2020

ANNUAL REPORT

MAIN SPONSOR
BORUSSIA MÖNCHENGLADBACH

flatexDEGIRO

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Highlights

01/01/2021
New office in Hamburg underpins flatexDEGIRO's growth plans, with highly experienced retail online brokerage experts giving a special boost to product management, marketing and the banking centre

12/31/2020
As **Europe's first retail online broker, flatexDEGIRO reports 75 million transactions** (pro forma) in a year, more than 21 million transactions make the fourth quarter of 2020 the **strongest quarter on record,** with the customer base increasing to 1.25 million

12/21/2020
flatexDEGIRO is included in the SDAX, significantly increasing the company's visibility and attractiveness for international investors

11/30/2020
Successful launch of the flatex-next app, the key to accessing an additional market potential of 1 to 2 million new customers in Germany

11/10/2020
A new, modern corporate website increases user-friendliness and transparency

10/26/2020
flatex AG is approved for the regulated market and successfully included in trading in the **Prime Standard segment** of the Frankfurt Stock Exchange

10/21/2020
New customer service interface in Germany and Austria (09/29/2020) digitalises the application process and allows customers to open new accounts in 5 minutes

10/20/2020
The first virtually held Annual General Meeting of flatex AG resolves to change the Group company's name to flatexDEGIRO AG, with the new name becoming effective upon registration in the trade register on 9 November 2020.

07/30/2020
Following receipt of the regulatory approval on 21 July 2020, flatex concludes the **acquisition of 100% of DEGIRO shares,** making the company the first and largest pan-European retail online broker

07/01/2020
flatex becomes the new main sponsor of Bundesliga club Borussia Mönchengladbach with a three-year contract expiring in June 2023

06/02/2020
The Supervisory Board of der flatex AG **extends the contracts** with Frank Niehage (CEO) and Muhamad Said Chahrour (CFO) ahead of time **until 2025**

04/20/2020
With **Stefan Armbruster** the management team of flatex is complemented by a recognized expert in the area of structured products

Group Key Performance Indicators

Group Key Performance Indicators

		2020	2019	Change in %
Brokerage key figures (pro forma)				
Transactions executed	number	75,024,392	31,433,466	+138.7
Average number of brokerage-customers over a year	number	1,023,726	700,779	+46.1
Transactions per brokerage-customer/year	number	73	45	+62.2
Operating business				
Transactions executed	number	46,548,155	12,274,525	+279.2
Number of customers as of 12/31	number	1,300,128	368,133	+253.2
Customers assets under custody	mEUR	31,765	14,586	+117.8
thereof: security custody volume	mEUR	29,694	13,600	+118.3
thereof: cash deposits	mEUR	2,071	986	+110.0
Employees (average)	number	716	527	+35.9
Financials				
Revenues	kEUR	261,490	131,952	+98.2
Adjusted EBITDA	kEUR	113,953	37,831	+201.2
EBITDA	kEUR	98,425	37,580	+161.9
Adjusted EBIT	kEUR	89,314	25,002	+257.2
EBIT	kEUR	73,786	24,751	+198.1
Net profit	kEUR	49,924	14,908	+234.9
Earnings per share (undiluted)	EUR	2.18	0.77	+183.1
Adjusted cost-income-ratio	in %	46.3	59.9	-22.7
Balance sheet and cash flow statement				
Equity	kEUR	445,834	182,202	+144.7
Total assets	kEUR	2,818,178	1,265,962	+122.6
Equity ratio	in %	15.8	14.4	+9.9
Operating cash flow	kEUR	141,452	45,513	+210.8
Return of tangible equity (ROTE)	in %	67.7	20.1	+236.8
Segments				
	Revenues kEUR	247,341	112,767	+119.3
Financial Services (FIN)	Adj. EBITDA kEUR	110,537	21,209	+421.2
	Revenues kEUR	38,855	36,230	+7.2
Technologies (TECH)	Adj. EBITDA kEUR	3,416	16,370	-79.1
	Revenues kEUR	-24,707	-17,045	-45.0
Consolidation	Adj. EBITDA kEUR	-	-	-

The pro forma financial information is based on assumptions and represent the hypothetical situation of a full consolidation of DeGiro B.V. in the flatexDEGIRO Group for reporting periods. It only serves as an illustration and does not necessarily reflect the actual net assets, financial position and results of operations of the flatexDEGIRO Group.

The information on the adjusted EBITDA / EBIT and the cost-income ratio has been adjusted for personnel expenses for long-term variable compensation (see also Note 33). For improved comparability of the period figures through adjusted EBITDA / EBIT / EBT, we refer to the Group management report chapter 2.6 Earnings situation.

The flatexDEGIRO AG share

		2020	2019	Change in %
Number of shares outstanding as of 12/31	number	27,273,137	19,595,637	+39.2
Number of shares outstanding - year average	number	23,082,458	19,410,996	+18.9
Subscribed share capital	kEUR	27,273	19,596	+39.2
Market capitalisation	mEUR	1,731.84	480.09	+260.7
Price at year-end	EUR	63.50	24.50	+159.2
Year high	EUR	63.50	29.00	+119.0
Year low	EUR	21.15	16.40	+29.0
Earnings per share (undiluted)	EUR	2.18	0.77	+183.1
Operating cash flow per share (undiluted)	EUR	5.19	2.32	+123.5
Equity per share (undiluted)	EUR	16.35	9.30	+75.8
Dividend per share	EUR	-	-	-

The flatexDEGIRO Group

flatexDEGIRO, Europe's largest retail online broker

1.25 million

> **1.25 million online brokerage customers** more than 18 countries currently trust our independent and unique offer.

75 million

> **75 million transactions** settled for our customers at more than 60 trading venues worldwide in the past 12 months.

275 billion

> **EUR 275 billion transactions** settled for our customers each year, without ever taking on a risk position in trading.

450 million

> **450 million euro in equity** form the foundation of our daily work and is testament to our sustainable solvency.

65 %

> **65% return on tangible equity** makes us one of Europe's most effective and efficient financial services providers.

900

> **900 staff members** are dedicated to providing our customers with the best platform available, every day.

A reliable partner when it counts the most

What sets us apart?

Absolutely everything we do is done in-house. Our user-friendly and intuitive app makes mobile trading on the go easy for everyone. No matter whether you are a saver, an investor or an active trader. At the same time, we offer the security and reliability of a bank, a fully integrated IT with > 99.9% up-time and more than EUR 450 million in Group equity. We are confident that this combination makes us a partner second to none in Europe to our customers.

flatex

DEGIRO

VITRADE

Outstanding success in growth markets

Our long-term growth benefits from strong trends

New generation of investors,

who accumulate and invest their wealth (Generation Y) has not experienced the negative effects of previous stock-market crashes ("What is the dot.com bubble?")

Progressing digitalization

increases the acceptance of online banking and online brokerage ("I can use my mobile phone to invest and manage my finances.")

Negative interest environment

drives people to invest in alternative value-retaining products like shares ("Savings accounts do not generate any capital gains.")

Problems of public pension schemes

force people to implement long-term measures, and governments to establish investment schemes with tax incentives ("Will public pension schemes survive the next 30 years?")

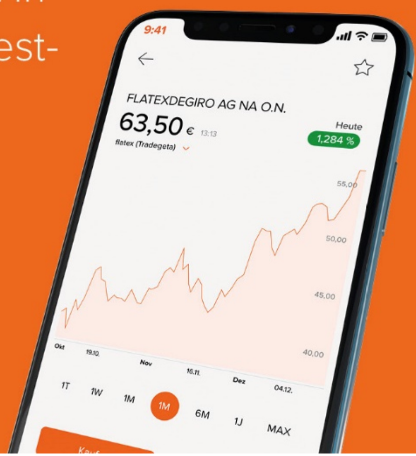
Simplified access

to a wide-range of iconic brands drives interest in capital market trading ("I can easily invest in companies and brands that I like and use myself.")

EVERYBODY DESERVES YIELD

...regardless of their financial expertise and how much time they have. flatex-next allows customers to manage their investment decisions easily using one of the most professional and secure platforms available to investors.

