides, that on the basis of the expected loss a so-called 3 stages-approach has to be implemented. The new regulation has to be applied in future only for such financial instruments, which are measured at amortized cost or at fair value not-affecting profit or loss.

Already at initial recognition, 12-month expected credit losses are required to be measured through a loss allowance for all financial instruments (financial instruments in stage 1 - 12-month ECL). If the credit standing has worsened or if the credit risk of the financial instrument has increased significantly since initial recognition, the financial instrument moves into stage 2, and a loss allowance for full lifetime expected credit losses is required (lifetime ECL). If an objective indication of an expected loss can be observed, the financial instrument moves into stage 3, and a loan loss allowance is required which is assessed on an individual basis and covers the full lifetime of the financial instrument (lifetime ECL).

Hedge Accounting

The rules basically remain unchanged. According to IAS 9, there is a more stringent relationship with the actually practiced risk management. The effectiveness criteria are less rigid and allow for an adjustment of the hedge ratio (rebalancing). To increase the effectiveness of the hedge, it can be referenced more precisely onto the actual risk components. Also, certain value components of the hedging instrument can be taken out of the hedging relationship and accrue to OCI. In contrast to IAS 39, an established hedge relationship may not be terminated by simple revocation.

Impact of IFRS 9 on the consolidated financial statements of FinTech Group:

1. Measurement categories:

The financial assets of FinTech Group AG will be classified according IFRS 9 as follows:

- Amortized cost
- Fair value not affecting profit or loss through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVTPL)

The financial assets will be designated on a portfolio-level to the business models "held to maturity" or "available for sale".

Within FinTech Group, the new IFRS 9 regulations impact mainly the financial assets of the subsidiary FinTech Group Bank AG. At all other Group companies, the financial assets consist of liquid assets such as cash reserves and demand deposits at banks, as well as trade receivables. These principally fulfill the business model criterion "held to maturity" as well as the cash flow criterion, and the categorization and measurement will remain unchanged, i. e. at amortized cost. In addition, FinTech Group AG still has a small portfolio of equities. Since these equities are not held for trading, their measurement will continue to be at fair value not affecting profit or loss (FVTOCI).

At FinTech Group Bank AG, on the other hand, the financial assets from the lending business and from investments in securities, mainly bonds and mutual bond funds, are impacted by the new measurement categories of IFRS 9. For the purpose of classification, the financial assets of FinTech Group Bank AG were therefore analyzed to determine if, based on the business model and the cash flows of the underlying products, one could continue to categorize them as "held to maturity" and measure them at amortized cost as under IAS 39.

FinTech Group Bank AG is a "non-trading book institution" as defined in article 94 of the EU-regulation (EU) Nr. 572/2013. Therefore, the transactions of the entity are principally undertaken with the intention of holding the related instruments to maturity.

Receivables and loans will continue to largely meet the criteria for measurement at amortized cost. Debt instruments will, in due consideration of the above-mentioned conditions, be measured at fair value not affecting profit or loss (FVTOCI); financial instruments with maturities under one year will probably be measured at fair value through profit or loss (FVTPL).

On the basis of the conducted analyses it is expected that the changes in measurement categories will not have a major impact on the reported equity of the Group.

FinTech Group will therefore make use of the option for the initial application of IFRS 9 and omit IFRS 9 comparative figures for the periods preceding initial application.

2. Impairment

FinTech Group expects an increase of the risk provision of an estimated mEUR 0.5 due to the new impairment rules, wich is mainly due to the change to the 12-month-ECL at initial measurement as well as the new calculation methodology to the expected default risk.

3. Hedge Accounting

FinTech Group still does not make use of hedge accounting and accordingly there will be no impact on the consolidated financial statements.

IFRS 15: Revenue from contracts with customers

Further, with IFRS 15, the IASB has issued new rules for determining the amounts and the timing of revenue recognition. These new rules incorporate especially the preceding discussions about multiple performance obligations and variable considerations. The standard provides a 5-step model framework that applies to all contracts for the delivery of goods and services, with the exceptions, in particular, of lease contracts, insurance contracts, and financial instruments. The individual steps are the following:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the individual performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

For FinTech Group, these new regulations are not expected to have a major impact, since the Group currently does not engage in transactions with multiple performance obligations, and make-to-order production is currently negligible. For the most part, FinTech Group enters into service contracts which by their nature do not entail the transfer of an unrestricted, negotiable right to the software created by the Group, but, as a rule, assign a limited-term usage right for its software on the basis of a maintenance, service, and support agreement.

Also, as a rule, there are no variable consideration agreements.

NOTE 7 Estimates and Assumptions

The preparation of the Consolidated Financial Statements in compliance with IFRS implies the adoption of assumptions and the use of estimates which have an impact on the amounts and the disclosure of assets and liabilities and/or revenues and expenses. All available information has been taken into account in this regard.

The assumptions and estimates relate mostly to the stipulation of useful lives in a consistent manner throughout the Group, the determination of recoverable amounts for impairment testing of individual CGUs, and the recognition and measurement of provisions.

The currently strained interest rate scenario in the financial markets provides a particular example for uncertainty in estimates, specifically as it relates to the valuation of reported pension provisions. As a consequence, values actually realized in the future may deviate from the estimates made now.

New information is taken into account as soon as it becomes available. The assumptions and estimates are deemed not to have changed significantly between the balance sheet date and the presentation of these accounts.

NOTE 8 Discontinued operations

The result of the remaining two discontinued operations (previous year three) of Aktionärsbank and flatex & friends, which was merged onto FinTech Group AG, amounted to kEUR -220 in 2017.

The result breaks down as follows:

In kEUR	2017	2016
Revenues	29	562
Expenses	173	8,274
EBITDA	-144	-7,712
Depreciation	76	255
Result of current year from discontinued operations	-220	-7,967

In discontinued operations, all fair values correspond at least to the book values, so that no impairments had to be taken in 2017.

NOTE 9 Group subsidiaries with minority shareholders

Significant minority shareholders existed only at the level of XCOM AG. With the successful completion of the squeeze-out for the remaining free float XCOM shares, there are no minority interests left as at 12/31/2017.

As at 12/31/2016, the non-controlling interest in XCOM AG's equity had totaled 23.19%. Correspondingly, the non-controlling shareholders were allocated a share of the 2016 profit in the amount of kEUR 3,897. The shareholders of XCOM AG received a dividend of EUR 0.06 per share for fiscal 2016.

The following tables show for the fiscal year 2016 the condensed financial information on assets and liabilities, profit and loss, and cash flows of XCOM AG. The information provided relates exclusively to XCOM AG prior to any intra-group eliminations.

Balance sheet (condensed):

In kEUR		2016
Current		
Assets		11,550
Liabilities		-4,988
Total current net assets		6,562
Non-current		
Assets		42,896
Liabilities		-4,966
Total non-current net assets		37,930

Income statement (condensed):

In kEUR		2016
Revenues		31,040
Earnings before income taxes		11,413
After-tax earnings from continuing operations		8,486
Other earnings		-
Total earnings		8,486
Total earnings attributable to minority shareholders		2,226
Dividends paid to minority shareholders		11

Cash flow statement:

In kEUR		2016
Net income		**8,486**
Depreciation and amortization of fixed assets		1,313
Increase (+)/decrease (-) in the debit difference from asset allocation		-813
Increase (+)/decrease (-) in provisions		-140
Other non-cash expenses (+)/income (-)		-2,582
Gain (-)/loss (+) on disposal of assets		-39
Increase (-)/decrease (+) in inventories, trade receivables and other assets		1,784
Increase (+)/decrease (-) in trade payables and other liabilities		-13,545
Interest expense (+)/income (-)		-
Income tax expense (+)/income (-)		8,486
Income tax payments (+/-)		1,740
Cash outflow/inflow from operations		**4,690**
Proceeds from the disposal of assets (+)		348
Payments for investments in assets (-)		-1,302
Interest received (+)		13
Cash outflow/inflow from investing activities		**-941**
Issue (-)/repayment (+) of loans to related parties		-
Taking out (+)/repayment (+) of loans from third parties		-1,833
Interest paid (-)		-63
Dividend distribution		-33
Proceeds from equity injection by the parent company		-
Cash outflow/inflow from financing activities		**-1,929**
Change in cash and cash equivalents		1,820
Cash and cash equivalents at the beginning of the period		3,694
Cash and cash equivalents at the end of the period		**5,514**

NOTE 10 Intangible assets

Intangible assets in 2017 (all from continuing activities):

In kEUR	Balance sheet	Cost as of 01/01/2017	Additions	Disposals	Reclassifications	Cost as of 12/31/2017	Accumulated depreciation as of 12/31/2017	Book value as of 12/31/2017	Depreciation in 2017
Goodwill	Goodwill	28,780	-	-	-	28,780	-	28,780	-
Capitalized development cost	Internally-generated intangible assets	16,925	2,510	-	+7,044	26,479	5,757	20,722	2,192
Current development cost	Internally-generated intangible assets	6,965	5,379	-	-7,044	5,300	-	5,300	-
Customer relationships	Customer relation-ships	6,200	-	-	-	6,200	938	5,262	341
Industrial property rights and similar rights	Other intangible assets	8,813	2,374	1,732	-	9,455	7,356	2,099	1,130
Trademarks	Other intangible assets	700	-	-	-	700	193	508	70
Down payments	Other intangible assets	-	283	-	-	283	-	283	-
Intangible assets		**68,383**	**10,546**	**1,732**	**-**	**77,197**	**14,244**	**62,953**	**3,733**

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Intangible assets in 2016 (all from continuing activities):

In kEUR	Balance sheet	Cost as of 01/01/2016	Additions	Disposals	Cost as of 12/31/2016	Accumulated depreciation as of 12/31/2016	Book value as of 12/31/2016	Depreciation in 2016
Goodwill	Goodwill	28,780	-	-	28,780	-	28,780	-
Capitalized development cost	Internally-generated intangible assets	16,300	625	-	16,925	3,514	13,411	2,122
Current development cost	Internally-generated intangible assets	2,391	4,679	104	6,965	-	6,965	-
Customer relationships	Customer relationships	6,200	-	-	6,200	597	5,603	341
Industrial property rights and similar rights	Other intangible assets	7,849	1,058	94	8,813	6,810	2,003	785
Trademarks	Other intangible assets	700	-	-	700	123	577	70
Down payments	Other intangible assets	44	-	44	-	-	-	-
Intangible assets		**62,264**	**6,362**	**242**	**68,383**	**11,044**	**57,339**	**3,319**

Goodwill is the only intangible asset with an indefinite useful life.

Intangible assets with a definable useful life are stated at their acquisition or production cost, less accumulated depreciation and impairments. Scheduled depreciation of intangible assets is reported in the statement of profit or loss and other comprehensive income under the line item "depreciation of assets".

Goodwill as well as current development costs are subject to annual impairment testing.

The recoverable amount of the asset is determined by calculating its "value in use" on the basis of five-year cash flow forecasts and a discount rate of 10.35% p. a. (2016: 10.35%). Cash flows beyond the five-year period are extrapolated by assuming a long-term growth rate of 1.0% p. a. The assumptions in the impairment tests are based on management's previous experiences regarding the respective asset.

Management believes that no reasonably possible change in one of the assumptions used to determine the respective "value in use" of the tested assets could result in the carrying amount of such an asset to significantly exceed its recoverable amount.

Individual, material intangible assets:

Asset	Line item	Book value 12/31/2017 EUR	Book value 12/31/2016 EUR	Remaining amortization Years
Technology and software (FTG)	Capitalized development cost	10,696,875	**12,734,375**	**5**
Customer relationships (ViTrade)	Customer relationships	3,191,250	**3,376,250**	**17**
Customer relationships (FTG Bank)	Customer relationships	2,070,313	**2,226,563**	**13**

Research costs expensed in 2017 amount to kEUR 2,086 (2016: kEUR 1,949).

NOTE 11 Impairment of derivative goodwill

For the impairment test, the derivative goodwill acquired in the course of business combinations is allocated to the existing segments as cash-generating units (CGUs). Since the segmentation has changed from the previous year, the goodwill, which in 2016 was allocated exclusively to the segment "Transaction Processing & White Label Banking Services", had to be re-allocated to the two new segments according to the related cash flows. Thus, the goodwill of kEUR 28,780 (12/31/2016: kEUR 28,780) is now allocated to the two segments "TECH" (20%) and "FIN" (80%).

1. "FIN"-CGU: Includes products and services in B2C online brokerages,
2. in B2B white-label banking, and electronic custody and portfolio management and other banking services.
3. "TECH"-CGU: Includes IT services and R & D activities.

The Group undertakes goodwill impairment tests on a regular basis at the end of each fiscal year, and also if and when there is an indication of an impairment. To determine the economic value of each segment, the Group takes into account, among other things, increasing competition and strategy changes within the respective segment.

The cash flow forecasts are based on the detailed five-year budget approved by management. The discount rate used to calculate the expected before-tax cash flow is based on the "weighted average cost of capital" (WACC) concept. Any cash flows expected after the detailed four-year budget period are calculated by using an extrapolated perpetual growth rate (perpetuity); the growth rate used for this is the same as the long-term average growth rate predicted for the financial technology industry as a whole, which is also expected for our CGUs. Both past data and forward-looking data, i.e. expectations as to future market developments, are incorporated into the cash flow forecasts. Also, the growth of the company's business is taken into account.

As per 12/31/2017 and per 12/31/2016, no impairment of derivative goodwill had to be recognized as a result of impairment testing.

The book value of the CGU "TECH" as at 12/31/2017 amounts to kEUR 102,568 (12/31/2016: kEUR 48,913). The recoverable amount of this CGU is kEUR 123,021 (12/31/2016: kEUR 52,555). The derivative goodwill allocated to this CGU as at 12/31/2017 was kEUR 5,756 (12/31/2016: kEUR 5,756). The pre-tax discount rate used for the cash flow forecast was 10.35% (12/31/2016: 10.35%). The long-term growth rate is assumed to be 1.0% (12/31/2016: 1.0%).

The book value of the CGU "FIN" as at 12/31/2017 amounts to kEUR 77,443 (12/31/2016: kEUR 60,813). The recoverable amount of this CGU is kEUR 236,692 (12/31/2016: kEUR 93,959). The derivative goodwill allocated to this CGU as at 12/31/2017 was kEUR 23,024 (12/31/2016: kEUR 0). The pre-tax discount rate used for the cash flow forecast was 10.35% (12/31/2016: 10.35%). The long-term growth rate is assumed to be 1.0% (12/31/2016: 1.0%).

Basic assumptions for calculating the recoverable amount

In estimating the "value in use" of the CGU, there are uncertainties affecting the underlying assumptions, in particular with respect to the

- discount factor (interest rate),
- market share attainable during the reporting period, and the
- growth rate used for extrapolating expected cash flows beyond the five-year detailed budgeting period.

Discount rate – The discount rate reflects current market assessments of the specific risks attributable to a CGU. The discount rate is estimated based on the industry average "WACC". The interest rate is further adjusted for expected market risks attributable to a CGU, which have not already been reflected in the future cash flow estimates for that CGU.

Market share – Assumptions about market share correspond to the estimate of the growth rate. It thus reflects management's view of how a CGU positions itself relative to other competitors during the budget period.

Growth rate – The growth rate used is based on published industry-specific market research.