It only takes five minutes and a single device to become our customer and gain access to a clearly structured and independent portfolio of shares and more than 1,000 investment funds and ETF savings schemes.



flatex·next

This is where Germany invests.

Proud main sponsor of Borussia VFL 1900 Mönchengladbach

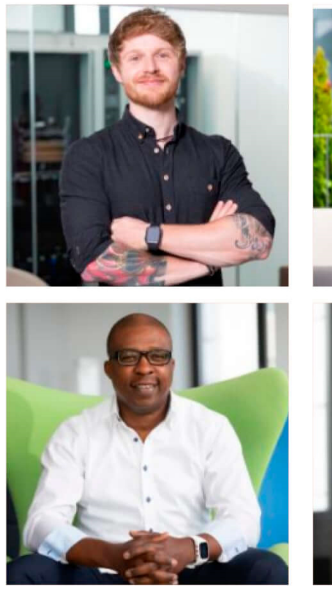
MAIN SPONSOR
BORUSSIA MÖNCHENGLADBACH

Bound together by an unrivalled brand fit and a shared goal. Driving the transformation of our markets by constantly challenging the status quo and lifting our success to a European level.

Being the sponsor of Bundesliga club Borussia Mönchengladbach increases brand awareness and recognition, which is precisely what we need to make online brokerage suitable for the mass-market.

"Talent wins games, but teamwork and intelligence wins championships."

Michael Jordan



Challenges are best mastered when working in a team, especially in such a dynamic market environment. And making progress is our mission. We want to continue growing and together secure the future success of our company. Team spirit is a top priority for all of us. This spirit is also reflected in our methods and work environments: they are modern, flexible, interdisciplinary, with flat hierarchies and ample opportunity for interaction.

Letter from the Management Board

Letter from the Management Board

Dear Shareholders,
Dear Friends of flatexDEGIRO AG,

2020 was the most exceptional year in the history of our company. Our acquisition of DEGIRO has opened the door to Europe, the successful launch of flatex-next has started in a new growth phase in Germany, and our listing in the Prime Standard segment of the Frankfurt Stock Exchange and admission to the SDAX means that we have truly entered the stage of the global capital markets. Following the important strategic decisions made in the successful years 2018 and 2019, the past financial year has seen our Group become

Europe's largest retail online broker

and lay the strategic foundations that are needed to achieve our Vision 2025. By 2025 or earlier, we aspire to establish flatexDEGIRO AG as Europe's leading and independent financial supermarket, with more than 3 million customers and more than 100 million security transactions settled per year.

Frank Niehage, CEO,
Muhamad Said Chahrour, CFO

We are ushering in a new era of online brokerage in Europe.

We owe our express gratitude for having reached these milestones amidst the challenging fundamental conditions of the COVID pandemic year 2020 to our team, which has grown to more than 900 colleagues across Germany, the Netherlands and Bulgaria.

Modern work methods secure our success

With the great support of our entire team, all areas of our company have successfully switched to home office work within the shortest possible time. The acceptance is exceptional among our staff. Many of our colleagues now find it easier to balance their work and family lives. Many of us have significantly increased their performance and willingness to go the extra mile. The time saved by no longer having to commute to work provides additional flexibility for both work and private activities. We will continue with this successful model after the COVID-19 situation has passed on a voluntary basis on a number of selected weekdays and thereby increase our attractiveness as a future-oriented employer for young talent and highly skilled specialist personnel.

A reliable partner who supports its customers when it really counts

2020 was dominated by an extremely high degree of unprecedented stock market volatility. In particular, the manifestation of increasing uncertainties, both in connection with the COVID-19 pandemic, the presidential elections in the U.S., the withdrawal of the United Kingdom from the European Union, and other geopolitical events. Despite all the negative social and economic effects of these events, they nevertheless gave rise to numerous attractive investment opportunities for our customers, who in many instances successfully exploited them for their gain. We are proud of being able to support these success stories today and in the future as a reliable partner and would like to express our gratitude to our more than 1.25 million customers who have placed their continued trust in our company in 2020.

We are seeing good returns, in particular from our significant investments of more than EUR 30 million in our trading platform, IT systems and infrastructure over the last couple of years. They form the solid foundation for our success and sets our company apart from the competition. A system availability of >99.9% means that flatex has once again delivered a record performance that guarantees the highest possible degree of trading reliability for our customers - especially when it counts: in early 2020, when the stock markets made a U-turn and the general trading activity went through the roof, as well as on individual peak days over the course of the year, with more than 600,000 transactions processed on the busiest days.

Operational performance opens up flexibility

This proven reliability allowed our company to benefit from the increasing interest of private customers in stock exchange trading and capital market investments. The sustainable growth of our customer base and higher than average trading activity of investors made flatexDEGIRO the first European retail online broker with 75 million settled transactions (pro forma).

Our unique business model with its full digital integration along the entire value chain allows us to generate enormous economies of scale from this growth. These in turn allow us to target a sustainable EBITDA margin of 50%. In an environment where the equity ratio of European banks has actually evaporated, we are already delivering more than 65% return on tangible equity, as well as a very low cost-income ratio of 46%. The net debt of flatexDEGIRO has already been reduced to zero. Our high net cash flow from operations, which amounted to more than EUR 140 million in 2020, will allow us to organically and inorganically increase our company value from within our own resources.

In just one year, this has allowed us to triple our market capitalisation from around EUR 480 million to now more than EUR 1.7 billion. The 2020 listing in the Prime Standard segment and the increasing visibility on the back of the admission of flatexDEGIRO to the SDAX increasingly enables investors to participate even stronger in this operational scalability and our future growth.

Together we are creating a unique European success story

The merger with DEGIRO has made us Europe's leading retail online broker. It has laid the perfect foundation for further sustainable international growth. The geographic positioning, strong flatex and DEGIRO brands, and complementary structures put us in the perfect strategic position to build a success story that is unique in Europe - far beyond the current status quo. This sense of community and our ambitions are also reflected in the new name of our Group holding company, which changed to flatexDEGIRO AG in November 2020.

Harnessing the identified synergies will already delivery significantly improved results in 2021. They also allow us to offer our customers in 18 countries across Europe an even greater product portfolio, better services and innovative solutions. This will see our company achieve significant additional growth potential.

Everybody deserves Yield

We believe that everybody deserves yield, irrespective of their financial expertise and how much time they have. In a first step, flatex-next will allow all of our customers in Germany to manage their investment decisions easily using one of the most professional and secure platforms available to investors. This will open up an additional market potential of one to two million new customers for our company. Our sponsorship of Bundesliga club Borussia Mönchengladbach started this season and increases brand awareness and recognition, which is precisely what flatex-next needs to appeal to this new and significantly broader group of customers.

Our user-friendly and intuitive app makes mobile trading on the go easy for everyone. At the same time, we offer the security and reliability of a bank, with a fully integrated IT and more than EUR 450 million in equity. We are confident that this combination allows us to offer our customers a product that is second to none in Germany - with no competitive product in sight.

Continuing our success story beyond our Vision 2025

The next big steps towards achieving our Vision 2025 are the combination of our new marketing and product strategy in Germany, and our international growth potentials with DEGIRO. We believe that this is the key to winning over hundreds of thousands of new customers, year after year.

We are at the dawn of a new era, with the interim goal of counting around 1% of the relevant European population as our customers by 2025, and possibly earlier. We will then have the capabilities to process more than 100 million transactions per year, even in years with low volatility.

A variety of secular trends will see the market for online brokerage in Europe continue to grow in the years ahead. The negative interest rate environment is driving savers to invest their wealth in alternative, value-retaining products like stocks. This development is further amplified by the long-term systematic problems of many public pension schemes. Another element is increasing digitalisation, which will continue to significantly drive up the number of online banking customers and also online brokerage activities. This rings true in particular for the younger generations, who do almost everything online and have not experienced the negative effects of previous stock market crashes.

The effects of the COVID-19 pandemic further accelerated these trends in 2020 and are foreshadowing a sustainably faster development. It can be assumed that this will see the European online brokerage market, which we are currently estimating at around 65 million customers, growing by a figure in the double-digit millions in the years ahead. Our company is in the best possible position to continue to reap outstanding rewards and continue the success story made possible by our strategic positioning.

Last but not least, we would like to express our gratitude for your support and the trust you have placed in our company on its exciting journey.

2020 was the most exceptional year in the history of our company.
But it may not hold on to the title of record year for very long!

Yours sincerely,

Frank Niehage
CEO, Chairman of the Management Board

Muhamad Said Chahrour
CFO, Member of the Management Board

Report of the Supervisory Board

Report of the Supervisory Board

Dear Shareholders,

flatexDEGIRO Group can look back on an exceptionally successful 2020 financial year. Despite the COVID 19 pandemic spreading worldwide in the year under review and the associated restrictions in almost all areas of economic life, fiscal year 2020 was a record year for the flatexDEGIRO Group, in which both the number of financial transactions processed increased by almost 140 percent and the customer base by more than 50 percent. This outstanding business development is due in particular to the focused continuation of the growth and internationalization strategy that has been adopted and which has had a decisive impact on the year under review. This was reflected in the acquisition of DeGiro B.V. with the associated non-cash capital increase, the integration of DeGiro B.V. into the Group and the special emphasis on the two core brands "flatex" and "DEGIRO" to further promote customer growth on the back of even greater brand awareness. To this end, a multi-year football sponsorship agreement was concluded with Borussia Vfl 1900 Mönchengladbach GmbH and the Group's parent company was renamed from "flatex AG" to "flatexDEGIRO AG". The uplisting of flatexDEGIRO AG to the Regulated Market/Prime Standard (SDAX) of the Frankfurt Stock Exchange and the market launch of the new app "flatex-next" continued to shape the year under review.

Cooperation with the Board of Directors

In the 2020 financial year, the Supervisory Board of flatexDEGIRO AG performed the control and advisory duties incumbent upon it under the law and the Articles of Association with great care. It advised and supervised the Board of Directors on an ongoing basis in its management of the Company and provided support on strategically important issues relating to the Company's further development. The yardsticks for this monitoring were, in particular, the legality and regularity, the expediency and the efficiency of the management and the group management. The Supervisory Board was directly involved at an early stage in all decisions of material importance to the Company's business development.

The written and oral reports of the Board of Directors formed the main basis for the fulfilment of the statutory monitoring task. The Board of Directors informed the Supervisory Board regularly, promptly and comprehensively about the strategy, liquidity development and corporate planning, about the course of business during the year and the position of the Group, about the risk situation and risk management, about all matters and issues relevant to the Company in the areas of legal affairs, human resources, internal audit and compliance, and about other important events. In the year under review, there were exclusively positive deviations between actual and planned developments, which were explained to the Supervisory Board in detail, including the reasons for these deviations, largely as a result of the pandemic-related increase in capital market volatility and correspondingly higher trading activity on the part of online brokerage customers. The members of the Supervisory Board always had sufficient opportunity to critically examine the reports and proposed resolutions of the Board of Directors and to contribute their own suggestions and proposals for guidance. All significant business transactions and the further development of the Company in the reporting period were coordinated with the Supervisory Board.

The Chairman of the Supervisory Board also maintained a close and regular exchange of information and ideas with the Board of Directors outside of the Supervisory Board meetings in order to discuss topics relating to development, strategy, planning, the risk situation, risk management, compliance and significant events within the Company and the flatexDEGIRO Group. The Chairman of the Supervisory Board reported on significant findings and important events at the latest at the following Supervisory Board meeting.

Meetings of the Supervisory Board and focal points of its activities

In the course of the 2020 financial year, the Supervisory Board held a total of six meetings at which it discussed the Company's current business performance, important individual business transactions and measures of the Board of Directors requiring its approval. All meetings were attended by all members of the Supervisory Board. Four of the meetings were held in the first half of the year and two were held in the second half of 2020. In addition, resolutions were also adopted outside of meetings by means of written votes cast by circular resolution and telephone conferences, particularly in the second half of 2020 due to the worsening COVID 19 pandemic. In and outside of the individual meetings, the Supervisory Board granted the necessary approvals in each case after thorough examination and detailed discussion with the Board of Directors.

A particular focus of the Supervisory Board's activities in the past fiscal year was the implementation of the focused growth and internationalization strategy, with special emphasis on the two growth drivers and core brands "flatex" and "DEGIRO". After 9.44 % of the shares in the Dutch online broker DeGiro B.V. had already been acquired directly in December 2019, in the reporting year this included in particular the consultation, monitoring and, if necessary, resolution in the acquisition of the remaining shares in DeGiro B.V.. The acquisition of roughly three quarters of the shares was financed by means of a non-cash capital increase from authorised capital, in the context of which 7.5 million new shares in flatexDEGIRO AG were issued to the sellers, excluding the subscription rights of existing shareholders; the remaining shares were acquired against payment of the purchase price. The acquisition of DeGiro B.V. was completed by the end of July 2020. Subsequently, the Supervisory Board closely monitored the integration of DeGiro B.V. into the flatexDEGIRO Group, including the associated leveraging of synergies. Another focus of the Supervisory Board's activities was the measures initiated to increase brand awareness, including in particular the conclusion of a multi-year football sponsorship agreement with Borussia Vfl 1900 Mönchengladbach GmbH. As a result, flatexDEGIRO AG became the official main sponsor of the Borussia Mönchengladbach team, which has been successful both nationally and internationally in the UEFA Champions League. The same purpose was served by the change of name of the Group’s parent company from "flatex AG" to "flatexDEGIRO AG", with the two main core brands "flatex" and "DEGIRO" being emphasized in the company name. Further focal points of our activities were the support of the uplisting of flatexDEGIRO AG to the Regulated Market/Prime Standard (SDAX) of the Frankfurt Stock Exchange as well as the market launch of the new app "flatex-next", which was designed for a broad audience and features a particularly intuitive user interface tailored to trading using mobile devices.

The subject of regular consultations in the meetings of the Supervisory Board was the strategy, the development of sales and earnings, as well as the current business development of flatexDEGIRO AG and the major Group companies. This included, in particular, the financial situation, the written reports of the Board of Directors on the risk situation, the Group audit as well as the main developments in the areas of participations, cooperations, operative customer business and trading.

In the meetings of the past fiscal year, the following topics were discussed and the following resolutions were passed:

In the meeting held by telephone on 21 January 2020, the Supervisory Board resolved, in exercise of the authorization granted to it by the Annual General Meeting and the Articles of Association, to amend the Articles of Association to reflect the issue of subscription shares that had previously taken place as a result of partial utilization of the Conditional Capital 2014 and partial utilization of the Conditional Capital 2015 under the Stock Option Programs 2014 and 2015.

At the Supervisory Board meeting held on 19 February 2020, the Supervisory Board received a detailed report on the status of the acquisition of DeGiro B.V., which at that time was – with respect to 90.56 percent of the shares – still subject to, inter alia, the *declaration of no-objection* ("*DNO*") of the Dutch supervisory authorities ("*AFM*" and *"DNB"*) as a condition precedent. The report included, in particular, details on the timetable followed and the visit to DNB made the day before. In addition, the Supervisory Board was informed in detail about the development of the B2B business in fiscal year 2019 and provided an outlook for fiscal year 2020. In this context, the Board of Directors reported that the focus in the near future should be on the integration of DeGiro B.V. into the Group. All company resources were to be used for this purpose, so that no additional new projects would be started initially. Finally, the Supervisory Board received reports on the status of a major B2B project already underway and on the investor talks ("*roadshows*") held in Europe in recent weeks.

The subject of the Supervisory Board meeting held by video conference on 01 April 2020 was initially the detailed report by the Board of Directors on the progress of the acquisition of DeGiro B.V., in particular the approval process by the Dutch supervisory authorities. The DNO application submitted to DNB at the end of February 2020 was also discussed in this context. The Board of Directors also reported on the review routinely carried out by the supervisory authorities in the IT area in accordance with section 44 of the KWG, which was completed in March 2020 with satisfactory results. In addition, the Supervisory Board dealt with business continuity management, which has proven successful - not least due to the disciplined investments made in the IT infrastructure in recent years - even in the face of the increased demands on the stability of the IT systems in the wake of the COVID 19 pandemic. Finally, the establishment of a virtual option program ("Stock Appreciation Right Plan 2020") designed as a so-called Long Term Incentive Plan (LTIP) for the issue of stock appreciation rights to members of the Board of Directors and employees of flatexDEGIRO AG as well as to members of the management and employees of companies affiliated with flatexDEGIRO AG was discussed.