Sensitivity of assumptions

Management believes that no reasonably possible change in one of the assumptions used to determine the respective "value in use" of either the TECH-CGU or the FIN-CGU could result in the carrying amount of either CGU to significantly exceed its recoverable amount.

NOTE 12 Property, plant and equipment

Property, plant and equipment in 2017:

In kEUR	Costs as of 01/01/2017	Additions	Disposals	Cost as of 12/31/2017	Accumulated depreciation as of 12/31/2017	Book value as of 12/31/2017	Depreciation in 2017
Land and buildings, including buildings on third party land	4,848	309	576	4,581	2,598	1,983	393
Other plant and equipment	15,780	2,357	4,449	13,687	8,314	5,373	1,541
Property, plant and equipment	**20,627**	**2,665**	**5,025**	**18,268**	**10,912**	**7,356**	**1,933**
of which: from discontinued operations						382	76
Property, plant and equipment from continuing activities						**6,973**	**1,857**

Property, plant and equipment in 2016:

In kEUR	Costs as of 01/01/2016	Additions	Disposals	Cost as of 12/31/2016	Accumulated depreciation as of 12/31/2016	Book value as of 12/31/2016	Depreciation in 2016
Land and buildings, including buildings on third party land	4,816	124	92	4,848	2,678	2,169	351
Other plant and equipment	13,912	2,524	657	15,780	11,900	3,880	1,744
Property, plant and equipment	**18,728**	**2,648**	**749**	**20,627**	**14,578**	**6,049**	**2,096**
of which: from discontinued operations						458	255
Property, plant and equipment from continuing activities						**5,590**	**1,841**

In fiscal 2017 – as well as in 2016 – no impairment expense or appreciation in value was recorded. No property, plant and equipment has been pledged as collateral.

NOTE 13 Other current financial assets

Other current financial assets comprise the following:

In TEUR	31.12.2017	31.12.2016
Financial assets available for sale	177,517	514,335
Financial assets measured at fair value through profit or loss (hft)	1,006	1,234
Cash loans to local authorities	237,165	401,171
Current loans to customers	175,415	122,472
Other receivables due from banks	12,610	12,328
Total	**603,714**	1,051,540

Financial assets available for sale consist of bonds and mutual funds, which in turn invest bonds as well. The position breaks down into the following components: Public bonds kEUR 15,067 (12/31/2016: kEUR 337,488), other bonds kEUR 71,669 (12/31/2016: kEUR 132,064), and mutual funds kEUR 89,913 (12/31/2016: kEUR 40,388). No individual loan loss provisions were taken in 2017 (2016: kEUR 0).

Financial assets measured at fair value through profit or loss („held for trading") mainly include equities in the amount of kEUR 669 (12/31/2016: kEUR 711) and other non-fixed-income securities from the designated sponsoring business in the amount of kEUR 139 (12/31/2016: kEUR 26).

Cash loans to local authorities decreased by kEUR 164,006, from kEUR 401,171 (12/31/2016) to kEUR 237.165 (12/31/2017). The reason for this was the reduced investment activity due to mainly negative interest rates. Freed up liquidity was deposited as cash reserves with the European Central Bank. These shifts in investments were undertaken by FinTech Group in due consideration of their risk and return profiles.

With the expansion of the loan book, loans to customers increased in total to kEUR 201,912 (12/31/2016: kEUR 131,125). Since the beginning of the year, loans to customers are split year into current assets (maturity in less than a year) in the amount of kEUR 175,415 (12/31/2016: kEUR 122,472) and non-current assets (maturity of more than a year, disclosed in non-current assets) in the amount of kEUR 26,497 (12/31/2016: kEUR 8,653). According to IAS 1.41, prior-year figures were reclassified. Important products here are the flatex flex loan, launched already in 2016, and the newly introduced flatex "PolicenKredit", in which life and pension insurance policies are pledged as collateral for loan amounts of up to EUR 100,000.00 as well as specialized lending. The portion of the factoring business included in the loan book amounts to kEUR 47,558 (12/31/2016: kEUR 24,737).

The Lombard loans and the flatex-flex exposures are collateralized by securities, the factoring receivables are secured by commercial credit insurance of big insurance companies. Specialized lendings are covered by contingency insurance, guarantees and assignment of claims of sponsorship-, TV- and advertising rights.

Other receivables due from banks of kEUR 12,610 (12/31/2016: kEUR 12,328) mainly include receivables from security deposits with partner banks of kEUR 10,530 (12/31/2016: kEUR 10,520).

NOTE 14 Cash and cash equivalents

Cash and cash equivalents reported in the balance sheet comprise cash on hand, balances with central banks and daily receivables owed by banks as follows:

In kEUR	2017	2016
Balances with central banks	224,355	178,122
Receivables owed by banks (due on daily basis)	145,709	196,914
Cash on hand	26,937	14,167
Total	**397,002**	389,202

The cash and cash equivalents amount in the cash flow statement corresponds to the respective amount in the balance sheet. In 2017, there were no material restrictions regarding Cash and cash equivalents.

NOTE 15 Equity

Subscribed capital

At the end of the fiscal year, the subscribed capital is divided into 17,510,876 (12/31/2016: 16,810,876) no-par-value registered shares with a proportionate, notional par value of EUR 1.00 each. On balance sheet date, the subscribed share capital of FinTech Group AG amounts to kEUR 17,511 (12/31/2016: kEUR 16,811).

In December 2017, Morgan Stanley & Co. International PLC, as a strategic partner and investor, subscribed to a 4% capital increase of FinTech Group AG. With this transaction, the number of issued and outstanding shares increased by 700,000, and subscribed capital was increased by EUR 700,000.00. All of the issued shares have been fully paid up.

On December 19, 2017, FinTech Group AG bought 4,450 shares of treasury stock for temporary use, with a notional par value of EUR 4,450.00 of the subscribed capital, at a quoted price of EUR 32.2452 per share. The subscribed capital therefore includes kEUR 17,506. The purchase was transacted in accordance with section 71 par. 1 of the German stock corporation act (AktG) and on the basis of the authorization given by the shareholder meeting for the distribution of such shares as a special Christmas bonus to the employees of FinTech Group AG, FinTech Group Bank AG and flatex GmbH. On balance sheet date, total treasury stock amounts to these 4.450 shares, which corresponds to approximately 0.0254% of subscribed capital. The distribution of the shares to the employees and the completion of the sale of any remaining treasury stock did not take place before the balance sheet date. Except for the 4,450 shares of treasury stock mentioned above, no other shares of the company were held by FinTech Group AG or its subsidiaries as at 12/31/2017 (12/31/2016: 0).

Number of shares issued and outstanding as per 12/31/2016	16,810,876
Number of new shares issued in 2017	700,000
Number of shares issued as per 12/31/2017	17,510,876
Treasury stock as per 12/31/2017	-4,450
Number of shares outstanding as per 12/31/2017	17,506,426

All of the issued shares have been fully paid up.

Authorized capital

2016

At the beginning of fiscal 2016, FinTech Group AG had authorized capital of EUR 7,496,346.00.

Regarding the issuance of new shares, the following resolution were passed in 2016:

1. By resolution of the general meeting on 07/27/2016, the Management Board was authorized to increase the subscribed share capital, with the consent of the Supervisory Board, by a total of up to kEUR 2,807 by issuing new, no-par-value registered shares against contributions in cash and/or in kind, in one or more instalments, until 07/26/2021 (authorized capital 2016). Principally, the existing shareholders must be granted subscription rights. The Management Board, however, with the consent of the Supervisory Board, is authorized to exclude such subscription rights of the shareholders in specific instances.

2. On 12/31/2016, FinTech Group AG had authorized capital of kEUR 8,405 (authorized capital 2014: kEUR 5,598; authorized capital 2016: kEUR 2,807).

Regarding the issuance of new shares, the following resolution were passed in 2017:

1. The authorized capital 2014 in the amount of kEUR 5,598 was revoked in its entirety by resolution of the general meeting on 07/05/2017.

2. By resolution of the general meeting on 07/05/2017, the Management Board was authorized to increase the subscribed share capital, with the consent of the Supervisory Board, by a total of up to kEUR 5,598, by issuing new, no-par-value registered shares against contributions in cash and/or in kind, in one or more instalments, until 07/04/2022 (authorized capital 2017). Principally, the existing shareholders must be granted subscription rights. The Management Board, however, with the consent of the Supervisory Board, is authorized to exclude such subscription rights of the shareholders in specific instances. On 12/13/2017, the Management Board, with the consent of the Supervisory Board, and on the basis of the authorization granted on 07/05/2017, resolved to increase the subscribed share capital by kEUR 700 to a new total of kEUR 17,511 by issuing 700,000 new no-par-value registered shares. The capital increase was transacted against contribution in cash. The authorized capital 2017 was hereby partly utilized; after registration of the capital increase, the remaining authorized capital 2017 on balance sheet date was kEUR 4,898.

Thus, on 12/31/2017, the company has authorized capital of kEUR 7,705 (authorized capital 2016: kEUR 2,807; authorized capital 2017: kEUR 4,898).

	12/31/2017	12/31/2016
Number of authorized shares	7,705,438	8,405,438

Conditional capital

1) Conditional capital 2013

By resolution of the general meeting on 06/27/2013, the Management Board was authorized to conditionally increase the subscribed share capital until 06/26/2018 by a total of up to kEUR 5,425 by issuing up to 5,425,000 new, no-par-value bearer shares, with profit participation from the beginning of the year of their issuance (conditional capital 2013). According to the resolution of 06/27/2013, the exclusive purpose of the conditional capital 2013 is to secure subscription rights, which are issued on the basis of the general meeting's authorization of 06/27/2013.

The general meeting on 07/27/2016 resolved to convert the bearer shares of the company into registered shares. Accordingly, the conditional capital 2015 was modified for the issuance of registered shares.

By resolution of the extraordinary general meeting on 12/04/2017, the Management Board was authorized to increase the possible nominal amount of the bonds by a total of up to kEUR 160,000 (from previously up to kEUR 50,000); at the same time, it was decided that the conditional capital 2013 serves to service bonds that are issued based on general meeting's authorization of 06/27/2013, in the version after the aforementioned amendment by resolution of the extraordinary general meeting of 12/04/2017.

2) Conditional capital 2014

By resolution of the extraordinary general meeting on 10/30/2014, the Management Board was authorized to conditionally increase the subscribed share capital by a total of up to kEUR 1,390 by issuing up to 1,390,000 new, no-par-value bearer shares, with profit participation from the beginning of the year of their issuance (conditional capital 2014). According to the resolution of 10/30/2014, the exclusive purpose of the conditional capital 2014 is to secure subscription rights, which are issued on the basis of the general meeting's authorization of 10/30/2014, as part of the 2014 stock option plan, to the members of the Management Board and to employees of FinTech Group AG, as well as to members of the management boards and to employees of companies affiliated with FinTech Group AG, in the period up to and including 09/30/2019.

The general meeting on 07/27/2016 resolved to convert the bearer shares of the company into registered shares. Accordingly, the conditional capital 2014 was modified for the issuance of registered shares.

By resolution of the extraordinary general meeting on 12/04/2017, the general meeting's authorization of 10/30/2014, with modifications by the general meeting on 07/27/2016, to issue subscription rights as part of the 2014 stock options plan, was modified and specified. At the same time, the conditional capital 2014 was modified in so far as it may now also service subscription rights which have been or will be issued on the basis of the general meeting's authorization of 10/30/2014, also with modifications by the general meeting of 07/27/2016 and also as amended by the resolution of the extraordinary general meeting on 12/04/2017, and also to the extent that the conditions underlying the respective subscription rights have been or will be revised after their issuance in accordance with the respective resolution of the general meeting of 12/04/2017.

3) Conditional capital 2015

By resolution of the general meeting on 08/28/2015, the Management Board was authorized to conditionally increase the subscribed share capital by a total of up to kEUR 230 by issuing up to 230,000 new, no-par-value bearer shares, with profit participation from the beginning of the year of their issuance (conditional capital 2015). According to the resolution of 08/28/2015, the exclusive purpose of the conditional capital 2015 is to secure subscription rights, which are issued on the basis of the general meeting's authorization of 08/28/2015, as part of the 2015 stock option plan, to the members of the Management Board and to employees of the company, as well as to members of the management boards and to employees of affiliated companies, in the period up to and including 08/27/2020.

The general meeting on 07/27/2016 resolved to convert the bearer shares of the company into registered shares. Accordingly, the conditional capital 2015 was modified for the issuance of registered shares.

By resolution of the extraordinary general meeting on 12/04/2017, the general meeting's authorization of 08/28/2015, with modifications by the general meeting on 07/27/2016, to issue subscription rights as part of the 2015 stock options plan, was modified and specified. At the same time, the conditional capital 2015 was modified in so far as it may now exclusively service only subscription rights which have been or will be issued on the basis of the general meeting's authorization of 08/28/2015, also with modifications by the general meeting of 07/27/2016, and also as amended by the resolution of the extraordinary general meeting on 12/04/2017, and also to the extent that the conditions underlying the respective subscription rights have been or will be revised after their issuance in accordance with the respective resolution of the general meeting of 12/04/2017.

4) Conditional capital 2017

By resolution of the extraordinary general meeting of 12/04/2017, the Management Board was authorized to conditionally increase the subscribed share capital, until 12/03/2022, by a total of up to kEUR 1,300 by issuing up to 1,300,000 new, no-par-value registered shares, with profit participation from the beginning of the year of their issuance (conditional capital 2017).

Capital reserves

Capital reserves per 12/31/2017 are kEUR 67,540 (12/31/2016: kEUR 49,690), comprising the following components:

- Amounts exceeding the notional par value from payments for the
- issuance of new shares (additional paid-in-capital)
- Direct payments by shareholders into the equity account
- Payments by shareholders for the granting of precedence for their shares.

In the course of the capital increase of kEUR 18,158 in December 2017, based on the 2017 authorized capital resolved on by the general shareholders' meeting the subscripted capital increased by kEUR 700. The capital reserve increased by kEUR 17,458 through the premium of the issued.

Also in 2017, kEUR 392 (2016: kEUR 323) was recognized in capital reserves for the employee subscription rights issued.

Retained earnings

The following table shows the changes in retained earnings during the relevant periods: The presentation in note 18 of the previous year, with kEUR 2,466 as at 12/31/2015 and kEUR 7,343 as at 12/31/2016, did, in both instances, not include the actuarial gains / losses and the valuation results from afs financial instruments, which are also reported under retained earnings.

In kEUR	**2017**
As at 01/01/2016	**6,989**
Additions / consumption	4,877
of which: Allocation from net profit	8,419
of which: Dividend distribution	-22
of which: Changes in the scope of consolidation not involving a change of control	-3,520
Other earnings	-2,801
As at 12/31/2016	**9,065**
Additions / consumption	18,523
of which: Allocation from net profit	16,796
of which: Dividend distribution	-
of which: Changes in the scope of consolidation not involving a change of control	1,727
Other earnings	89
As at 12/31/2017	**27,677**

The changes in the scope of consolidation not involving a change of control in 2017 are mainly due the complete removal of minority shares in 2017, as a result of share purchases and the squeeze-out according to merger law.

The difference between the costs of acquiring the remaining minority interests (purchase of shares and squeeze-out, kEUR 13,190) and the proportionate equity share of minority interests (kEUR 15,063) was allocated to retained earnings in the amount of kEUR 1,873.