At the balance sheet meeting on 19 May 2020, the Supervisory Board had the Board of Directors explain in detail the annual and consolidated financial statements as at 31 December 2019, together with the management report and the Group's management report. Subsequently, the auditors participating in the relevant agenda items reported in detail on the course and results of their respective audits and were also available to provide additional information during the subsequent detailed discussion of the documents. The audit of the annual financial statements including the management report as well as the consolidated financial statements including the Group management report by the auditor did not lead to any objections, nor did the final review by the Supervisory Board, which took into account the auditor's audit reports. After extensive discussion, the Supervisory Board approved the annual financial statements and the consolidated financial statements prepared by the Board of Directors. The financial statements for the year ended 31 December 2019 were thus adopted. In the further course of the meeting, the report of the Board of Directors for the financial year 2019 on relations with affiliated companies dated 26 March 2020 ("*Dependent Company Report 2019*") was discussed and the auditor explained the content and scope of its audit of the report. The Supervisory Board conducted an in-depth review of the 2019 Dependent Company Report and, taking into account the audit report by the auditor, concluded that the 2019 Dependent Company Report complied with the statutory requirements and that there were no objections to be raised against the final declaration of the Board of Directors. This was followed by the adoption of the Supervisory Board's report on the 2019 financial year and a discussion of the final version of the 2020 Stock Appreciation Right Plan with the Management Board before the Supervisory Board approved the option terms for the 2020 Stock Appreciation Right Plan. In addition, the Supervisory Board resolved to amend the rules of procedure for the Board of Directors.

Due to the health threats posed by the COVID-19 pandemic, the Company made use of the option granted to it by Article 2 of the Law on the Mitigation of the COVID-19 Pandemic in Civil, Insolvency and Criminal Procedure Law of 27 March 2020, to be able to hold the General Meeting virtually within the entire reporting year without the physical presence of the shareholders and their shareholder representatives. To this end, on 22 July 2020, the Supervisory Board adopted by way of telephone resolution the resolutions necessary to hold a virtual General Meeting on 20 October 2020.

On 28 July 2020, the Supervisory Board also approved by way of a telephone resolution the capital increase against contribution in kind already described, excluding subscription rights, to finance the acquisition of 75.99% of the shares in DeGiro B.V. by issuing 7.5 million new shares to its sellers and the corresponding amendment to the Articles of Association. The capital increase against contribution in kind under full utilization of the Authorized Capital 2017 and under partial utilization of the Authorized Capital 2018/I became effective upon registration in the commercial register on 30 July 2020.

At its meeting held on 01 September 2020, the Supervisory Board received reports on the extremely positive course of business, in particular on the continued very pleasing increase in customer and revenue figures, on new partnerships in the ETP area, on the adjustment of contracts with various cooperation partners in order to bring about more efficient structures and higher revenues, on the progress of the IBAN project and the project to refinance the Lombard loan portfolio through flatex Bank AG, as well as on planned operational projects. The Board of Directors also explained in detail the new committee structure of flatexDEGIRO AG as a result of the division of the previous Executive Committee into nine individual committees corresponding to the organizational areas at that time. Another item on the agenda was the Board of Directors' report on the status of the uplisting project and on possible structural measures to integrate DeGiro B.V. into the Group. The Supervisory Board also adopted the agenda and the proposed resolutions of the Supervisory Board to the virtual Annual General Meeting held on 20 October 2020, including the proposed resolution to rename flatex AG to flatexDEGIRO AG. At the end of the meeting, the Supervisory Board had the main marketing strategies for the future explained to it and dealt with the Group’s audit reports for the third and fourth quarters of the 2019 financial year and those for the first and second quarters of the 2020 financial year.

In a resolution passed by telephone on 16 October 2020, the Supervisory Board, after detailed discussion and consideration of the advantages and disadvantages, approved the contribution of the interest held by flatexDEGIRO AG in DeGiro B.V. held by flatexDEGIRO AG into its wholly-owned subsidiary flatex Finanz GmbH by way of a capital increase against contribution in kind at flatex Finanz GmbH; when the capital increase against contribution in kind became effective by way of corresponding entry in the Commercial Register on 28 October 2020, the entire end customer business ("*B2C business*") of the flatexDEGIRO Group was bundled under flatex Finanz GmbH as the sole shareholder now of both flatex Bank AG and DeGiro B.V..

At the Supervisory Board meeting held by video conference on 07 December 2020, to which the auditor was also temporarily connected, the Supervisory Board first devoted itself to the renewed review of the auditor's independence, which also included non-audit services. There were no indications of any grounds for disqualification or partiality or of any threat to the independence of the auditor, who then explained to the Supervisory Board the audit planning and the topics of the audit of the annual and consolidated financial statements and reported on the current status of the audit. In the further course of the meeting, the Management Board provided a status report on DeGiro B.V., in particular with regard to the planned merger of DeGiro B.V. with flatex Bank AG (in order to harmonize governance standards and improve the integrated operational structure) and the associated establishment of a Dutch branch. After the Board of Directors had also reported on the continued extraordinarily positive business development, the Supervisory Board was guided by the Management Board through the planning and guidance for the 2021 financial year and, after intensive discussion, approved the submitted budget planning and guidance for 2021 with an increase in the special IT budget as proposed. In addition, the Supervisory Board resolved, in exercise of the authorization granted to it by the Annual General Meeting and the Articles of Association, to amend the Articles of Association to reflect the issue of subscription shares that had previously taken place as a result of the partial utilization of Contingent Capital 2014 under the 2014 stock option program. At the end of the meeting, the Supervisory Board dealt with the Group’s audit report for the third quarter of 2020 as well as personnel issues.

Organization of the Supervisory Board's work

Due to the number of its members, the Supervisory Board has not formed any Supervisory Board Committees during the reporting period. The resolutions of the Supervisory Board were regularly adopted in Supervisory Board meetings. In response to the global COVID 19 pandemic, the Supervisory Board increasingly held its meetings by means of conference calls (sometimes accompanied by video transmission) from spring 2020 onwards. Where resolutions were required between meetings, they were regularly adopted by means of written votes cast by circular resolution and telephone conferences. The Supervisory Board also liaised regularly without the Board of Directors.

Composition of the Supervisory Board and Board of Directors

In accordance with the provisions of the Articles of Association of flatexDEGIRO AG, the Supervisory Board is composed of three members. Throughout the reporting period, the Supervisory Board continued to consist of Mr. Martin Korbmacher (Chairman of the Supervisory Board), Mr. Stefan Müller (Deputy Chairman) and Mr. Herbert Seuling. At the end of the Annual General Meeting which decides on the discharge of the members of the Supervisory Board for the year under review, the current term of office of all the aforementioned members will end; for this reason, elections to the Supervisory Board are due.

There were no personnel changes on the Board of Directors in the year under review. During the entire reporting period, the Board of Directors consisted of Mr. Frank Niehage as Chairman of the Management Board and Mr. Muhamad Said Chahrour as Chief Financial Officer. Pursuant to unanimous written circular resolutions adopted by the Supervisory Board on 30 May 2020, both gentlemen were reappointed to their Executive Board positions for a term of five years each, effective 01 June 2020 through 31 May 2025.

Corporate Governance

The Supervisory Board and the Board of Directors act in the awareness that good corporate governance is an important basis for the success of the Company and the Group.

The corporate governance of flatexDEGIRO AG and the Group is explained in detail in the Corporate Governance Statement; it is envisaged to provide the Corporate Governance Statement no later than four months after the end of the 2020 financial year; upon completion, it will be made available on the website of flatexDEGIRO AG for at least five years at https://flatexdegiro.com/en/investor-relations/corporate-governance.

The Declaration of Conformity within the meaning of Section 161 of the German Stock Corporation Act (AktG) based on the German Corporate Governance Code in its version of 16 December 2019 (hereinafter "*DCGK*"), which is now to be issued for the first time as a result of the admission to the Regulated Market of the Frankfurt Stock Exchange, will be made publicly available by the Board of Directors and Supervisory Board on the website of flatexDEGIRO AG at https://flatexdegiro.com/en/investor-relations/corporate-governance within four months of the end of the reporting year and for at least five years.

The Supervisory Board regularly assesses how effectively it performs its duties (self-assessment in accordance with recommendation D.13 DCGK). This includes the organizational, personnel and content-related performance of the body, the structure and processes of cooperation within the body as well as the provision of information, in particular by the Board of Directors. Overall, the work of the Supervisory Board was assessed as efficient and rated positively. The results also confirm an efficient organization and conduct of meetings and an adequate supply of information. No fundamental need for change has emerged. For the next self-evaluation, consideration will be given to further formalizing the evaluation process, e.g. by using externally produced questionnaires.

Education and training

In the year under review, the members of the Supervisory Board undertook the training and further education measures required for their tasks on their own responsibility and were supported by the Company in this. The training measures carried out to maintain and expand the required expertise included, in particular, the topics of due diligence, banking supervision requirements and regulation.

No conflicts of interest

Conflicts of interest of Supervisory Board and Board of Directors members, which must be disclosed immediately to the Chairman of the Supervisory Board and about which the Annual General Meeting must be informed, did not occur in the year under review.

Annual and consolidated financial statement audit 2020

The Supervisory Board has examined whether the annual financial statements and the consolidated financial statements as well as the other financial reporting comply with the applicable requirements, in particular with regard to legality, regularity and appropriateness.

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg (hereinafter referred to as "*BDO*"), audited the annual and consolidated financial statements as of 31 December 2020, as well as the management report and group management report for the 2020 financial year prepared by the Executive Board, including the accounting records, and issued an unqualified audit opinion in each case. The annual financial statements of flatexDEGIRO AG as well as the management report and the Group's management report were prepared in accordance with German legal requirements. The consolidated financial statements and the consolidated half-year report were prepared in accordance with the International Financial Reporting Standards (*“IFRS”*) as adopted by the European Union and the additional requirements of German law pursuant to Section 315e para. 1 of the German Commercial Code (“*HGB”*).

BDO acted for the first time as auditor of flatexDEGIRO AG and the flatexDEGIRO Group for the financial statements for the 2015 financial year; Signatories of the respective audit opinions for the financial year 2020 are Mr. Wolfgang Otte, lawyer and auditor, and Mr. Timothy Jonas Hebel, Certified Public Accountant as responsible auditor.

Both prior to its resolution on the election proposal to the Annual General Meeting to elect BDO as auditor and group auditor for the 2020 financial year and as auditor for any audit review of interim financial reports in the 2020 and 2021 financial years until the next Annual General Meeting (hereinafter *"auditor"*) and subsequently, the Supervisory Board regularly reviewed BDO's requisite independence, most recently at the balance sheet meeting, and satisfied itself of this, also taking into account any non-audit services.

Following the Annual General Meeting 2020, which followed the election proposal of the Supervisory Board, the Chairman of the Supervisory Board commissioned BDO with the audit. At its meeting held on 07 December 2020, the Supervisory Board had the audit planning explained to it by BDO.

The aforementioned accounting documents, together with the combined Corporate Governance Statement for flatexDEGIRO AG and the Group and the separate non-financial Group report, were submitted to all members of the Supervisory Board in good time. The same applies to the written audit reports of BDO. The Supervisory Board had already received drafts of the preliminary documents in advance. For its part, the Supervisory Board thoroughly examined the annual and consolidated financial statements as well as the management and group management report, in particular with regard to legality, correctness and expediency, and took note of the audit reports. He paid particular attention to the *key audit matters* contained in the audit reports, to the resulting risks for the financial statements, to the audit procedures described in each case and to BDO's conclusions in each case.

In addition to the Board of Directors, the auditor also participated in the Supervisory Board's balance sheet meeting of 30 March 2021 on the agenda item relating to the audit of the annual and consolidated financial statements and reported on its audits and their main findings. All material issues relevant to the financial statements and the audit, including the key audit matters presented in the audit opinions and the related audit procedures and conclusions of the auditor, were discussed in detail with the auditor. The auditor confirmed that the risk management system set up by the Board of Directors is suitable for the early identification of developments that could jeopardize the Company's continued existence. The auditors did not identify any material weaknesses in the internal control system or the risk management system in relation to the accounting process, the internal audit system or compliance. Supplementary questions from the members of the Supervisory Board were answered comprehensively by the auditor. The Supervisory Board acknowledged and approved the audit result of BDO. Following the final results of its own examination, the Supervisory Board had no objections to raise; this also applies to the combined Corporate Governance Statement, even insofar as it is not to be examined by the auditor. The Supervisory Board approved the annual financial statements and the consolidated financial statements of the flatexDEGIRO Group prepared by the Executive Board; the annual financial statements are thus adopted. The Supervisory Board's assessment of the Company's and the Group's position is consistent with that of the Board of Directors in its respective management report; the combined Corporate Governance Statement was adopted. The separate non-financial report as of 31 December 2020 prepared by the flatexDEGIRO Group for the 2020 financial year was discussed intensively after explanation by the Board of Directors. The Supervisory Board had no objections following its review of the separate non-financial report for the 2020 financial year. Finally, the report of the Supervisory Board was adopted.

Thanks to

The outstanding results achieved in the 2020 financial year show how well the processes of the flatexDEGIRO Group function and how strong flatexDEGIRO's market position is.

The Supervisory Board would like to express its appreciation and special thanks to the members of the Board of Directors and all employees of flatexDEGIRO AG and all Group companies who have worked with great personal commitment over the past year to contribute to this extremely positive further development of the company in an unusually challenging period.

Frankfurt am Main, 30 March 2021

For the Supervisory Board

Martin Korbmacher

Chairman of the Supervisory Board

Group Management Report

Basis of presentation

The group management report of flatexDEGIRO AG (hereinafter referred to as the “Group”) was prepared in accordance with §§ 315 and 315a of the German Commercial Code (HGB) and with German Accounting Standard (DRS) 20. All the report’s contents information relate to the end of reporting period 31 December 2020 or the financial year ending on that date.

In this Group Management Report, “we”, “us” or “our” refers to flatexDEGIRO AG and its subsidiaries.

Forward-looking statements

This Management Report may contain forward-looking statements and information, which may be identified by formulations using terms such as “expects”, “aims”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “shall” or similar terms. Such forward-looking statements are based on our current expectations and certain assumptions, which may be subject to a variety of risks and uncertainties. The results actually achieved by flatexDEGIRO AG may substantially differ from these forward-looking statements. flatexDEGIRO AG assumes no obligation to update these forward-looking statements or to correct them in case of developments which differ from those anticipated.

1 Fundamentals of the Group

1.1 Business model of the Group

The flatexDEGIRO Group at a glance

In the area of financial services and financial technology, flatexDEGIRO AG and its subsidiaries offer online brokerage and IT solutions with high standards in security, performance and quality. The focus of our business activities is online brokerage. The pro forma financial information (pro forma) is based on assumptions and represents the hypothetical situation of the full inclusion of DeGiro B.V. in the flatexDEGIRO Group for the periods presented. It is for illustrative purposes only and does not necessarily reflect the flatexDEGIRO Group's actual net assets, financial position and results of operations. flatexDEGIRO sees itself as the largest retail online broker in Europe in terms of the number of transactions settled (pro forma).

The Group’s parent company is flatexDEGIRO AG, an European provider of financial technologies. Our Group’s business activities consist of the development, supply and operation of future-proof and efficient IT solutions for the processing of securities and payment transactions for European banks and financial services providers. In particular, this includes the supply and operation of an IT infrastructure for private customers (hereinafter referred to as “Business-to-consumer” and/or “B2C” customers) of the flatexDEGIRO Group, which warrants the processing of customer transactions in 18 European countries.