NOTE 16 Non-current liabilities to banks and non-banks

Non-current financial liabilities comprise the following:

In kEUR	2017	2016
Non-current liabilities to banks		
Loans with original terms > 1 year to 5 years	14,998	1,667
Loans with original terms > 5 years	1,042	1,208
Total	**16,040**	**2,875**
Non-current liabilities to non-banks		
Liabilities from finance leases > 1 year to 5 years	3,345	1,054

Liabilities to banks are EUR 16.0 million (12/31/2016: EUR 2.9 million). The increase is due to the financing of the portion of XCOM shares which were still held by third parties at the beginning of 2017 as well as to finance the squeeze-out. The contractually agreed annual repayment of principal is EUR 6.0 million, with the final repayment scheduled for the year 2020.

The non-current liability to banks with a term of more than five years relates to a secured mortgage loan for an office building used by the Group in the state of North Rhine-Westphalia.

The finance leases are mainly long-term contracts for office equipment and for IT infrastructure hardware. The contracts have terms of five years and contain purchase options. The net book values of the capitalized financial leasing goods are the following:

In kEUR	2017	2016
Hardware	2,538	345
Office Equipment	807	709
Total	**3,345**	**1,054**

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NOTE 17 Pensions and similar obligations

FinTech Group AG has defined benefit pension plans on the basis of individual fixed-sum commitments. Most pension plans provide life-long benefit payments, including retirement, disability and widow's/widower's pension. To finance the pension commitments, re-insurance policies were bought for the employees of Fintech Group AG (formerly XCOM AG) from Swiss pension provider Swiss Life AG and German insurer MV Versicherungsgruppe. Some of the re-insurance contracts are pledged to the beneficiaries and qualify as plan assets. Other re-insurance contracts qualify as reimbursements rights.

The amount of the total obligation is calculated annually by independent actuaries using the "projected unit credit method" prescribed by IAS 19. The calculation includes the pensions and acquired entitlements as per the reporting date as well as the expected increases of entitlements and pensions. Some commitments entail entitlement dynamics which are guided by inflation or by firmly agreed adjustment rates. Future pension adjustments depend on statutory provisions; partly they include additional minimum adjustment guarantees. The actuarial interest rate used to discount the benefit obligations at reporting date is based on the yield of high-quality corporate bonds.

Income from plan assets and expenses from the compounding of obligations are recognized in the financial result. Past service costs are classified as operating expense. Gains and losses from adjustments and changes in actuarial assumptions are recognized immediately in equity, without going through profit or loss, in the period in which they arise.

The principal actuarial assumptions used are the following:

In kEUR	12/31/2017	12/31/2016
Actuarial discount rate	1.70%	1.70%
Inflation rate	1.00%	1.00%
Mortality	Heubeck Tables 2005G	Heubeck Tables 2005G

The net liability for defined benefit pension obligations is calculated as follows:

In kEUR	12/31/2017	12/31/2016
Present value of benefit obligations	24,857	24,302
Fair value of plan assets	-17,654	-16,761
Net liability for pension obligations	7,203	7,541

The development of the net liability for pension obligations was as follows:

In kEUR	2017	2016
As per balance sheet at beginning of year	**7,541**	**4,348**
Current service expense	78	96
Past service expense	65	-
Net Interest expense	120	97
Remeasurements	73	3,675
Thereof:		
- Actuarial (gains) / losses due to change in demographic assumptions	-	-
- Actuarial (gains) / losses due to change in financial assumptions	-	3,481
- Actuarial (gains) / losses due to adjustments in experience	164	147
- Proceeds from plan assets other than the amounts recognized in income statement	-91	47
Employer's contributions to plan assets	-673	-675
Pension benefits paid	-	-
Transfers and company transactions	-	-
As per balance sheet at end of year	**7,203**	**7,541**

The development of the present values of defined benefit obligations, and the fair values of plan assets and reimbursement rights, is shown in following tables.

Defined benefit obligations:

In kEUR	2017	2016
Present value of defined benefit obligations at beginning of year	**24,302**	**20,161**
Amounts recognized in the income statement	**554**	**580**
Current service expense	78	96
Accrued interest expense	412	484
Past service expense and (gains) / losses from plan settlements	65	-
Amounts recognized in OCI	**164**	**3,628**
Actuarial (gains) / losses	164	3,628
due to changes in demographic assumptions	-	-
due to changes in financial assumptions	-	3,481
due to adjustments in experience	164	147
Payments and other adjustments	**-164**	**-67**
Employer contributions	-	-
Pension benefits paid	-164	-67
Payments for plan settlements	-	-
Transfers and company transactions	-	-
Present value of defined benefit obligations at end of year	**24,857**	**24,302**

In the year under review, past service expenses were incurred due to an unplanned increase in a pension entitlement.

Plan assets:

In kEUR	2017	2016
Fair value of plan assets at beginning of year	**-16,761**	**-15,813**
Amounts recognized in Income statement	**-292**	**-387**
Interest income	-292	-387
Amounts recognized in OCI	**-91**	**47**
Income from plan assets other than amounts recognized in income statement	-91	47
Payments and other adjustments	**-510**	**-608**
Employee contributions	-	-
Employer contributions	-673	-675
Payments for settlements	-	-
Pension benefits paid	164	67
Transfers and company transactions	-	-
Fair value of plan assets at end of year	**-17,654**	**-16,761**

Reimbursement rights:

In kEUR	2017	2016
Fair value of reimbursement rights at beginning of year	**-790**	**-440**
Amounts recognized in Income statement	**-15**	**-13**
Accrued interest Income	-15	-13
Amounts recognized in OCI	**46**	**-146**
Amounts recognized in OCI	46	-146
Payments and other adjustments	**-191**	**-191**
Employee contributions	-	-
Employer contributions	-191	-191
Fair value of reimbursement rights at end of year	**-951**	**-790**

On the balance sheet, reimbursement rights are included in "financial assets and other assets".

The allocation of the benefit obligations to the different groups of entitled plan participants, and their weighted average duration, are shown in the following table:

In kEUR	12/31/2017	12/31/2016
Active employees	650	580
Former, vested employees	20,013	19,450
Retirees	4,194	4,271
Present valued of benefit obligations	24,857	24,302
Weighted average duration of obligations in years	23	24

The plan assets consist of re-insurance policies for which there is no active secondary market.

The pension commitments are subject to the regulations of the German company pensions act ("Betriebsrentengesetz"). Since the commitments provide life-long pension benefits, there is a biometric risk in the event of increasing life expectancies. Insofar as the entitlements and pension benefits are pegged to inflation, there is an inflation risk. To the extent that he actuarial discount rate, as well as the actual return on plan assets and reimbursement rights, depend on future market developments, there are respective financial risks.

The sensitivities to changes in the capital markets and to significant assumptions are shown in the table below. The sensitivities were determined on the basis of the same stock and the same valuation method as the valuation of the pension obligations per reporting date. When calculating the sensitivities, each assumption was changed in isolation; any correlations between the individual parameters are being ignored for this purpose.

In kEUR	12/31/2017	12/31/2016
Total obligation when the actuarial discount rate is increased by 0.25% p.a.	23,234	22,978
Total obligation when the actuarial discount rate is decreased by 0.25% p.a.	25,941	25,563
Total obligation when inflation rate increases by 0.25% p.a.	24,940	24,734
Total obligation when inflation rate decreases by 0.25% p.a.	24,148	23,879
Total obligation when life expectancy of a 65-year-old increases by 1 year	25,429	24,857

For the upcoming year, pension payments of kEUR 166k are expected (2016: kEUR 164). Payment contributions to plan assets are expected in the amount of kEUR 678 (2016: kEUR 678) and to reimbursement rights in the amount of kEUR191 (2016: kEUR 191).

NOTE 18 Liabilities to customers

On 12/31/2017, liabilities to customers are kEUR 885,112 (12/31/2016: kEUR 1,339,845). The liabilities to customers consist of customer deposits at FinTech Group Bank AG, mainly balances from cash accounts of customers of the ViTrade brand and of flatex GmbH. The decrease in balances, compared to the previous year-end, results from customers' changed trading patterns, shifted towards significantly increased investments in securities with a simultaneous reduction of cash deposits, and from the negative interest rates on customer deposits introduced in March 2017.

In addition, there are contingent liabilities from unutilized portions of irrevocable lines of credit in the amount of kEUR 181,500 (12/31/2016: kEUR 174.841). They stem largely from securities-related loan agreements with customers, whereby the loans are fully collateralized by the customers' securities deposits, consisting for example of stocks and bonds (Lombard loans).

NOTE 19 Current liabilities to banks

Current liabilities to banks comprise the following:

In kEUR	**2017**	**2016**
Liabilities to banks	48,370	38,954
Foreign currency obligations	12,640	21,321
Total	**61,010**	**60,275**

Short-term financial liabilities to banks amount to kEUR 61,010 (12/31/2016: kEUR 60,275). They include kEUR 48,370 (12/31/2016: kEUR 38,954) in settlement liabilities from securities transactions on behalf of customers, and kEUR 12,640 (12/31/2016: kEUR 21,321) in foreign currency balances from transactions on behalf of customers.

Foreign currency balances consist mainly of liabilities towards foreign banks for the settlement of securities transactions, undertaken in the name of our customers. The currencies in question are for the most part USD, CHF and CAD.

NOTE 20 Other financial liabilities

Other financial liabilities comprise the following:

In kEUR	12/31/2017	12/31/2016
Tax liabilities	5,627	-
Accruals and deferrals	1,769	3,746
Other financial liabilities	67	67
Total	**7,463**	**3,813**
Also reported here in the previous year		
Pledged collateral	31,526	25,248
Other financial liabilities	27,710	21,061
Total according to previous year	**66,699**	**50,123**

Other financial liabilities of kEUR 7,463 (12/31/2016: kEUR 3,813) mainly comprise tax liabilities and deferred income. The tax liabilities of kEUR 5,627 (12/31/2016: kEUR 12,024) include mainly withholding taxes, deducted from customer transactions and payable to the tax authorities.

As an improvement in the presentation of the financial statements, pledged collateral (kEUR 31,526 12/31/2016: kEUR 25,248) as well as other financial liabilities in an amount of kEUR 27,710 (12/31/2016: kEUR 21,061) are now - from 2017 onwards - being shown under liabilities to customers.

NOTE 21 Other provisions

The development of provisions:

In kEUR	01/01/2017	Utilization	Reversals	Additions	12/31/2017
Short-term provisions					
For warranty claims	65	65	-	55	55
Other provisions	3,100	1,452	859	6,710	7,499
Total	**3,165**	**1,517**	**859**	**6,765**	**7,554**

In kEUR	01/01/2016	Utilization	Reversals	Additions	12/31/2016
Short-term provisions					
Restructuring expenses	1,000	750	250	-	-
For warranty claims	248	103	145	65	65
Other provisions	8,224	7,401	50	2,327	3,100
Total	**9,472**	**8,254**	**445**	**2,392**	**3,165**

Other provisions include the measurable risk exposures towards third parties. These are calculated at full cost.

The provision for warranty claims of kEUR 55 (12/31/2016: kEUR 65) is based on experience, current sales and other available information. Payment obligations with regard to warranty claims are expected to arise mainly in 2018.

Other provisions amount to kEUR 7,499 at year-end (12/31/2016: kEUR 3,100). They mainly include Group provisions for performance-related, variable compensation of kEUR 2,633 (12/31/2016: kEUR 1,365) and other personnel costs including vacation provisions of kEUR 597 (12/31/2016: kEUR 676). Provisions for audit and other professional fees amount to kEUR 761 (12/31/2016: kEUR 933), and for outstanding invoices to kEUR 3,411 (12/31/2016: kEUR 76)..

NOTE 22 Revenues

Revenues for fiscal 2017 and 2016 had the following components:

In kEUR	2017	2016
Commission income	77,488	64,031
Provision of IT services	16,006	15,583
Interest income	10,352	7,799
Other operating income	3,168	7,608
Total	**107,014**	**95,021**

In the financial year, commission income of kEUR 77,488 (previous year: kEUR 64,031) was mainly generated from the flatex and ViTrade securities business and from FinTech Group Bank AG's B2B services. The increase in fee and commission income is mainly due to the successful onboarding of new customers and the concomitant increase in the number of transactions. The product range of the B2B business mainly includes cash and securities administration, securities settlements, payments, customer service, and regulatory compliance services such as regulatory reporting.

The group reported revenues of kEUR 16,006 for the provision of IT services (2016: kEUR 15,583). Significant contributors were the OTC trading systems L.O.X. and the system Tristan, flanked by further development services for third parties. Revenues in this segment rose despite the loss of a significant customer.

Included in provision of IT services are also proceeds for the sale of goods. There are no value adjustments to financial assets (2016: kEUR 169); whilst shown separately in 2016, the 2016 value adjustment is now included in other operating income in the above table.

The significant growth in interest income (kEUR 10,352 after kEUR 7,799 in 2016) is mainly due to the continuous expansion of the secured loan book.

External revenues were generated by subsidaries located in Germany only. In the fiscal year 2017 FinTech Group AG did not realize any material revenues (> 10%) with just one customer.

NOTE 23 Personnel expenses

The average number of staff in 2017 was 453 (2016: 448). Personnel expenses break down as follows:

In kEUR	2017	2016
Wages and salaries	18,991	15,280
Social security contributions and discretionary benefits	4,034	3,859
Expenses for pension obligations	118	350
Total	23,143	19,489

Wages and salaries in fiscal 2017 amounted to kEUR 18,991 (2016: kEUR 15,280). To a large degree, the variance is due to a reversal of provisions in fiscal 2016.

NOTE 24 Stock option plan

Description of stock option programs

FinTech Group AG has set up stock option programs to ensure that the total remuneration paid to its managers is competitive. The first stock options program was launched in 2014; subscription rights from this program were first issued in 2015.

Each subscription right issued pursuant to the stock option program gives the holder the right to acquire one bearer share of FinTech Group AG against payment of the stipulated strike price. The strike price is determined on the basis of the average closing price of the stock over a fixed period of time preceding the adoption of the relevant resolution by the annual general meeting, minus a discount.

The lifetime of these subscription rights is six years from the date of issuance; they may only be exercised upon the expiration of a waiting period (vesting period) of four years. The right to exercise is conditional upon the stock price having risen by at least 100%, on any stock exchange trading day, during a period of two years from the date of issuance of such right (trigger - 2014 stock option plan). Only in the event of a change of control as defined in the authorization and, if applicable, in subsequent amendments to the option terms, or in the event of a delisting, may FinTech Group AG pay, or may the holders of subscription rights demand, a cash settlement in lieu of shares (in some cases also before the end of the vesting period).

A second stock option plan was launched in 2015 by another resolution of the annual general meeting (2015 stock option plan). In light of the development of the stock price, the terms of this second plan were modified in regard to the condition for exercise, in that the stock price must now have risen by at least 50%, on any stock exchange trading day, during a period of two years from the date of issuance of such right (trigger – 2015 stock option plan). The other terms remain the same as those applicable to the first program.