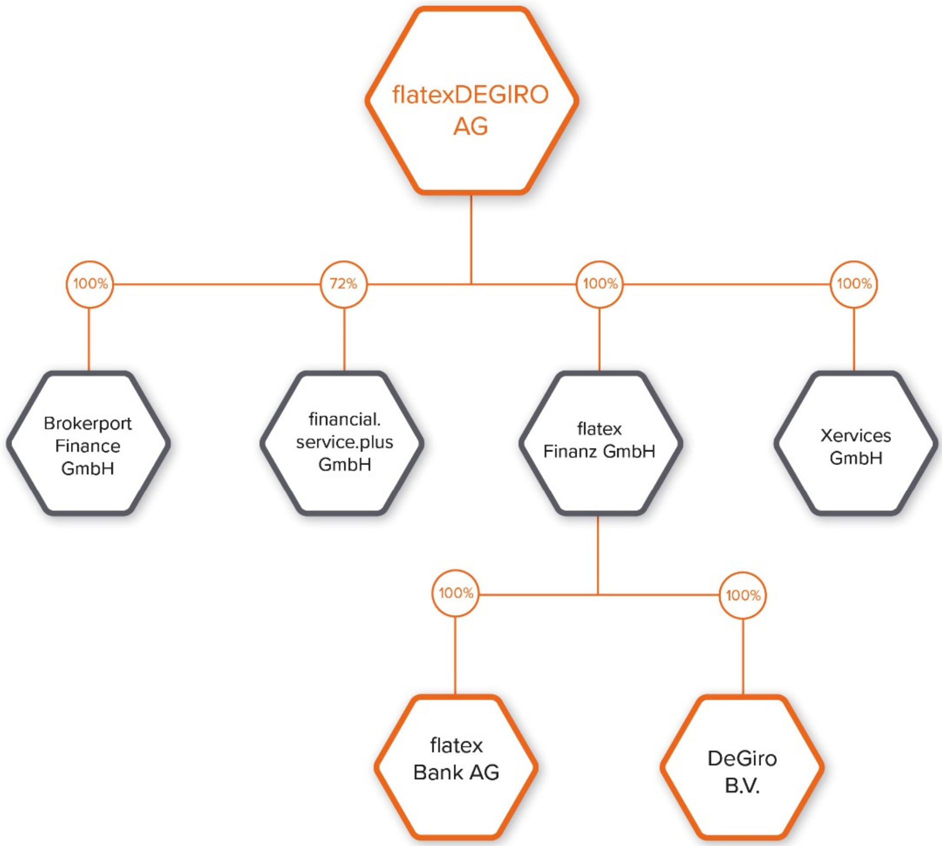
This Group Annual Report presents the consolidated financial statements of flatexDEGIRO AG and its subsidiaries.

flatexDEGIRO AG is a German company with registered offices at Rotfeder-Ring 7, 60327 Frankfurt am Main, Germany. It is listed on the regulated market of the Frankfurt Stock Exchange, with additional post-admission duties (Prime Standard) (S-DAX, WKN: FTG111, ISIN: DE000FTG1111 / ticker symbol FTK.GR).

flatexDEGIRO AG holds a direct 100% stake in Brokerport Finance GmbH, Xervices GmbH, and flatex Finanz GmbH, as well as 72% in financial.service.plus GmbH.

flatexDEGIRO AG also holds, via flatex Finanz GmbH, an indirect 100% stake in flatex Bank AG, Frankfurt am Main, as well as 100% of DeGiro B.V., Amsterdam. The subsidiary flatex Bank AG, Frankfurt am Main, which is included in the consolidated financial statements, operates a branch office in Austria under the name flatex Bank AG, with a registered office in Vienna.

The corporate structure of flatexDEGIRO AG and its subsidiaries and second-tier subsidiaries is presented in the following:



The following changes took place in our Group's corporate structure in the 2020 financial year:

- On 10 September 2020, the merger of factoring.plus.GmbH and flatex Bank AG was registered in the trade register and thereby became legally effective with retroactive effect from 1 January 2020.
- On 30 July 2020, flatexDEGIRO AG acquired the remaining 90.6% of DeGiro B.V. (Amsterdam) shares. To harmonise the Group's corporate structure, DeGiro B.V. was transferred to flatex Finanz GmbH on 19 October 2020.

1.2 Management of the Group

The management of flatexDEGIRO AG is the responsibility of the Management Board, which consisted of the following members as of 31 December 2020:

Frank Niehage (CEO)

Muhamad Said Chahrour (CFO)

The Management Board is advised by ten committees, which are staffed by executives of the flatexDEGIRO Group. The different perspectives and experiences of these executives also contribute to further increasing the quality of the decision making processes at the respective subsidiary or Group level.

As of 31 December 2020, the Management Board is advised by the following committees:

As of 31 December 2020, the Supervisory Board of flatexDEGIRO AG consisted of the following members:

Martin Korbmacher (Chairman)

Stefan Müller (Deputy Chairman)

Herbert Seuling (Supervisory Board member)

The current declaration on corporate governance pursuant to §§ 289f, 315d HGB can be downloaded from the flatexDEGIRO AG website at https://flatexdegiro.com/en/investor-relations/corporate-governance.

A Declaration of Conformity within the meaning of § 161 of the German Stock Corporation Act (AktG) issued on the basis of the German Corporate Governance Code in its version from 16 December 2019 will be published on the flatexDEGIRO AG website at https://flatexdegiro.com/en/investor-relations/corporate-governance by the Supervisory Board and Management Board after it has been issued and within four months of the reporting period ending.

1.3 Remuneration system of the Management Board and Supervisory Board

The members of the Management Board of flatexDEGIRO AG receive fixed and variable remuneration components as well as a share-based payment. 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 members of the Supervisory Board of flatexDEGIRO AG only receive a fixed remuneration component.

Please refer to Note 31 for further disclosures.

1.4 Disclosures pursuant to §§ 289a and 315a HGB

1. Composition of the subscribed capital

   The subscribed capital of flatexDEGIRO AG on the balance sheet date was divided into 27,273,137 no-par-value registered shares with full voting rights. The rights and obligations associated with the shares result from the German Stock Corporation Act.

2. Restrictions and relevant agreements on voting rights and share transfers

   The former majority owners and vendors of DeGiro B.V. have entered into lock-up agreements that restrict their ability to transfer shares. The Management Board is not aware of any other agreements with shareholders of flatexDEGIRO AG that contain restrictions affecting voting rights or share transfers. Statutory restrictions on voting rights apply, e.g. pursuant to § 44 (1) of the Securities Trading Act (WpHG - violation of notification obligations),

§ 71b AktG (rights from treasury stocks), and § 136 (1) AktG (exclusion of voting rights in certain conflicts-of-interest).

3. Equity participations of more than 10%

GfBk Gesellschaft für Börsenkommunikation mbH ("GfBk") holds a direct stake of 12.93% in the subscribed share capital of flatexDEGIRO AG. Fully owned by parent company BFF Holding GmbH ("BFF"), GfBk holds this 12.93% stake in the subscribed share capital of flatexDEGIRO AG indirectly via its interest in GfBk. In consideration of the shares held by GfBk, BFF and its other direct and indirect equity participations, the shareholder of BFF, Mr Bernd Förtsch, holds a total of 19.62% of the voting rights of flatexDEGIRO AG (as of 28 October 2020).

4. Shares with special rights

There are no flatexDEGIRO AG shares that grant any special rights.

5. Control of voting rights where employees hold capital shares and do not directly exercise their control rights

Employees who hold an interest in the capital of flatexDEGIRO AG exercise their control rights in the same manner as other shareholders, namely on the basis of the statutory provisions and the Articles of Association.

6. Regulations for the appointment and dismissal of members of the Management Board

The relevant statutory provisions can be found in §§ 84 and 85 AktG, as well as in § 6 of the Articles of Association. The Articles of Association of flatexDEGIRO AG do not contain any provisions that would be in conflict with the statutory provisions.

7. Regulations for the appointment and dismissal of members of the Management Board

The relevant statutory provisions can be found in §§ 84 and 85 AktG, as well as in § 6 of the Articles of Association. The Articles of Association of flatexDEGIRO AG do not contain any provisions that would be in conflict with the statutory provisions

8. Management Board's authority to issue and repurchase shares

Issue of shares: the Company has the following authorised capital, which, subject to approval by the Supervisory Board, the Management Board may use to create and issue new shares:

- Authorised capital 2020/I pursuant to § 4 (3) of the Articles of Association: issue of up to 10,900,000 shares;
- Authorised capital 2020/II pursuant to § 4 (8) of the Articles of Association: issue of up to 2,700,000 shares.

The Company has the following Conditional Capital, which, subject to approval by the Supervisory Board, the Management Board may use to create and issue new shares:

- Conditional Capital 2014 pursuant to § 4 (4) of the Articles of Association: issue of up to 406,000 shares (stock option programme 2014);
- Conditional Capital 2015 pursuant to § 4 (5) of the Articles of Association: issue of up to 177,500 shares (stock option programme 2015);
- Conditional Capital 2018/I (2017) pursuant to § 4 (6) of the Articles of Association: issue of up to 3,500,000 shares (in connection with the issue of debt capital instruments, e.g. convertible bonds and warrant bonds);
- Conditional Capital 2018/II pursuant to § 4 (7) of the Articles of Association: issue of up to 3,600,000 shares (in connection with the issue of debt capital instruments, e.g. convertible bonds and warrant bonds);

Authority to purchase own shares: the General Meeting held on 27 July 2016 adopted the following resolution authorising the Management Board to purchase own shares in accordance with § 71 (1) no. 8 AktG and to use these shares and exclude pre-emptive rights:

a) In accordance with § 71 (1) no. 8 AktG, the Management Board is authorised, with effect from the end of 27 July 2016 and until 26 July 2021, to purchase own shares representing a total amount of up to 10% of the company's subscribed share capital existing on the day the resolution is adopted, on the condition that the shares purchased under this authority together with other treasury shares already acquired by and still in the possession of the company, or shares attributable to it pursuant to §§ 71d and 71e AktG, at no point in time represent more than 10% of the company's subscribed share capital. This authority may be exercised, in full or in part, once or several times for a single or several purposes, by the company, its direct and indirect subsidiaries, or third parties acting on account of the company or its subsidiaries. The requirements resulting from § 71 (2) sentences 2 and 3 AktG must be observed.

b) The shares may be purchased (i) on the stock exchange or on the basis of a public purchase offer directed at all of the company's shareholders, (ii) on the basis of a public invitation to submit sales offers directed at all shareholders, or (iii) by issuing put options to the shareholders.

c) Subject to approval by the Supervisory Board, the Management Board is also authorised to use the shares of the company acquired on the basis of this or a previously granted authority for any legitimate purpose in addition to selling them on the stock exchange or offering them directly at all shareholders.

d) The Management Board is further authorised to cancel the purchased own shares without requiring a further resolution to be adopted by the General Meeting, but subject to approval by the Supervisory Board. The shares are cancelled by way of a capital reduction.

Please refer to Note 13 for further details.

9. Agreements providing for a change of control resulting from an acquisition offer

At the level of flatexDEGIRO AG, there are no material contracts that contain change of control clauses that provide for a company takeover.

At the level of flatexBank AG, there are contracts that contain change of control clauses that permit the respective parties and/or contract partner to terminate their cooperation with flatex Bank AG in the case of a change of control at flatexDEGIRO AG. Under these contracts, a "change of control at flatexDEGIRO AG" occurs if (i) a third-party acquires the majority of shares of flatexDEGIRO AG (the "parent company") or the majority of voting rights of the parent company or essentially all assets of the parent company, or (ii) a third-party gains a controlling influence over the parent company in another way within the meaning of § 17 AktG.

10. Compensation agreements pertaining to takeover offers

The company and members of the Management Board have not entered into any agreements pertaining to takeover offers.

1.5 Business activities of the Group

SEGMENTS OF THE GROUP

flatexDEGIRO AG is divided into the business segments FIN (Financial Services) and TECH (Technologies) business segments. flatex Bank AG as a fully-licensed bank, and DeGiro B.V. cover business in the FIN segment, while the TECH segment represents the operating IT business of flatexDEGIRO AG The combination of FIN and TECH enables flatexDEGIRO AG to provide a full-service solution for online brokerage as well as flexible and secure solutions for white-label banking services and business process outsourcing.

Financial Services Segment

The Financial Services segment mainly comprises the activities of flatex Bank AG and DeGiro B.V., which can be divided into the operating divisions Business-to-Consumer (B2C), Business-to-Business (B2B) and Credit & Treasury (C&T).

The B2C business unit encompasses products and banking services offered under the flatex, DEGIRO, and ViTrade brands.

B2B offers the complete product range of a fully-licensed bank as an outsourcing solution. flatex Bank AG carries out processes behind the scenes on behalf of the respective partners. The central service components of flatex Bank AG are securities settlements processing and fully automated technical transaction processing. The company also offers services in the areas of GCM (general clearing membership), employee participation, cash management, and payments.

The Credit & Treasury segment reflects the treasury and investment activities as well as the conservatively operated and secured lending business. Collateralisation mainly relies on the existing assets of borrowers, the assignment of claims, and credit default insurance policies.

Technologies Segment

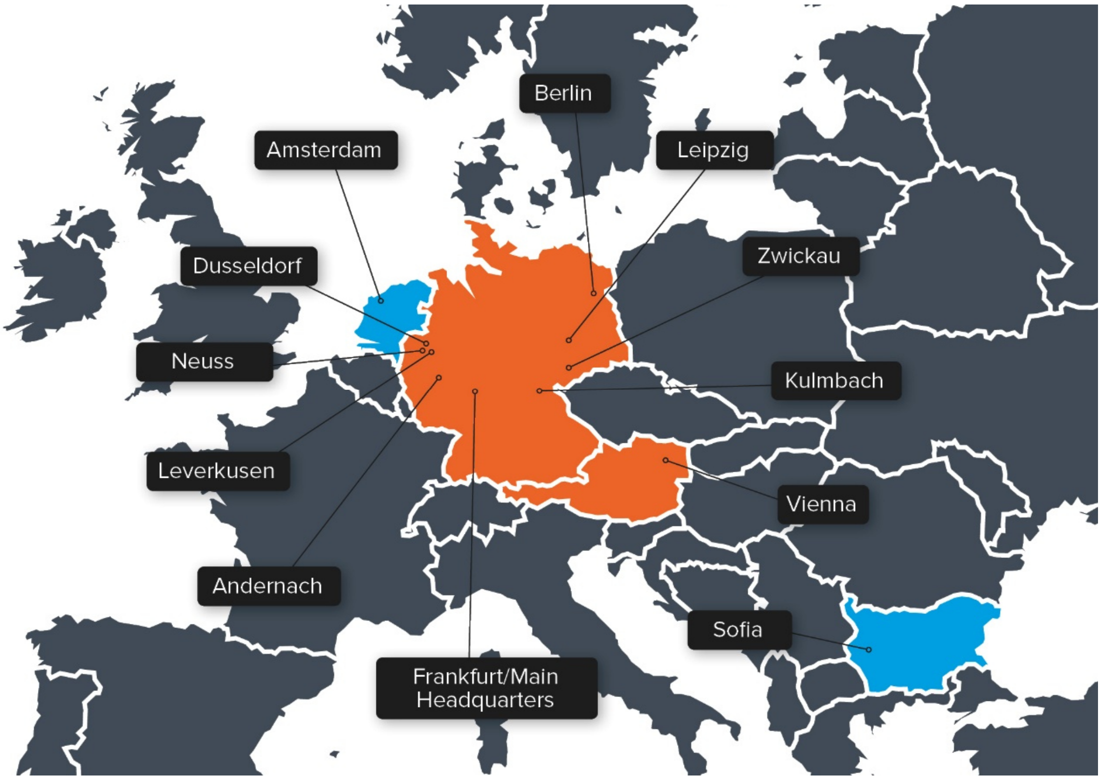
The business activities of flatexDEGIRO AG include the development, production, distribution and maintenance of software, hardware and IT infrastructures. The core product of flatexDEGIRO AG is the flatex Core Banking System (FTX:CBS).