Development of the stock option programs

The following table shows the development of issued and outstanding subscription rights / options:

Program	Date of issuance	Number issued	Strike price in EUR	Price at time of issuance in EUR	Value per option in EUR	Total value of options in kEUR
2014 stock option plan	04/01/2017	73,000	7.30	14.78	1.66	121
2015 stock option plan	04/01/2017	45,000	12.79	14.78	3.14	141
2014 stock option plan	07/03/2017	10,000	7.30	17.98	1.66	17
2015 stock option plan	07/03/2017	10,000	12.79	17.98	3.14	31
Number of options issued in 2017		**138,000**				**310**
2015 stock option plan	04/07/2016	44,500	12.79	15.45	3.71	165
2015 stock option plan	07/01/2016	10,000	12.79	13.00	2.55	26
2014 stock option plan	07/01/2016	60,000	7.30	13.00	1.96	118
Number of options issued in 2016		**114,500**				**308**
2014 stock option plan	01/26/2015	924,000	7.30	8.60	1.11	1,026
2014 stock option plan	07/08/2015	84,000	7.30	14.81	2.40	202
2014 stock option plan	08/24/2015	55,000	7.30	11.40	1.77	97
2015 stock option plan	09/28/2015	20,000	12.79	12.44	2.60	52
2015 stock option plan	10/01/2015	5,000	12.79	12.37	2.55	13
Number of options issued in 2015		**1,088,000**				**1,389**
Total number of options issued		**1,340,500**				**2,008**
2014 stock option plan	07/08/2015	84,000				
2014 stock option plan	08/24/2015	55,000				
Lapsed, forfeited or expired options		**139,000**				
Outstanding options at 12/31/2017		**1,201,500**				

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Valuation model

For each issuance date, a separate options valuation was simulated, on the basis of a Monte Carlo model. The model is based on the work of Kevin D. Brewer, which is acknowledged to be significant for the modelling of option valuations: "Geometric Brownian Motion, Option Pricing, and Simulation: Some Spreadsheet-Based Exercises in Financial Modelling."

In this valuation, 100,000 share prices are generated, according to the Monte Carlo method, for each issuance date over 6 years. Each price is checked to see if it cleared the hurdle (condition 1) and is higher than the strike price at the predefined exercise dates (condition 2). If this is not the case, a zero value is assigned for each exercise date and also to the present value on the issuance date. If the value of the stock is above the strike price on one of the pre-defined exercise dates, then the option has an intrinsic value, which is discounted to the issuance date using a 5-year risk free interest rate (source: Bundesbank). It is assumed that the option is exercised on the first date possible, and that the average time from date of issuance to date of exercise is 5 years.

Pricing factors

The first factor that goes into the model is the price of the stock at issuance date (Xetra closing price). The strike price is EUR 7.30 for the 2014 stock option plan, and EUR 12.79 for the 2015 plan. Since there are no derivatives on the stock price in the market, implied volatility is not directly available. Volatility was thus derived from the historic volatility of the stock price (source: Bloomberg).

The risk-free interest rate for the modelling of the 6-year binomial expansion is based on the 6-year interest rates valid at the respective months of issuance, based on the yield curve of listed German federal government bonds (source: Bundesbank). The number of annual trading days is assumed to be 250.

The hurdles are stipulated in the respective program: In the 2014 options plan, it is 2 times the issuance price, in the 2015 option plan, it is 1.5 times the issuance price. Based on experience from the operating business, transaction cost for options is only a few percent of the option value and is therefore being ignored for the purposes of this calculation.

Option values

In 2017, the subscription rights issued from the 2014 program (83,000 options) had a market value of EUR 137,780 (EUR 1.66 per option), the subscription rights issued from the 2015 program (55,000 options) had a market value of EUR 172,700 (EUR 3.14 per option).

Stock option plan expenses

In relation to the stock option programs, kEUR 392 was recognized as an expense in the income statement and transferred to capital reserves in 2017 (2016: kEUR 323). The underlying assumption was that 82% of issued options will in fact be exercised by the entitled employees, so that an equity value of kEUR 310 x 82% = kEUR 254 was calculated.

The expense was divided pro rata temporis over the from time from the date of issuance of the option to the first day the option exercisable (end of vesting period). The resulting amounts are shown in the following table:

Program / year of issuance	Total option value / total expense in kEUR	Number of days	Expected percentage of exercise	Recognized in capital reserve in 2017 in kEUR
2014 stock option plan	121	274	82 %	19
2015 stock option plan	141	274	82%	22
2014 stock option plan	17	181	82%	2
2015 stock option plan	31	181	82%	3
2017 total	**310**			**45**
2016	**308**	**365**	**82 %**	**63**
2015	**1.389**	**365**	**82 %**	**284**
Total				**392**

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NOTE 25 Other administrative expenses

Other administrative expenses comprise the following:

In kEUR	2017	2016
Marketing and advertising	4,220	4,108
Premises	3,896	3,506
Legal and professional services	3,004	3,797
Bank-specific contributions	2,944	2,830
IT	1,836	1,511
Vehicle expenses	932	886
Insurance, contributions, official fees	876	951
Travel	753	734
Postage and office supplies	614	523
Representation	248	186
Other expenses	1,488	395
Total	**20,812**	**19,427**

Other expenses include, among others, remuneration of the supervisory board of kEUR 439 (2016: kEUR 323), cost of the shareholder meetings of kEUR 248 (2016: kEUR 81), and education and training of kEUR 301 (2016: kEUR 177). In 2016, the remuneration of the supervisory board and the cost of the shareholder meetings were listed under bank-specific contributions.

NOTE 26 Leasing

Group companies have concluded commercial leasing agreements for automobiles as lessees. The leasing contracts have lifetimes between one and five years. Group companies are not subject to restrictions when concluding such leasing contracts.

As of 12/31/2017 and as of 12/31/2016, future minimum payment obligations from fixed-term leasing contracts are due within the following time bands:

In kEUR	Within 1 year	1-5 years	Over 5 years
Car Leasing 2017 (2016)	482 (399)	197 (224)	-

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NOTE 27 Financial result

The result from financial activities comprises the following:

In kEUR	2017	2016
Interest income pensions	292	377
Other interest income	85	-
Total other financial income	**377**	**377**
Interest expense for current liabilities	-	10
Interest expense for non-current liabilities	439	-
Interest expense for deposit facility	975	965
Interest expense pensions	228	484
Other interest expense	23	144
Total other financial expenses	**1,666**	**1,603**
Financial result	**-1,288**	**-1,226**

Interest expense for non-current liabilities consists mainly of interest on the loan to finance the purchase of the shares of former XCOM AG.

NOTE 28 Tax on income

Income tax expense for the years ending on 12/31/2017 and 12/31/2016 consists of the following components:

In kEUR	2017	2016
Current income tax		
Current income tax expense	-2,463	-5,363
Tax refunds / tax expense from previous years	103	-73
Deferred tax		
Deferred tax recognized	-1,923	-1,902
Deferred tax recognized	-3,896	3,382
Income tax as per income statement	**-8,179**	**-3,956**
Comprehensive income		
Changes in deferred taxes recognized directly in other comprehensive income	-152	1,517
of which:		
- Actuarial gains / losses from defined benefit		
pension liabilities	92	1,186
- Gains / losses from changes in measurement		
of assets held for sale	-244	140
- Recycling of deferred taxes	-	191
Income tax in comprehensive income	**-8,331**	**-2,439**

Other earnings per balance sheet date 12/31/2017 include deferred tax liabilities (income tax charge) from actuarial gains on defined benefit pension liabilities of kEUR 804 (2016: kEUR 895) and deferred tax liabilities (2016: deferred tax assets / income tax relief) from changes in the value of financial assets available for sale of kEUR 119 (2016: kEUR -125).

German business income tax is based on a corporation tax at a rate of 15%, with an added "solidarity surcharge" of 5.5% of the corporation tax amount. Including the additional trade tax, which is levied on a local level, the combined income tax rate for the Group as a fiscal unity was 31.03% (2016: 30.21%). The variance is due to a change in the weighted average trade tax multiplier.

The following table reconciles the theoretical interest expense – as a product of earnings before tax and the applicable tax rate for the Group – to the actual tax expense:

Tax reconciliation

In kEUR	2017	2016
Earnings before tax	25,195	24,239
Applicable tax rate	31.03%	30.21%
Expected tax expense	-7,818	-7,323
Effect from discontinued operations due to their inclusion in fiscal unity	68	2,357
Effect from non-deductible expenses / non-taxable income	-362	441
Effect from non-deductible expenses from stock option plans	-122	-98
Effect from current income taxes on previous year's income	103	-73
Effect from deferred taxes for previous years	-100	243
Effect from changes in tax rates	183	-304
Effect from deviating tax rates	19	-207
Effect from tax loss utilization where no deferred tax asset was recognized in previous year	56	671
Other tax effects	-206	337
Actual tax expense	-8,179	-3,956
Group tax rate	32.50%	16.30%

Since discontinued operations are still part of the Group's fiscal unit, the income tax attributable to these (deferred tax relief on losses brought forward) is impacting the result of continuing activities and is assigned accordingly.

The 2017 income tax gain on the result of discontinued operations of kEUR -220 (2016: kEUR - 7,967) was kEUR 0 (2016: kEUR 0).

On balance sheet date, no deferred tax was balanced for tax loss carried forwards for corporation and trade tax which both amount to kEUR 33 (12/31/2016: kEUR 211). These tax losses may be carried forward for an indefinite period.

On balance sheet date, there are taxable temporary differences in connection with subsidiaries (so-called "outside basis differences" according to IAS 12.39) in the amount of kEUR 443 (2016: kEUR 452) on which no deferred tax liabilities were recognized.

The composition of deferred tax assets and liabilities is shown in the following table:

In kEUR	2017	2016
Deferred tax assets		
Loss carryforward	2,644	6,540
Financial instruments	-	131
Pension liabilities	4,481	4,507
Provisions	493	98
Other temporary differences	-	259
Offset in accordance with IAS 12.74	-7,618	-5,018
Total	**-**	**6,517**
Deferred tax liabilities		
Intangibles	-9,680	-8,074
Property and Equipment	-564	-282
Financial instruments	-178	-
Provisions	-	-
Other temporary differences	-	-
Offset in accordance with IAS 12.74	7,618	5,018
Total	**-2,804**	**-3,338**

NOTE 29 Segment reporting in accordance with IFRS 8

FinTech Group is required by IFRS 8 to report on its operating segments. The manner of segmentation is based on the so-called management approach. Segments are subdivisions of the business for which separate financial information is available that is regularly evaluated by the management board and other managers as they allocate resources and evaluate performance.

Due to the completion of the takeover and integration of XCOM group, and the ensuing strategy "From 5 to 2" completed in 2017, FinTech Group AG has revised the reporting segments. With full access to the respective Group units and parts of the company, segment reporting now follows the business strategy to offer financial services and technology from a single source.

The former "Securities Trading & Financial Services" segment was expanded to include FinTech Group Bank AG and become the segment "Financials Services" (FIN). The FIN segment thus includes the products in B2C online brokerage, B2B white-label banking, as well as electronic securities settlements, securities custody, and other banking services.

The "Technologies" (TECH) segment includes all IT-services, among other things it develops and operates the Group's core banking system FTG:CBS. In addition, this segment includes activities in research and development.

Segment reporting for continuing activities in 2017

In kEUR	FIN	TECH	Other & consolidation	Total
Revenues	89,113	30,642	-12,742	107,014
Raw materials and consumables	28,688	3,937	-1,640	30,985
Personnel expenses	15,353	2,702	5,088	23,143
Other administrative expenses	25,206	3,050	-7,445	20,812
EBITDA	**19,866**	**20,953**	**-8,745**	**32,073**
Depreciation and amortization				5,590
Consolidated earnings before interest and tax (EBIT)				26,484
Financial result				-1,288
Consolidated earnings before income tax (EBT)				**25,195**
Income tax expense				8,179
Consolidated earnings from continuing activities				**17,016**
Earnings from discontinued operations				-220
Consolidated net profit				**16,796**

Segment reporting for continuing activities in 2016

In kEUR	FIN	TECH	Other & consolidation	Total
Revenues	73,394	33,733	-12,106	95,021
Raw materials and consumables	22,202	6,766	-3,487	25,481
Personnel expenses	10,390	5,803	3,297	19,490
Other administrative expenses	22,781	3,974	-7,329	19,427
EBITDA	**18,021**	**17,190**	**-4,587**	**30,624**
Depreciation and amortization				5,159
Consolidated earnings before interest and tax (EBIT)				25,465
Financial result				-1,226
Consolidated earnings before income tax (EBT)				**24,239**
Income tax expense				3,956
Consolidated earnings from continuing activities				**20,283**
Earnings from discontinued operations				-7,967
Consolidated net profit				**12,316**

Services provided between the segments are undertaken at arm's length. For all transactions between the reporting segments, the basis of recognition is in compliance with IFRS provisions. There is a corresponding segment reporting to the management board of FinTech Group AG.

NOTE 30 Financial instruments

The following table shows the book values and the fair values (for the underlying valuation levels, see Note 35) of financial assets and financial liabilities for each financial instrument category:

In kEUR	Book value 12/31/2017	Fair value 12/31/2017	Book value 12/31/2016	Fair value 12/31/2016
Cash and cash equivalents (category loans and receivables)	397,002	397,002	389,202	389,202
Cash loans to local authorities (category loans and receivables)	237,165	237,165	401,171	401,171
Loans to customers (category loans and receivables)	201,912	201,912	131,125	131,125
Financial assets available for sale	177,517	177,517	514,335	514,335
Other receivables owed by banks (category loans and receivables)	12,610	12,610	12,328	12,328
Trade receivables (category loans and receivables)	7,593	7,593	8,538	8,538
Financial assets measured at fair value through profit or loss	1,006	1,006	1,234	1,234
Financial assets and other assets (category loans and receivables)	951	951	790	790
Financial liabilities measured at amortized cost	980,173	980,173	1,415,404	1,415,404
Trade payables (category loans and receivables)	963	963	5,844	5,844

The financial instruments measured at fair value through profit or loss are all financial assets which are "held for trading".

The amount by which the fair value of financial liabilities has changed during the reporting period due to a change in credit default risk is kEUR 0 (2016: kEUR 0). The cumulative amount per 12/31/2017 is kEUR 0 (12/31/2016: kEUR 0).

Provided collateral

FinTech Group AG has provided collateral with the clearing and depositary agents of FinTech Group Bank AG for the processing of the bank's principal broking services. The collateral is largely provided in the form of deposited securities. As of 12/31/2017, the book value of provided collateral amounts to kEUR 46,808 (12/31/2016: kEUR 44,786).

The material transactions and their underlying contractual terms are the following:

- A substantial portion of the total amount of collateral is attributable to the securities traded at the Eurex stock exchange. Two types of collateral are required here, the so-called "clearing fund" and the "margin". The "clearing fund", amounting to kEUR 5,000 at 12/31/2017 (12/31/2016: kEUR 5,000), represents the minimum level of collateral to which Eurex would have access in the event of default of a clearing member. The "margin" amount (12/31/2017: kEUR 15,000; 12/31/2016: kEUR 10,000) depends in particular on the risk content of the relevant transactions. The "margin" is to cover the risk of potential market price fluctuations of pending transactions at Eurex. The required "margin" amount is determined by Eurex on a daily basis.

- FinTech Group carries out foreign exchange transactions with two business partners. For the default risk inherent in these transactions, it has to provide collateral in contractually fixed amounts. Per 12/31/2017, the total amount thus provided is kEUR 10,030 (12/31/2016: kEUR 11.285).

- Two business partners have granted FinTech Group credit lines for the settlement of securities transactions in foreign currency, for a total of kEUR 16,778 (12/31/2016: kEUR 18,501). For these, FinTech Group has provided collateral in the form of deposited securities in the amount of kEUR 16,778 (12/31/2016: kEUR 18,501). FinTech Group can dispose of the deposited securities, at any time with a concomitant reduction of the respective credit line.

In addition, FinTech Group has provided collateral for the financing of an owner-occupied business property in the state of North Rhine-Westphalia. Collateral is provided in the form of a registered mortgage in the amount of EUR 1.5 million against the owner-occupied business property, in favor of the lender of the installment loan. The loan amount per 12/31/2017 is EUR 1.0 million (12/31/2016: EUR 1.2 million); see also Note 16: Non-current liabilities to banks and non-banks.

Held collateral

FinTech Group does not hold any financial or non-financial Collaterals according to IFRS 7.15

Net gains/losses

The net gains/losses from financial instruments are the following:

	Net gains		Net losses	
In kEUR	**2017**	**2016**	**2017**	**2016**
Financial assets or liabilities measured at fair value through profit or loss	1,078	3,303	-	244
Loans and receivables	9,660	3,941	228	78
Financial assets available for sale	189	183	-	15
Financial assets available for sale - reclassification from equity to the profit and loss account	-	550	-	-

The net gains and losses from loans and receivables stem mostly from adjustments to bad loan charges as well as from the recovery of previously written off principal and interest.

The net gains and losses from financial assets available for sale, as well as from financial assets or liabilities measured at fair value through profit or loss, mostly come from changes in market value, and from dividends and interest received.

Income, expense, profit or loss items

The impairment expenses for financial assets are, by category:

In kEUR	2017	2016
Loans and receivables	472	106
Financial assets available for sale	-	15

NOTE 31 Financial risk management

The Management Board incorporates emerging opportunities and potential threats into its business and risk strategy and adjusts it accordingly as necessary. Monitoring and managing risks is a central component of FinTech Group AG's management tools.

FinTech Group takes a risk inventory on a regular basis - which may also be updated on an ad hoc basis – to counter any risks to which it is exposed through its business activities. With regards to financial instruments, these risks comprise the following categories:

- Counterparty default risk (also referred to as: default risk or credit risk): The risk of losses or forgone profits due to unexpected default by or unforeseeable deterioration in the creditworthiness of counterparties, in particular in the case of customers of FinTech Group Bank AG, and of bond issuers.
- Market price risk: The risk of losses due to changes in market prices, in particular as a result of changes in interest rates.
- Liquidity risk: The risk of losses resulting from liquidity shortfalls.

FinTech Group AG has set up a separate „Risk Management" department for the overall and comprehensive assessment, limitation, and management of risks. It contributes significantly to the Group-wide tasks of

- risk identification,
- risk assessment,
- risk management, as well as
- risk monitoring and risk communication

FinTech Group AG thereby supplements the extensive structural and procedural measures implemented to ensure that, in different parts of the Group, all relevant banking activities include material risk management and control processes.

The measures undertaken to standardize and produce a Group-wide, consistent risk management function have been completed.

Default risk

Counterparty default risk arises, in general, in every transaction that is undertaken with a business partner, in particular in loans to customers, trade receivables, but also in bonds in which the Group has invested. The maximum credit default risk essentially corresponds to the carrying amount of the financial assets.

The Group undertakes individual impairment tests when necessary (i. e. if there is an impairment trigger) and at the end of each fiscal year. Impairments are recognized, for instance, when a business partner is in unexpected economic difficulty.

In addition, a number of receivables are bundled into homogeneous clusters and subjected to group impairment tests. Relevant calculations are based on historical data.

Per 12/31/2017, impairments from loans to customers and trade receivables are the following:

In kEUR	Total	Of which: Impaired receivables	Neither impaired nor overdue	Overdue, but not impaired		
				<31 days	31-60 days	>60 days
2017						
Loans to customers	201,912	1,276	200,636	-	-	-
Trade receivables	7,593	33	7,626	-	-	-
Total	**209,505**	**1,309**	**208,262**	**-**	**-**	**-**
2016						
Loans to customers	131,125	1,024	130,101	-	-	-
Trade receivables	8,538	33	7,481	-	-	-
Total	**139,663**	**1,057**	**137,582**	**-**	**-**	**-**

Cash loans to local authorities and other receivables are subject to their business-specific default risk, which is being looked at and analyzed on a daily basis.

Market price risk

FinTech Group Bank AG has had stable and sizable customer deposits over the course of time. Since these funds are not reinvested at the exact same term that they are taken in, FinTech Group incurs an additional market risk in the form of interest rate risk through the resulting yield curve gaps. Market interest rates have a significant impact on the prices and valuations of financial instruments of FinTech Group Bank AG and may therefore have a positive or negative impact on the profitability of the Group.

The Group mitigates these interest rate risks by reinvesting its customer deposits with a small time gap (conservative asset-liability management), so there is currently no need for hedging transactions. However, the management of FinTech Group AG reserves the right to take action if interest rates change unfavorably or if the overall risk situation should require it.

The following table shows the sensitivity of the Group's profit before tax and the Group's equity to possible changes in market interest rates of 0.5 percentage points up or down, all other variables remaining equal:

In kEUR	Change in market interest rate in percentage points	Profit before tax (new) in kEUR	Equity (new) in kEUR
2017	+ 0.5	27,895	114,521
2017	- 0.5	22,495	110,849
2016	+ 0.5	21,272	94,129
2016	**- 0.5**	**11,272**	**87,129**

The risk from movements in exchange rates (currency risk) in financial instruments at FinTech Group is immaterial.

Liquidity risk

FinTech Group regularly monitors its liquidity situation. It ensures its continuous funding through the use of debt financing and operating leases. FinTech Group has taken measures to secure financing for its ongoing expansion. It has introduced so-called liquidity coverage ratios in its internal reporting structure, so that the risk of insufficient funding resources is monitored regularly.

The following table summarizes the maturity profile of its financial liabilities:

Financial liabilities of FinTech Group

In kEUR	**at**	**12/31/2017**	**at**	**12/31/2016**
Due	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through profit or loss
Within one year (short term)	965,317	-	1,428,557	-
In more than one year (long term)	29,392	-	14,808	-
		-		-
Total	**994,709**	**-**	**1,443,365**	**-**

Risk concentration

Risk concentration is of particular importance for FinTech Group, especially with regard to potential cumulative counterparty default risks among bond issuers or partners in the Group's lending business ("cluster risk"). FinTech Group has an investment guideline, and a limit system derived from it, which generally prevents risk concentrations. In addition, the new loan portfolio model introduced in 2016 and the Group's ongoing risk reporting allow the initiation of countermeasures at an early stage, as soon as potential risk concentrations appear. The monitoring is thereby carried out with regard to possible concentration trends in maturity terms, in the geographic spread of counterparties, and in asset classes, but in particular with regard to possible concentration risks in individual counterparties (outside the central banking sector). At balance sheet date 12/31/2017, the nominal value of the highest claim to a single counterparty was EUR 25.5 million (12/31/2016: 55.0 million). On account of the good credit rating and the short remaining term, the VaR for this receivable, calculated with the FinTech Group's credit portfolio model, was zero.

Capital management

The Group's objectives with regard to capital management are to ensure the continuation of the business, in order to meet the requirements of the shareholders and other stakeholders regarding its expected performance. To date, FinTech Group has relied on traditional equity financing (e.g. issue of new shares) and debt financing. The total of equity capital and of debt capital is managed as capital. The central control parameter for the strategic capital structure is the equity ratio derived from the consolidated balance sheet. It is the stated goal of our long-term capital management to further strengthen the equity ratio over the coming years. Compared to the previous year, there have been no material changes in terms of capital management.

Individual group companies have been subject to regulatory minimum capital requirements during the reporting period. Such requirements are included in the capital management planning at Group level. All existing minimum capital requirements have been consistently met.

NOTE 32 Fair value measurements

FinTech Group AG carries out fair value measurements of selected financial instruments on a regular/recurrent basis. These are instruments of the following categories as per IAS 39:

- Financial assets measured at fair value through profit or loss
- Financial assets available for sale
- Financial liabilities measured at fair value through profit or loss.

All of the financial instruments attributable to one of these categories are assignable to level 1 of the fair value hierarchy.

Fair values for the instruments of these three categories are based on quoted prices in active markets that the entity can access on the measurement date (level 1 of the valuation techniques for the fair value hierarchy according to IFRS 13). This includes fixed income securities, mutual funds, and equities.

One-time or event-related fair value measurements are carried out at FinTech Group for the following accounting issues:

- Measurement of discontinued operations as at 12/31/2017 at fair value less selling costs in accordance with IFRS 5: The fair value is an unobservable parameter, calculated by use of discounted cash flow technique, and is therefore assigned to level 3 of the fair value hierarchy. The fair value of the three discontinued operations is determined by the net present value method of immediate cash flow forecasts. In each case, an interest rate of 10.35% (WACC as of 12/31/2017) is used. For the fair value measurement of the three discontinued operations, the following further parameters are applied:

- "Aktionärsbank": The duration of the estimated future cash flows is under one year. The amount of the total estimated cash flows is kEUR 5,000.

- "flatex & friends": The duration of estimated future cash flows is 3 Years. The amount of the total estimated cash flows is at least the book value of kEUR 383

For financial instruments which are not recognized at fair value, the fair value must be disclosed. The fair values of cash loans to local authorities, loans and receivables, and of financial liabilities measured at amortized cost, essentially correspond to their book values.

The fair value disclosed for these instruments is to be categorized as level 3 input in the fair value hierarchy (see values disclosed in Note 30). The inputs for the fair value measurement of loans and receivables as well as financial liabilities are the prices which were agreed between the Group companies and their counterparties for individual transactions.

NOTE 33 Dividends

No dividends were distributed during the reporting period.

NOTE 34 Earnings per share

Earnings per share (undiluted)

The undiluted earnings per share are calculated by dividing the consolidated earnings of the Group attributable to the shareholders by the average number of the parent company's shares issued and outstanding during the fiscal year. With regard to the value given for fiscal 2017, it should be noted that, for the calculation of the time-weighted average number of shares outstanding, the purchase of own shares and the issuance of new shares for a capital increase of FinTech Group AG during the year had to be taken into consideration.

Number of shares issued and outstanding	**2017**	**2016**
Number of issued shares as per January 01 (all outstanding)	16,810,876	16,810,876
Number of own shares bought during fiscal year (treasury stock)	4,450	-
Time-weighted allocated of treasury stock for yearly average	-146	-
Number of new shares issued during fiscal year	700,000	-
Time-weighted allocated of newly issued shares for yearly average	17,260	-
Average, time-weighted number of issued shares outstanding during fiscal year	**16,827,990**	**16,810,876**

Earnings in kEUR	**2017**	**2016**
From continuing activities	17,016	20,283
From discontinued operations	-220	-7,967
Total	**16,796**	**12,316**
Undiluted earnings per share - in kEUR	**2017**	**2016**
From continuing activities	1.01	1.21
From discontinued operations	-0.01	-0.47
Total	**1.00**	**0.73**

Earnings per share (diluted)

Separate values for diluted results have not been calculated, as no options for shares of the parent company were exercisable during 2017 or 2016.

NOTE 35 Related party relationships and transactions

In accordance with IAS 24, the members of the governing boards of the parent company FinTech Group AG and their families, as well as members of the governing boards of other important group companies and their families, are considered to be related parties.

Also, Mr. Bernd Förtsch, his close family members, and the companies controlled by them are considered to be related parties of FinTech Group AG, since Mr. Förtsch, as sole shareholder of BFF Holding GmbH and BF Holding GmbH and their subsidiaries, exerts a controlling influence over FinTech Group AG.

Compensation of Management Board of FinTech Group AG

Members of the management board of FinTech Group AG were:

2017	Frank Niehage
	Muhamad Said Chahrour (from January 01, 2017)
2016	Frank Niehage

Management board members received fixed and variable compensation as follows:

Frank Niehage		**2017**	**2016**
Fixed compensation	EUR	500,000.00	500,000.00
Variable compensation			
- short-term award	EUR	500,000.00	350,000.00
- long-term award - stock options			
2014 program	No.	-	-
Value at time of award	EUR	0,00	0,00
Fixed compensation for supervisory board memberships in Group companies	EUR	34,447.54	108,175.00

Muhamad Said Chahrour		2017	2016
Fixed compensation	EUR	200,000.00	
Variable compensation			
- short-term award	EUR	50,000.00	
- long-term award - stock options			
2014 program	No.	60,000	
Value at time of award	EUR	99,600.00	
Fixed compensation for supervisory board memberships in Group companies	EUR	75,179.70	

In addition, they received certain fringe benefits, mainly company cars and insurance coverage. There are no compensation commitments by FinTech Group AG to members of the management board for the time after the end of their respective terms of employment with the company.

Compensation of Supervisory Board of FinTech Group AG

Members of the supervisory board of FinTech Group AG were:

2017	Martin Korbmacher, Vorsitzender
	Stefan Müller (from February 23, 2017)
	Bernd Förtsch (until January 30, 2017)
	Herbert Seuling
2016	Martin Korbmacher, Vorsitzender
	Bernd Förtsch
	Herbert Seuling (from May 01, 2016)
	Achim Lindner (until April 30, 2016)

Members of FinTech Group AG's supervisory board receive exclusively fixed compensation.

Their compensation in detail, divided into compensation for their membership in the supervisory board of the parent company Fin Tech Group AG (FTG AG), and for their memberships in the supervisory boards of other Group companies (subsidiaries), inclusive of 19% VAT respectively:

In EUR	2017 FTG AG	2017 Subsidiaries	2017 Total	2016 FTG AG	2016 Subsidiaries	2016 Total
Martin Korbmacher	93,309.04	99,128.18	192,437.22	35,700.00	40,286.00	75,986.00
Stefan Müller	49,572,46	32,165.83	**81,738.29**	-	-	-
Bernd Förtsch	1,487.50	2,028.13	**3,515.63**	17,850.00	24,338.00	**42,188.00**
Herbert Seuling	48,090.88	-	**48,090.88**	17,850.00	-	**17,850.00**
Achim Lindner	-	-	-	**8,925.00**	-	**8,925.00**

Other transactions / Other

In 2017, Group companies have had the following transactions with related parties (all at arm's length):

- With a company controlled by supervisory board member Martin Korbmacher, FTG AG had transactions in the amount of kEUR 158 (2016: kEUR 239), mostly related to M&A advisory services.

- With companies controlled by Mr. Bernd Förtsch, Group companies had transactions totaling kEUR 1.111 in 2017 (parent company kEUR 104, subsidiaries kEUR 1,006; in 2016: total kEUR 1,138). These were mostly related to advertising and PR activities and the lease of commercial space.

At year-end 2017, the Group had no receivables against related parties (2016: kEUR 3); liabilities to related parties amounted to kEUR 58 (2016: kEUR 0).

In addition, a number of related parties maintain cash and / or securities custody accounts with FinTech Group Bank AG. All transactions on these accounts are done at arm's length.

NOTE 36 Auditors' fees

Total fees invoiced by the auditors of the Consolidated financial statements were for the following services:

In kEUR	2017	2016
Audit of the financial statements	414	414
Other assurance services	-	-
Tax advisory services	-	-
Other	-	-
Total	**414**	**414**

NOTE 37 *Events occurring after the balance sheet date*

Changes in the composition of the Supervisory Board of FinTech Group Bank AG

Effective on February 14, 2018, Mr. Muhamad Said Chahrour resigned from his office as member of the Supervisory Board of FinTech Group Bank AG. As replacement, Mr. Hans Peter Peters was appointed as a member of the Supervisory Board.

Changes in legal status of Group companies

On March 29, 2018, the merger of flatex GmbH onto FinTech Group Bank AG was registered in the trade register and thereby became legally effective, retroactive from January 01, 2018.

Independent Auditor's Report

To the FinTech Group AG

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of FinTech Group AG, Frankfurt am Main and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and notes to the consolidated financial statements for the business year from 1st January 2017 to 31st December 2017.

Management's Responsibility for the Consolidated Financial Statements

The management of FinTech Group AG is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and the supplementary requirements of German law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code], to give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The company's management is also responsible for the internal controls that management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) as well as in supplementary compliance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

Pursuant to § 322 Abs. 3 Satz1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the supplementary requirements of German commercial law pursuant to § 315e Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 31th December 2017 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report of FinTech Group AG for the business year from 1st January 2017 to 31st December 2017. The management of FinTech Group AG is responsible for the preparation of the group management report in compliance with the applicable requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code]. We are required to conduct our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the group management report promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz 1 HGB, we state that our audit of the group management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 14th June 2018

BDO AG

Wirtschaftsprüfungsgesellschaft

signed Otte	signed Streicher
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Audited Unconsolidated Financial Statements of flatex AG prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as at and for the financial year ended 31 December 2019

Balance sheet for the financial year from 1 January 2019 until 31 December 2019 of the flatex AG

ASSETS	FTX AG	FTX AG
	31.12.2019	31.12.2018
	EURO	EURO
A. Fixed assets		
I. Intangible assets		
Concessions, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licences to such rights and assets	2.988.490,00	1.695.486,35
	2.988.490,00	1.695.486,35
II. Tangible assets		
1. Land and buildings including buildings on third-party land	1.931.819,34	1.815.310,28
2. Technical equipments and machinery	3.306.254,00	2.460.228,06
3. Other assets, operating and office equipment	306.853,00	319.693,00
	5.544.926,34	4.595.231,34
III. Financial assets		
1. Shares in affiliated companies	57.059.862,29	54.349.173,99
2. Participations	24.138.645,71	0,00
3. Reinsurance claims from life insurance policies	355.383,00	334.627,00
	81.553.891,00	54.683.800,99
	90.087.307,34	**60.974.518,68**
B. Current assets		
I. Stock		
1. Unfinished goods	98.405,64	186.422,23
2. Finished goods and products	1.658,70	1.912,30
	100.064,34	188.334,53
II. Receivables and other assets		
1. Receivables from deliveries and services	3.003.164,99	7.812.535,13
2. Receivables from affiliated companies	19.143.956,42	16.104.094,03
3. Other assets	891.530,65	136.916,28
	23.038.652,06	24.053.545,44
III. Other stocks and bonds	19.421,26	120.806,40
IV. Cash, balances at banks	8.532.488,50	32.012.667,65
	31.690.626,16	**56.375.354,02**
C. Prepaid expenses	**946.236,00**	**1.324.021,00**
D. Active difference from the balance sheet	**1.073.288,00**	**1.330.734,00**
	123.797.457,50	**120.004.627,70**

Balance sheet for the financial year from 1 January 2019 until 31 December 2019 of the flatex AG

flatex AKTIENGESELLSCHAFT

LIABILITIES	FTX AG		FTX AG	
	31.12.2019		31.12.2018	
	EURO	EURO	EURO	EURO
A. Equity				
I. Subscribed capital				
1. Shares issued	19.595.637,00		18.736.637,00	
2. Own shares	0,00		0,00	
		19.595.637,00		18.736.637,00
II. Capital reserves		105.720.639,24		100.308.939,24
III. Retained earnings				
1. Legal reserve	32.775,45		32.775,45	
2. Other retained earnings	6.810.553,95		6.810.553,95	
		6.843.329,40		6.843.329,40
IV. Accumulated losses brought forward		31.024.007,71		38.149.072,91
V. Net income / loss for the year		7.235.455,26		7.125.065,20
		108.371.053,19		**94.864.897,93**
B. Accruals				
1. Accruals for pensions		2.909.936,00		1.686.990,00
2. Accruals for taxes		158.560,65		5.348.781,93
3. Other accruals		3.437.600,00		3.437.200,00
		6.506.096,65		**10.472.971,93**
C. Liabilities				
1. Liabilities due to credit institutions		3.707.076,67		9.873.756,67
2. Advance payments received on orders		268.116,50		302.686,62
3. Liabilities from deliveries and services		486.341,25		548.018,55
4. Liabilities to affiliated companies		199.920,25		19.488,51
5. Other liabilities		4.188.014,99		3.650.975,80
thereof from taxes EUR 409.510,22 (Prev. Year: EUR 1.100.346,45)				
		8.849.469,66		**14.394.926,15**
D. Deferred income		**70.838,00**		**271.831,69**
		123.797.457,50		**120.004.627,70**

Profit and loss account for the financial year from 1 January 2019 until 31 December 2019 of the flatex AG

flatex AKTIENGESELLSCHAFT

	FTX AG 2019		FTX AG 2018	
	EURO	EURO	EURO	EURO
1. Revenue		33.867.331,71		38.845.649,98
2. Decrease in inventories of finished goods and unfinished goods		35.135,16		387.052,23
3. Other operating income		1.429.568,32		1.624.146,27
4. Cost of materials				
a) Cost of purchased goods	327.999,20		107.727,60	
b) Cost of purchased services	2.936.090,87	3.264.090,07	4.453.617,98	4.561.345,58
5. Personnel costs				
a) Salaries and wages	18.777.323,12		17.878.370,24	
b) Social security contributions and expenses for pensions and other benefits	3.217.477,24	21.994.800,36	3.257.823,34	21.136.193,58
6. Depreciations and amortisation of intangible and tangible fixed assets		3.009.431,31		2.928.431,86
7. Other operating expenses		12.121.810,48		12.801.481,54
8. Income from participations		17.188.654,36		15.717.513,74
thereof from affiliated companies EUR 17.188.654,36 (Prev. Year: EUR 15.717.513,74)				
9. Other interest and similar income		33.934,91		12.639,25
10. Depreciation on financial assets and securities held as current assets		96.834,21		62.131,66
11. Interest and similar expenses		2.175.966,39		2.147.813,69
12. Expenses Assumption of loss		0,00		55.366,18
13. Taxes on income and earnings		2.286.186,99		5.008.367,85
14. Profit after tax		**7.535.234,33**		**7.111.765,07**
15. Other taxes		299.779,07		13.300,13
16. Net profit / loss for the year		**7.235.455,26**		**7.125.065,20**
17. Accumlated losses brought forward		31.024.007,71		38.149.072,91
18. Accumulated loss		**23.788.552,45**		**31.024.007,71**

flatex AG
(until 12 August 2019 FinTech Group AG)
Frankfurt am Main

Notes to the financial statements for the financial year from 1 January 2019 to 31 December 2019

A. General information

The company is registered in the Commercial Register at the Local Court of Frankfurt am Main under company number HRB 103516.

In 2019, 859,000 subscription shares were issued on the basis of the conditional capital (2014/I) resolved by the Annual General Meeting held on 30 October 2014. The share capital now amounts to EUR 19,595,637.00. By resolution of 8 May 2019 and 21 January 2020, the Supervisory Board resolved to amend Article 4 (Amount and division of share capital, conditional capital) of the Articles of Association. The changes were entered in the Commercial Register on 16 May 2019 and 27 January 2020.

The Annual General Meeting held on 12 August 2019 resolved to amend Article 1 (Company) of the Articles of Association. The company's name was changed to flatex AG and entered in the Commercial Register on 15 August 2019.

The company's annual financial statements for the 2019 financial year have been prepared in accordance with the provisions of Book 3 of the German Commercial Code applicable to it, taking into account the supplementary provisions of the BilRUG and the provisions of the German Stock Corporation Act.

The annual financial statements have been prepared in euros. The notes are mostly given in thousand euros ("EURk").

The disclosure and classification provisions were complied with in accordance with legal requirements.

The profit and loss account was prepared using the total cost method.

The financial year corresponds to the calendar year.

The company is a large corporation pursuant to Section 267 para. 3.

flatex AG is listed in the Scale Segment of Deutsche Börse (German Stock Exchange) in Frankfurt am Main.

As the parent company, flatex AG prepares consolidated financial statements for the smallest group of companies in accordance with the International Financial Reporting Standards (IFRS). flatex AG is included in the consolidated financial statements of BFF Holding GmbH, Kulmbach, which as the parent company prepares consolidated financial statements for the largest group of companies in accordance with the German Commercial Code (HGB). The consolidated financial statements are submitted to the Federal Gazette and published.

B. Accounting and valuation principles

In preparing the annual financial statements, it was assumed that the company was a going concern in accordance with Section 252 para. 1 no. 2 HGB.

Purchased **intangible assets** are stated in the balance sheet at cost less scheduled straight-line depreciation (1 to 5 years) based on standard industry or official depreciation tables.

Property, plant and equipment are stated in the balance sheet at cost less scheduled depreciation based on use, provided they are subject to wear and tear. Depreciation is based on the normal useful lives of the assets (1 to 50 years) using the straight-line method pro rata temporis. Depreciation is carried out in accordance with standard industry or official depreciation tables. Where necessary, unscheduled depreciation is applied. Low-value assets with individual acquisition costs of up to a maximum of EUR 800.00 are recorded under fixed assets and written off in full in the year of acquisition. Fixed assets with individual acquisition costs of more than EUR 800.00 are depreciated pro rata over their scheduled useful life.

Financial assets are valued at acquisition cost or, in the case of permanent impairment, at the lower attributable value. If the reasons for write-offs to the lower fair value no longer apply, write-ups to the higher fair value are made, but at most up to the original acquisition cost.

The finished goods and work in progress reported under **inventories** are valued at production cost, taking into account the principle of the lower of cost or market. Production costs include individually documented working hours and appropriate portions of material and production overheads as well as the depreciation of fixed assets and pro rata administrative overheads.

Receivables and other assets are stated in the balance sheet at nominal value.

Securities held as current assets are stated in the balance sheet at the lower of cost or fair value based on the stock exchange or market price on the balance sheet date.

Cash on hand and bank balances are stated in the balance sheet at nominal values.

Prepaid expenses and deferred charges are formed in accordance with Section 250 para. 1 HGB. They are reversed in accordance with the expenses of the accounting period.

The assets to be offset in accordance with Section 246 para. 2 sentence 2 HGB ("plan assets") are measured at fair value within the meaning of Section 255 para. 4 HGB. The fair value of plan assets is determined on the basis of actuarial reports. The remaining surplus of assets is stated in the balance sheet as a separate balance sheet item under "**asset difference from asset offsetting**" in accordance with § 246 para. 2 sentence 3 HGB.

Pension obligations are measured at the required settlement amount. Provisions for pension obligations are measured in accordance with Article 75 para. 6 EGHGB in conjunction with Section 253 paras. 2 and 6 HGB using the corresponding average interest rate from the past ten financial years.
Estimated rates of increase are taken into account for a forward-looking valuation of commitments. The Heubeck mortality tables 2018 G serve as the basis for calculation. As in the previous year, the modified going-concern value method was used to determine the pension obligation for an active entitlement, as documented by actuarial reports. As in the previous year, the projected unit credit method was used for current entitlements of a total of eight former beneficiaries.

The actuarial computation of pension obligations was performed uniformly as of 31 December 2019, using an interest rate of 2.71% (previous year: 3.21%). The discount rate corresponds in each case to the interest rate for remaining terms of 15 years in accordance with the Regulation on the Discounting of Provisions. The average interest rate of the last ten years was applied without change in accordance with obligations. The difference resulting from the application of an average interest rate of the last seven years (1.97%; previous year: 2.32%) amounts to EUR 3,374kand is subject to a distribution restriction in accordance with Section 253 para. 6 HGB. Furthermore, an unchanged pension dynamic of 1% was assumed. The consideration of a fluctuation trend was not required in accordance with the pension commitments and the pension beneficiaries.

If the legal requirements are met, the fair value of the cover assets held for this purpose (actuarially determined asset value of the claims from corresponding reinsurance policies) as of the balance sheet date is offset against the corresponding provisions for pensions in accordance with Section 246 para. 2 sentence 2 HGB. The same applies to the effectively pledged fair value credit balance held as cover assets for the part-time early retirement scheme. The resulting asset-side difference from the offsetting of assets is shown as a separate balance sheet item.
The difference between the recognition of provisions based on the corresponding average interest rate of the past ten financial years and the recognition of provisions based on the corresponding average interest rate of the past seven financial years amounted to TEUR 3,374 (previous year: TEUR 3,709) at the balance sheet date.

Other provisions include all risks and contingent liabilities identifiable at the balance sheet date. The other provisions shown are valued at the settlement amount required according to sound business judgment. Future price and cost increases were taken into account. They also include an obligation arising from a part-time employment contract for older employees, which is covered by assets with a fair value in the same amount. Accordingly, these were netted out in accordance with obligations.

Liabilities are recognized at the settlement amount.

Deferred income pursuant to Section 250 para. 2 HGB is recognized in the amount of the income to be deferred if it represents income for a specific period after the balance sheet date.

The accounting and valuation methods applied by us correspond to the methods used in the previous year for preparing the balance sheet, the profit and loss account and the notes.

C. Notes to the balance sheet

Fixed assets

The development of the individual fixed asset items and the corresponding depreciation and amortization is shown in the statement of changes in fixed assets.

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DEVELOPMENT OF FIXED ASSETS
FLATEX AG, FRANKFURT
IN THE 2019 FINANCIAL YEAR

Assets analysis

	ACQUISITION COSTS					DEPRECIATION				BOOK VALUES	
	Status on 01.01.2019 EURO	Access EURO	Disposals EURO	Attribution EURO	Status on 31.12.2019 EURO	Total 01.01.2019 EURO	Access EURO	Disposals EURO	Status on 31.12.2019 EURO	Status on 31.12.2018 EURO	Status on 31.12.2019 EURO
I. Intangible assets, qcquired against payment											
Industrial and intellectual property rights	5.501.938,04	2.474.609,79	76.428,00	0,00	7.900.119,83	3.806.451,69	1.181.606,14	76.428,00	4.911.629,83	1.695.486,35	2.988.490,00
Total intangible assets	**5.501.938,04**	**2.474.609,79**	**76.428,00**	**0,00**	**7.900.119,83**	**3.806.451,69**	**1.181.606,14**	**76.428,00**	**4.911.629,83**	**1.695.486,35**	**2.988.490,00**
II. Tangible assets											
1. Land and buildings including buildings on third-party land	3.546.799,37	457.607,97	0,00	0,00	4.004.407,34	1.731.489,09	341.098,91	0,00	2.072.588,00	1.815.310,28	1.931.819,34
2. Technical equipments and machinery	9.534.226,05	2.201.713,84	20.404,53	0,00	11.715.535,36	7.073.997,99	1.355.687,90	19.168,53	8.409.281,36	2.460.228,06	3.306.254,00
3. Other assets, operating and office equipment	813.846,25	118.198,36	284,80	0,00	931.759,81	494.153,25	131.038,36	284,80	624.906,81	319.693,00	306.853,00
Total tangible assets	**13.894.871,67**	**2.777.520,17**	**20.689,33**	**0,00**	**16.651.702,51**	**9.299.640,33**	**1.827.825,17**	**19.453,33**	**11.106.776,17**	**4.595.231,34**	**5.544.926,34**
III. Financial assets											
1. Shares in affiliated companies	54.349.173,99 *	2.710.688,30	0,00	0,00	57.059.862,29	0,00 *	0,00	0,00	0,00	54.349.173,99	57.059.862,29
2. Participations	0,00	24.138.645,71	0,00	0,00	24.138.645,71	0,00	0,00	0,00	0,00	0,00	24.138.645,71
3. Reinsurance claims from life insurance policies	334.627,00	20.756,00	0,00	0,00	355.383,00	0,00	0,00	0,00	0,00	334.627,00	355.383,00
Total financial assets	**54.683.800,99**	**26.870.090,01**	**0,00**	**0,00**	**81.553.891,00**	**0,00**	**0,00**	**0,00**	**0,00**	**54.683.800,99**	**81.553.891,00**
Total fixed assets	**74.080.610,70**	**32.122.219,97**	**97.117,33**	**0,00**	**106.105.713,34**	**13.106.092,02**	**3.009.431,31**	**95.881,33**	**16.018.406,00**	**60.974.518,68**	**90.087.307,34**

* The acquisition costs and the depreciation for the previous year were adjusted due to incorrect presentation in the previous year following the sale of the Aktionärsbank (depreciation of TEUR 502 was not reset after the disposal). The posted values remain uneffected by this.

Shares in affiliated companies

By deed 47/2019, negotiated in Frankfurt am Main, on 3 July 2019, factoring.plus.GmbH, Leipzig, registered in the Commercial Register of the Leipzig District Court under company number HRB 35158, sold its 72% subsidiary financial.service.plus GmbH, Leipzig, registered in the Commercial Register of the Leipzig District Court under company number HRB 22691, to flatex AG. The shares were transferred to flatex AG with effect from 1 July 2019 0:00 A.M. (CEST). The purchase price was EUR 2,700,000.00 plus incidental acquisition costs in the amount of EUR 10,688.30.

On 13 December 2019, flatex AG and LPE Capital B.V. and its five main shareholders concluded a share purchase agreement for the shares of LPE Capital B.V. in DeGiro B.V., a limited liability company under Dutch law with its registered office in Amsterdam, Netherlands, registered in the Dutch commercial register under company number 34342820. flatex AG will acquire the remaining 90.6% of DeGiro for a cash selling price of EUR 36,388,888.89 and against the issuance of up to 7,500,000 new shares to be created in the course of a capital increase against contribution in kind from the authorized capital 2017 and 2018/I under exclusion of the subscription right of the existing flatex AG shareholders after approval by the Dutch supervisory authorities. With payment of the cash selling price in the amount of EUR 23,611,111.11, flatex AG acquired a 9.4% stake in the reporting year. The incidental acquisition costs amounted to EUR 528k.

Trade receivables and other assets

As in the previous year, the trade receivables stated in the balance sheet do not include any receivables with a remaining term of more than one year.

In the year under review, flatex AG reported sales tax receivables of EUR 24kand sales tax receivables from previous years of EUR 380k(previous year: other liabilities of EUR 780k). In addition, income tax receivables of EUR 349k(previous year: provisions of EUR 5,349k) are stated.

As in the previous year, the other assets have a remaining term of up to one year.

Receivables from affiliated companies

There are receivables from affiliated companies in the amount of EUR 19,144k(previous year: EUR 16,104k); these arose from profit and loss transfer agreements in the amount of EUR 17,189k(previous year: EUR 15,718k), from the offsetting of goods and services, and from fiscal unity for VAT purposes.

Equity

Share capital
The company's subscribed capital amounted to EUR 19,596k as of the balance sheet date (previous year: EUR 18,737k). At the end of the financial year, the share capital was divided into 19,595,637 (previous year: 18,736,637) no-par registered shares with a notional value of EUR 1.00 each.

Authorized capital
At the beginning of the 2019 financial year, the company had authorized capital of EUR 7,530k.

1) By resolution of the Annual General Meeting held on 5 July 2017, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital (Authorized Capital 2017) on one or more occasions until 4 July 2022 by a total of up to EUR 5,598k by issuing new registered shares against cash and/or non-cash contributions. The shareholders are generally to be granted a subscription right. However, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription right of existing shareholders in certain cases. The Authorized Capital 2017 was partially utilized by resolution of the Management Board with the approval of the Supervisory Board on 13 December 2017 and amounts to EUR 4,898k after registration of the capital increase.

2) By resolution of the Annual General Meeting held on 7 August 2018, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital (Authorized Capital 2018) on one or more occasions until 6 August 2023 by a total of up to EUR 3,857k by issuing new no-par value registered shares against cash and/or non-cash contributions. The shareholders are generally to be granted a subscription right. However, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription right of existing shareholders in certain cases. The Authorized Capital 2018 was partially utilized by resolution of the Management Board with the approval of the Supervisory Board on 10 September 2018, and still amounts to EUR 2,632k after registration of the capital increase on the balance sheet date.

As of 31 December 2019, the company therefore continues to have an unchanged amount of authorized capital of EUR 7,530k(Authorized Capital 2017: EUR 4,898k; Authorized Capital 2018: EUR 2,632k).

Conditional capital

1) By resolution of the Extraordinary General Meeting on 30 October 2014, the Management Board was authorized, with the approval of the Supervisory Board, to conditionally increase the share capital by up to EUR 1,390kby issuing up to 1,390,000 new no-par value bearer shares carrying dividend rights from the beginning of the financial year in which they are issued (Conditional Capital 2014). In accordance with the resolution of 30 October 2014, the Conditional Capital 2014 serves exclusively to secure subscription rights that were issued to members of the Management Board and employees of the Company as well as members of the management and employees of affiliated companies in the period up to and including 30 September 2019 on the basis of the authorization of the Annual General Meeting held on 30 October 2014 within the framework of the Stock Option Program 2014. The Annual General Meeting held on 27 July 2016 resolved to convert bearer shares to registered shares; Conditional Capital 2014 was adjusted accordingly to the issuance of registered shares. By reso-

lution of the Extraordinary General Meeting held on 4 December 2017, the authorization to issue stock options under a Stock Option Program 2014 resolved by the Annual General Meeting held on 30 October 2014, with adjustments by the Annual General Meeting held on 27 July 2016, was amended and specified. At the same time, Conditional Capital 2014 was amended in such a way that it also serves to service subscription rights issued on the basis of the authorization resolution of the Annual General Meeting on 30 October 2014, also with adjustments by the Annual General Meeting held on 27 July 2016, and also in the version after its amendment by the corresponding resolution of the Extraordinary General Meeting held on 4 December 2017, also to the extent that the option terms underlying the subscription rights in question were revised after the issuance of the subscription rights within the framework of the corresponding resolution of the Extraordinary General Meeting held on 4 December 2017. As a result of the exercise of stock options under the Stock Option Plan 2014, a total of 859,000 new registered shares with a pro rata amount of share capital of EUR 1.00 per share were issued from the Conditional Capital 2014 in the 2019 financial year. As a result, the Conditional Capital 2014 was reduced by EUR 859kto EUR 531k. The corresponding amendments to the Articles of Association were filed with the Commercial Register and registered as requested on 27 January 2020.

2) By resolution of the Annual General Meeting held on 28 August 2015, the Management Board was authorized, with the approval of the Supervisory Board, to conditionally increase the share capital by up to EUR 230k by issuing up to 230,000 new bearer shares with entitlement to dividends from the beginning of the financial year in which they are issued (Conditional Capital 2015). In accordance with the resolution of 28 August 2015, the Conditional Capital 2015 serves exclusively to secure subscription rights that are issued to members of the Management Board and employees of the Company as well as members of the management and employees of affiliated companies in the period up to and including 27 August 2020 on the basis of the authorization of the Annual General Meeting held on 28 August 2015 as part of the Stock Option Program 2015. The Annual General Meeting held on 27 July 2016 resolved to convert bearer shares to registered shares; Conditional Capital 2015 was adjusted accordingly to the issuance of registered shares. By resolution of the Extraordinary General Meeting held on 4 December 2017, the authorization to issue stock options within the framework of a Stock Option Program 2015 resolved by the Annual General Meeting held on 28 August 2015, with adjustments by the Annual General Meeting held on 27 July 2016, was amended and specified; at the same time, the Conditional Capital 2015 was amended in such a way that it serves exclusively to service subscription rights that were issued on the basis of the authorization resolution of the Annual General Meeting on 28 August 2015, also with adjustments by the Annual General Meeting held on 27 July 2016 and also in the version after its amendment by the corresponding resolution of the Extraordinary General Meeting held on December 4, 2017, also to the extent that the option conditions underlying the subscription rights concerned were or will be revised after the issue of the subscription rights within the framework of the corresponding resolution of the Extraordinary General Meeting held on 4 December 2017. As of the balance sheet date, the Conditional Capital 2015 remained unchanged at EUR 230k; in the 2020 financial year, a total of 20,000 new no-par value registered shares with a notional value of EUR 1.00 per share in the share capital were issued by 10 January 2020 due to the exercise of stock options from the Stock Option Program 2015. As a result, the Conditional Capital 2015 was reduced by EUR 20k to EUR 210k after the balance sheet date until 10 January 2020. The corresponding amendment to the Articles of Association was filed with the Commercial Register and registered as requested on 27 January 2020.

3) By resolution of the Extraordinary General Meeting held on 4 December 2017 with adjustments made by resolution of the Annual General Meeting held on 7 August 2018, the Management Board was authorized, with the approval of the Supervisory Board, to conditionally increase the share capital by up to EUR 3,500kby issuing up to 3,500,000 new registered shares with entitlement to dividends from the beginning of the financial year in which they are issued (Conditional Capital 2017, referred to in

the company's commercial register as "Conditional Capital 2018/I"). The conditional capital increase serves to service bonds that are issued on the basis of the corresponding authorization resolution of the Extraordinary General Meeting held on 4 December 2017 in the version following the amendment of 7 August 2018 until 3 December 2022.

4) By resolution of the Annual General Meeting on 7 August 2018, the Management Board was authorized, with the approval of the Supervisory Board, to conditionally increase the share capital by up to EUR 3,600k by issuing up to 3,600,000 new registered no-par value shares with entitlement to dividends from the beginning of the financial year in which they are issued (Conditional Capital 2018/II). The conditional capital increase serves the purpose of servicing bonds and/or profit participation rights that are issued until 6 August 2023 on the basis of the corresponding authorization resolution of the Annual General Meeting on 7 August 2018.

<u>Stock Option Plan</u>

flatex AG has created stock option plans to ensure that the total compensation of executives is competitive. The first stock option program was launched in 2014. Under this program, subscription rights were issued for the first time in 2015.

Each subscription right from the Stock Option Program grants the holder the right to acquire one share of the company against payment of the subscription price fixed at the time of issuance. The subscription price is determined on the basis of the average closing price of the share over a fixed period preceding the resolution of the Annual General Meeting, less a discount.

The term of the subscription rights is six years from the date of issuance; they may be exercised in shares of the company at the earliest after a waiting period (vesting period) of four years and in predefined time windows. The prerequisite for exercise is that the stock market price of the share is exceeded by at least 100% on any stock market trading day within two years of the issuance of the respective subscription right (Performance Target Option Program 2014). Only in the event of a change of control or delisting, which is defined in more detail in the authorization and, if applicable, in option terms and conditions formulated at a later date, may the company pay cash compensation instead of shares and the holders of subscription rights may demand cash compensation instead of shares (in some cases even before the end of the vesting period).

A second Stock Option Program was launched in 2015 on the basis of a further authorisation by the Annual General Meeting. The conditions for this program were modified in relation to the prerequisite for exercising the option rights on the basis of the development of the share price to the extent that the stock market closing price of the share must now exceed the respective subscription price by at least 50% on any stock market trading day within two years of the issuance of the respective subscription right (Performance Target Option Program 2015). The remaining conditions correspond to the first program.

The following subscription rights were granted in 2019:

Board of Directors: 15.000
Employees: 87.000
Thereof employees of affiliated companies: 20,000

The total number of subscription rights outstanding as of 31 December 2019 was

Total: 1,557,500
Of which subscription rights exercised: 879,000
Thereof expired subscription rights: 169,000

Active subscription rights: 70,000

Development of equity capital

The subscribed capital increased by EUR 859,000.00 as a result of options exercised in the year under review under the Stock Option Program 2014, while the settlement of 20,000 subscription rights took place in 2020. The entry in the commercial register took place on 27 January 2020, and the capital reserve was therefore increased by EUR 5,411,700 to EUR 105,720,639.24.

in EUR	Subscribed capital	Acquired own shares	Capital reserves	Legal reserves	Retained earnings	Net loss	Total equity
As of 31.12.2018	18.736.637,00	0,00	100.308.939,24	32.775,45	6.810.553,95	-31.024.007,71	**94.864.897,93**
Change in 2019	859.000,00	0,00	5.411.700,00	0,00	0,00		**6.270.700,00**
Net profit for the year						7.235.455,26	**7.235.455,26**
As of 31.12.2019	**19.595.637,00**	**0,00**	**105.720.639,24**	**32.775,45**	**6.810.553,95**	**-23.788.552,45**	**108.371.053,19**

The development of the accumulated deficit is shown in the following table:

in EUR	2019	2018	2017
Status as of 31.12	-31.024.007,71	-38.149.072,91	-19.093.096,79
Annual net profit / loss	7.235.455,26	7.125.065,20	-19.055.976,12
Stand on 31.12.2019	**-23.788.552,45**	**-31.024.007,71**	**-38.149.072,91**

Provisions for pensions

The pension provisions for one employee and one employee who left the company, as in the previous year, as well as eight (previous year: eight) board members who left the former XCOM AG are based on actuarial reports.

In the course of the offsetting required by Section 246 para. 2 sentence 2 HGB, existing **pension obligations** in the amount of EUR 7,637k(previous year: EUR 6,665k) as of the balance sheet date are offset against the cover assets held for this purpose ("plan assets"). The fair value of the plan assets, which corresponds to the acquisition costs, amounted to EUR 8.710 million (previous year: EUR 7.996 million) on the balance sheet date. In the course of the application of Section 246 para. 2 sentence 2 HGB, interest income from plan assets amounting to EUR 498k (previous year: EUR 486k) was also offset against expenses from existing obligations amounting to EUR 2,339k (previous year: EUR 2,071k) in the year under review.

The fair value of the plan assets exceeding the corresponding pension obligation is recognized as the **asset-side difference** from asset offsetting in the amount of EUR 1,073k (previous year: EUR 1,331k). The excess liability arising for four beneficiaries as of the balance sheet date is reported under pension provisions in the amount of EUR 1,909k (previous year: EUR 816k).

Provisions for taxes

In the year under review, flatex AG only reported a corporate income tax provision of EUR 159k. Due to high advance payments, a trade tax receivable arose, which is shown under other receivables. In the previous year, there were provisions for both income taxes totaling EUR 5,349k.

Other accrued liabilities

These primarily include bonus provisions of EUR 1,400k(previous year: EUR 1,300k), provisions for other personnel costs of EUR 62k(previous year: EUR 0k), annual financial statements and audit costs of EUR 345k(previous year: EUR 555k), legal and consulting costs of EUR 130k(previous year: EUR 130k) and various outstanding invoices of EUR 798k(previous year: EUR 761k).

Amounts owed to credit institutions

As of the balance sheet date, flatex AG reported liabilities to banks in the amount of EUR 3,707k(previous year: EUR 9,874k). The bank loans primarily serve as interim financing for the acquisition of shares in the former XCOM AG in previous years.

	Total up to 1 year EUR	Total > 1 to 5 years EUR	Total > 5 years EUR
2020	3.165.486,67	541.590,00	0,00
Previous Year	6.166.680,00	3.707.076,67	0,00

Liabilities in the amount of EUR 708k (previous year: EUR 875k) are secured by mortgages.

Advance payments received and trade payables

As in the previous year, the reported advance payments and liabilities have a remaining term of up to one year.

amounts owed to affiliated undertakings

As of 31 December 2019, liabilities to affiliated companies amounted to EUR 168k(previous year: EUR 19k) to flatex Bank AG from the consolidated tax group for VAT purposes and EUR 32kfrom trade accounts payable.

As of 31 December 2019, the liabilities reported have a remaining term of less than one year, unchanged from the previous year.

Other liabilities

Other liabilities are composed as follows:

	31.12.2019 TEUR	31.12.2018 TEUR
Liabilities from taxes	409.510,22	1.100.346,45
Liabilities from hire purchase	3.272.920,59	2.207.267,55
Remaining liabilities	505.584,18	343.361,80
	4.188.014,99	**3.650.975.80**

The share of other liabilities with a term of more than one year totals EUR 2,191k(previous year: EUR 1,523k).

Accrued expenses and deferred income

Deferred income includes the deferral of income already received, which represents income for subsequent periods.

There were no deferred income items with a remaining term of more than one year on the balance sheet date (previous year: EUR 71k).

D. Notes to the profit and loss account

Revenue

The sales revenues of EUR 33,867k are mainly generated in Germany. Of the total foreign sales of EUR 5,227k, EUR 376kare generated in the European Union. A breakdown of sales revenues by area of activity is shown below:

Revenue area	2019 TEUR	2018 TEUR
Software Banking	12.672	15.473
IT-Services & Infrastructure	7.004	7.578
Software eBanking	3.367	3.618
Software Trading	3.599	4.223
Other turnover	7.225	7.954
	33.867	**38.846**

Income from affiliated companies amounted to EUR 19,221k in the year under review (previous year: EUR 21,824k). The company generated significant sales revenues for IT services and from Group contributions.

Other operating income

The other operating income mainly relates to income from the increase in the asset value of the reinsurance policy, input tax reduction in the previous year, motor vehicle purchases in kind and the reversal of provisions.

Social security contributions and expenses for pensions and other benefits

This item includes pension expenses of EUR 96k(previous year: EUR 371k).

Other operating expenses

Other operating expenses include, in particular, occupancy costs, insurance, contributions and levies, repairs and maintenance costs, license fees, advertising and travel expenses, vehicle costs, telecommunications costs, IT costs, training costs, and legal and consulting fees.

Income from investments

The income from investments item includes income from the profit transfer agreement with flatex Finanz GmbH. Income from investments increased by EUR 1,471kto EUR 17,189kin the year under review.

Other interest and similar income

In the year under review, interest was received from affiliated companies in the amount of EUR 3k (previous year: EUR 0k).

This item contains EUR 12k in interest income from reinsurance policies that are not attributable to plan assets. It also includes interest income from the discounting of provisions in the amount of EUR 4k(previous year: EUR 2k) and interest income in accordance with Section 233a AO for trade tax and VAT for previous years of EUR 9k thousand.

Depreciation of financial assets and securities held as current assets

This item includes write-downs of EUR 97k(previous year: EUR 62k) on securities reported under current assets in accordance with the strict lower-of-cost-or-market principle.

Interest and similar expenses

This item includes the balance of interest income from plan assets of EUR 1,841k(previous year: EUR 1,584k), amounting to EUR 498k(previous year: EUR 486k), and interest expenses to be offset pursuant to Section 246 para. 2 sentence 2 HGB from liabilities from pension obligations and similar long-term obligations of EUR 2,339k(previous year: EUR 2,070k). This item also includes interest expenses in accordance with § 233a AO (German Fiscal Code) in the amount of EUR 29,000 due to subsequent trade tax assessment.

No interest was paid to affiliated companies in the year under review (previous year: EUR 107k).

Taxes on income and earnings

Corporate income tax, solidarity surcharge and trade tax were recognized for the 2019 financial year in accordance with applicable tax regulations. The item also includes a tax expense of EUR 157k for the previous year.

E. Other information

Appropriation of the result

The Management Board of the Company proposes to the Annual General Meeting that the net profit for the financial year 2019 in the amount of EUR 7,235,455.26 be carried forward to new account together with the loss carried forward in the amount of EUR 31,024,007.71.

Contingent liabilities and other financial obligations

As of the balance sheet date, the following other financial obligations existed in accordance with Section 251 HGB in conjunction with Section 268 para. 7 HGB:

in EUR	total as of 31.12.2019	thereof up to 1 year	thereof between 2 and 5 years	thereof after 5 years	Previous Year
from Rent-. Leasing contracts	12.629.834,97	4.092.756,41 *	7.213.652,72	1.323.425,84	10.007.854,84 *
from Maintenance contracts	86.406,83	86.406,83	0,00	0,00	63.638,69
from Other contracts	2.543.559,13	2.354.267,46	189.291,67	0,00	1.729.006,80
Stand on 31.12.2019	15.259.800,93	6.533.430,70	7.402.944,39	1.323.425,84	11.800.500,33
*thereof to affiliated companies (in EUR)		57.888,12	195.376,34		44.215,44

There were no contingent liabilities on the balance sheet date.

Total fee of the auditor

The total fee of the Company's auditors is included in the corresponding note to the consolidated financial statements.

Breakdown of the number of employees

On average 255 (previous year: 258) people were employed in the current financial year. Compared with the previous year, the employees in the year under review are broken down by group as follows:

Group	Employees 2019	Employees 2018
Employees	190	189
Part-time employees	35	38
Executive staff	19	19
Temporary employees	11	12
	255	**258**

Name and headquarters of the parent company

GfBk Gesellschaft für Börsenkommunikation mbH, Kulmbach, holds a direct 23.65% share in the equity of flatex AG. Due to a further (indirect) participation of its sole shareholder, GfBk Gesellschaft für Börsenkommunikation mbH, Kulmbach is considered the controlling parent company. BFF Holding GmbH, Kulmbach in turn holds 100.00% of the equity of GfBk Gesellschaft für Börsenkommunikation mbH.

Shareholdings

flatex AG has a direct interest of 9.4% and 20% or more in the following companies as defined by Section 285 no. 11 HGB:

	directly held shares on 31.12.2019 as a percentage	Equity on 31.12.2019 in TEUR	Result of the Financial year 2019 in TEUR
flatex Finanz GmbH, Frankfurt am Main	100	53.973	*
Xervices GmbH, Willich	100	164	23
Brokerport Finance GmbH, Frankfurt	100	1.284	603
financial.service.plus. GmbH, Leipzig	72	868	97
DeGiro B.V., Amsterdam * *	9,4	19.453	3.733

***Profit and loss transfer agreement with flatex AG**
**** Equity and result concerns 2018 financial statement**

	indirectly held shares on 31.12.2019 as a percentage	Equity on 31.12.2019 in TEUR	Resulft of the Financial year 2019 in TEUR
flatex Bank AG, Frankfurt am Main	100	56.677	*
factoring.plus.GmbH, Leipzig	100	-9.370	-63

***Profit and loss transfer agreement with flatex Finanz GmbH**

Board of Directors

Frank Niehage, Frankfurt am Main - LL.M.
Chairman of the Management Board, with sole power of representation, from the restrictions of Section 181 version 2 BGB (prohibition of multiple representation).

Muhamad Said Chahrour, Frankfurt am Main - M. Sc.
Chief Financial Officer

The members of the Management Board of flatex AG receive fixed and variable remuneration of a current nature.
The total remuneration is as follows:

in EUR		2019	2018
	fix/variable	1.900.000,00	1.850.000,00

In addition, the Management Board received share-based compensation in the 2019 financial year in the form of 15,000 stock options from the 2015 option plan.

In the year under review, no Supervisory Board mandates were held in subsidiaries.

The pension provision for vested pension rights for eight (previous year: eight) retired members of the Management Board, including one pension commencement (2016), amounted to EUR 21,144k(previous year: EUR 18,778k) as of the balance sheet date, which was also offset in full against the plan assets held for this purpose as in the previous year.

Supervisory Board

Members of the Supervisory Board in the reporting period:

1) Mr Martin Korbmacher, Frankfurt am Main
   Chairman
   Occupation exercised: Managing Director Event Horizon Capital & Advisory GmbH
   Managing Director arsago ACM GmbH

   In 2019, Mr. Korbmacher was a member of the following other statutory supervisory boards of domestic and foreign companies:
   - Member of the Supervisory Board of German Startups Group Berlin GmbH & Co KGaA, Berlin
   - Chairman of the Supervisory Board of flatex Bank AG, Frankfurt am Main
   - Chairman of the Supervisory Board of innoplexus AG, Eschborn
   - Chairman of the Board of Directors of Starmind AG, Küsnacht, Switzerland

2) Mr Stefan Müller, Kulmbach
   Vice chairman
   Occupation: Head of Finance at Börsenmedien AG, Kulmbach

   Mr. Müller was a member of the following other statutory supervisory boards of domestic companies in 2019:
   - Member of the Supervisory Board of Finlab AG, Frankfurt am Main
   - Deputy Chairman of the Supervisory Board of Heliad Equity Partners GmbH & Co KGaA, Frankfurt am Main
   - Member of the Supervisory Board of flatex Bank AG, Frankfurt am Main

3) Mr Herbert Seuling, Kulmbach
   board member
   Occupation: Self-employed tax consultant

Expenses for Supervisory Board remuneration in the 2019 financial year totalled EUR 265k (previous year: EUR 267k).

Events after the balance sheet date (supplementary report)

No events occurred after the end of the financial year that are of particular significance for the net assets, financial position and results of operations of the company.

Frankfurt am Main, 30 April 2020

Frank Niehage Chairman of the Board	Muhamad Said Chahrour Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To flatex AG, Frankfurt am Main

AUDIT OPINIONS

We have audited the annual financial statements of flatex AG, Frankfurt am Main - consisting of the balance sheet as of December 31, 2019 and the income statement for the fiscal year from January 1, 2019 to December 31, 2019.
The consolidated financial statements have been audited from January 1, 2019 to December 31, 2019, as well as the notes to the financial statements, including the presentation of the accounting policies. In addition, we have audited the management report of flatex AG, Frankfurt am Main, for the fiscal year from January 1, 2019 to December 31, 2019.

In our opinion, based on the findings of our audit

- the attached annual financial statements comply in all material respects with the German commercial law provisions applicable to corporations and give a true and fair view of the net assets and financial position of the Company as of December 31, 2019, and of its results of operations for the fiscal year from January 1, 2019 to December 31, 2019, in accordance with German generally accepted accounting principles, and
- On the whole the attached management report provides a suitable understanding of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development.

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the correctness of the annual financial statements and the management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and the management report in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is described in the section "AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND MANAGEMENT REPORT".
of our audit opinion. We are independent of the Company in accordance with German commercial and professional law and have fulfilled our other German professional obligations in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements and the management report.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The legal representatives are responsible for the preparation of the annual financial statements, which comply in all material respects with the German commercial law provisions applicable to corporations, and for ensuring that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. Furthermore, the legal representatives are responsible for the internal controls which they have determined, in accordance with the German principles of proper accounting, to be necessary to enable the preparation of annual financial statements that are free from material misstatements.

is a substantial - intended or unintended - misrepresentation.

In preparing the financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. Furthermore, they are responsible for disclosing any relevant facts in connection with the continuation of the company's activities. They are also responsible for preparing the financial statements in accordance with the going concern principle, except in cases where there is a conflict of fact or law.

In addition, the legal representatives are responsible for the preparation of the management report, which as a whole provides a suitable view of the Company's position and is consistent with the annual financial statements in all material respects and complies with German law and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) they have deemed necessary to enable the preparation of a management report in accordance with the applicable German legal regulations and to provide sufficient suitable evidence for the statements made in the management report.

The Supervisory Board is responsible for monitoring the Company's accounting process for the preparation of the annual financial statements and the management report.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Our objective is to obtain reasonable assurance whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, whether the management report as a whole provides a suitable understanding of the Company's position and suitably presents the risks of material misstatement of the annual financial statements, and whether the management report is consistent, in all material respects, with the annual financial statements and the findings of our audit and complies with German legal requirements as well as with the opportunities and risks of future development, as well as to issue an auditor's report containing our audit opinions on the annual financial statements and the management report.

Sufficient certainty is a high degree of certainty, but it is no guarantee that an audit conducted in accordance with § 317 HGB (German Commercial Code), taking into account the German principles of proper auditing established by the Institut der Wirtschaftsprüfer (IDW), will always detect a material misstatement. Misrepresentations can result from violations or inaccuracies and are considered material if they could reasonably be expected to influence, individually or in total, the economic decisions of the addressees made on the basis of these financial statements and management report.

During the audit we exercise due discretion and maintain a critical attitude. Beyond that

- we identify and assess the risks of material misstatement of the financial statements and management report, *whether due to fraud or error,* plan and perform the audit procedures in response to such risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk that material misstatements will not be detected in the financial statements is greater for misstatements than for inaccuracies because misstatements can include fraudulent collusion, forgeries, intentional omissions, misleading statements, or the overriding of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the financial statements and the procedures and measures relevant to the audit of the management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system.
- we evaluate the appropriateness of the accounting policies used by the legal representatives

as well as the justifiability of the estimated values and related data presented by the legal representatives.

- We draw conclusions about the appropriateness of the accounting policies used by the legal representatives to continue the Company's operations and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. If we come to the conclusion that a material uncertainty exists, we are obliged to draw attention in the audit opinion to the relevant information in the annual financial statements and the management report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may mean that the Company is no longer able to continue its business activities.
- We assess the overall presentation, structure and content of the annual financial statements, including the disclosures and whether the annual financial statements present the underlying transactions and events in such a way that the

The annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.

- In our opinion, the management report is consistent with the annual financial statements and the management report is in accordance with the law and provides a true and fair view of the Company's position.
- we perform audit procedures on the future-oriented statements made by the legal representatives in the management report. Based on sufficient and appropriate audit evidence, we particularly verify the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent audit opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events could differ materially from the forward-looking statements.

We discuss with those responsible for monitoring, among other things, the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

Frankfurt am Main, May 19, 2020

BDO AG
Auditing company

signed Otte
Auditor

signed Hebel
Auditor

19. RECENT DEVELOPMENTS AND OUTLOOK

19.1 Recent developments

There has been no significant change in the financial performance of the Group since 30 June 2020.

19.2 Outlook

Following the preparation of its interim half-year financial statements and based on early preliminary July and August 2020 operational figures, the flatex Management Board observes continued strong performance with current H1 2020 pro-forma figures exceeding mid-term planning. Therefore, the Company is revising its KPI targets for FY 2020, anticipating, on a pro-forma basis, 1.2 million customers and 70 million executed transactions. Based on these developments, the Company anticipates continued strong performance for the rest of the FY2020, with revenue and EBITDA margin levels approximately in line with H1 2020 values. For further information, see also section "*9. Profit Forecast*".

Furthermore, the Company published a 5-year strategy with the aim to grow to more than 3 million customers and execute at least 100 million transactions per year.