The FTX:CBS is designed as a standard platform for the technological mapping of business processes for full bank operations and meets current regulatory, security and availability requirements. The FTX:CBS is hosted and operated in proprietary high-performance data centres of flatexDEGIRO AG that warrant secure and redundant operations. The combination of software and IT infrastructure has created a scalable system that allows flatexDEGIRO AG to process a high number of transactions using its own systems. This has allowed flatexDEGIRO to reliably process more than 75 million transactions (pro forma) for 1.25 million customers in 2020.

Besides FTX:CBS, the company's proprietary Limit Order System (L.O.X.) can monitor the limit orders placed by more than 20 European brokers against the price feed of connected issuers with more than 400,000 products. The portfolio is complemented by products from the area of corporate payments. They range from individual authorisation procedures via distributed electronic signatures to multi-client capability.

1.6 Locations

As of the reporting date, flatexDEGIRO AG has business operations at nine sites in Germany and one site each in the Netherlands, Austria and Bulgaria. Group-wide, a total of 971 employees were employed by flatexDEGIRO AG and its subsidiaries as of the closing date.



The following illustration shows the geographical distribution of the Group's business units:

Head Office

Frankfurt/Main (DE)
- Central Group functions
- FinTech Campus
- Procurement
- Trading
- Service / Infrastructure

Amsterdam (NL)
- IT - Production & - Development
- Human Resources
- Internal Audit
- Legal, Compliance & Risk
- Commercial & Operations
- Finance & Administration

Andernach (DE)
- Banking Accounting

Berlin (DE)
- IT-Infrastructure
- ViTrade

Dusseldorf (DE)
- Data Center
- Operating
- IT-Security
- Service / Infrastructure

Kulmbach (DE)
- Human Resources & Administration
- Banking Service Center

Leipzig (DE)
- financial.service.plus GmbH
- Customer service

Leverkusen (BG)
- Data Center

Neuss (DE)
- Group Finance & Administration
- Cloud ERP
- flatex Bank AG

Sofia (BG)
- IT
- Service desk
- Finance & Administration
- Quality Assurance

Vienna (AU)
- flatex Bank AG

Zwickau (DE)
- Banking Applications
- Payment Applications
- Operating

1.7 Products and Services

The flatexDEGIRO Group offers full service from a single source: from the development and operation of innovative IT technology to efficient securities settlement and payment transactions processing and end-customer business in the field of online brokerage. As an innovative company in the financial sector with its own in-house IT and fully-licensed bank, flatexDEGIRO AG is distinguished by an exceptionally high level of vertical integration and fairly independent from external service providers.

The products and services of flatexDEGIRO AG are based on an ecosystem consisting of the dimensions ‘Software as a Service’ (SaaS) and ‘Banking as a Service’ (BaaS):

SaaS forms the technological foundation and is provided by the Technologies segment. BaaS is responsible for the banking services of flatex Bank AG and is part of the Financial Services segment. This enables flatexDEGIRO AG to cover the entire product portfolio of a technology provider and a fully-licensed bank.

FINANCIAL SERVICES SEGMENT (FIN)

Core business online brokerage

flatexDEGIRO has three established and successful online broker brands: flatex, DEGIRO and ViTrade. All online broker brands specialise in the no-advice securities business and target traders and investors who trade autonomously. The company’s successful growth means that an increasingly broad customer base is targeted. Trading services are available for all types of securities with access to all German and many international stock markets, as well as over-the-counter direct trading. Our brands are pure online brokers without physical branches. They provide customers with a number of different trading platforms and access options for trading in securities products. These access options are continuously improved with the aim of offering a premium customer experience and reaching additional groups of customers. In November 2020, flatex made an optimised user interface (flatex-next) available to its customers in Germany. Customers can trade stocks, ETFs, ETPs and many other products, bonds, investment funds, CFD's, futures and options online, both on the trading floor and over-the-counter. The Group also cooperates with numerous direct trading partners. In addition to one-off investments in securities, customers can also sign up to savings plans for investment funds and ETFs.

An average of 73 transactions (pro forma) per customer in 2020 is testament to the active customer base of flatexDEGIRO. The success of our online brokerage business was further advanced by the Group's transparent pricing model, which focuses on cost-effective conditions, the comprehensive and independent product portfolio, and the transparent, convenient and customer-focused platforms.

The Group's brokerage business has received accolades in numerous publications over the years. *Euro am Sonntag* awarded flatex the title of “Best Cut-price Online Broker 2020 for Active Traders”. flatex was also awarded the titles “Best ETF Broker 2020” and “Best Online Broker for Leveraged Certificates” by *Börse Online*. *FOCUS-MONEY* awarded flatex the distinction of “Highest Recommendation 2020” in the direct banks category. DEGIRO was distinguished for its services in a number of countries in 2020, including Germany (Fairest Online Broker, *n-tv*), the United Kingdom (Best Discount Broker and Best Broker for Stock Trading, *Broker Chooser*, and Top-rated Overall Investment Platform and Investment App, *Investors Chronicle and The Financial Times*), and Portugal (Best Stockbroker 2020, *Rankia*).

The Group's proprietary developed, standardised core banking system (FTX:CBS), including the fully automated infrastructure for securities orders and settlements, which requires limited human supervision, forms the basis for sustainable cost-leadership in the online brokerage business. This proprietary infrastructure was completely developed internally and is intended to support the Group's planned growth in the number of transactions settled without requiring any significant additional capital expenditure. Due to their high scalability and leveraged potential, each additional transaction reduces the Group's internal transaction costs. By increasing the number of transactions in 2020, the Group successfully reduced its internal costs per trade by around 40%. This allows the Group to maintain its pricing model and at the same time increase the profit margins with each additional trade. Additionally, the FTX:CBS platform empowers potential synergies between flatexDEGIRO and potential acquisition targets, like in the case of DEGIRO.

The flatex brand

Online brokerage is the main business segment of the flatexDEGIRO Group. Under the flatex brand, the Group offers execution-only securities transactions in Germany, Austria and the Netherlands. It targets independent traders and investors who make their own discretionary decisions. flatex offers all types of securities and provides access to all German and many international exchanges, as well as over-the-counter direct trading, mainly of shares, ETPs and ETFs. Our services focus on a transparent pricing model as well as a bank-independent product range and customer-focused service.

flatex customers benefit from the many direct trading partners available to them. The marketing strategy of premium ETP partners in Germany and Austria was optimised by introducing a three-tier fee model (Platinum partner: EUR 0.00 per transaction, Gold partner: EUR 1.90 per transaction, Silver partner: EUR 3.90 per transaction). The current fee model has been in place since 2006, replacing the volume-related fees established in securities trading in favour of a fixed price of EUR 5.90 for trades on German stock exchanges, plus the applicable stock exchange fees.

The DEGIRO brand

DeGiro B.V. is a regulated investment and broker company that conducts its business according to Dutch law and is supervised by the “Autoriteit Financiële Markten”, the supervisory authority of the Dutch financial markets, and „De Nederlandsche Bank” (the central bank of the Netherlands).

DEGIRO was established in 2007 in the Netherlands as a fund manager. The company extended its range of services in 2013 by adding an online brokerage solution for private customers. DEGIRO is now represented in 18 countries across Europe.

The DEGIRO brand allows customers to access almost 50 European and non-European stock markets, including Australia, Japan and Hong Kong, using our proprietary, user-friendly trading platforms. The complete range of products includes shares, bonds, futures, options, stock exchange-traded products and stock-exchange traded investment funds. A cost-efficient pricing model has enabled DEGIRO to gain a significant market position in many European countries.

The ViTrade brand

The trading boutique ViTrade offers services for professional traders that are distinguished by special conditions, professional trading platforms and individual customer service. Customers are also given the opportunity to engage in short selling (covered short selling) selected shares and bonds traded in Germany. In addition, ViTrade offers so-called trading lines, which enable customers to use capital even more effectively. ViTrade has a standard pricing model that consists of a percentage commission rate of 0.09% of the quoted price (plus exchange fees).

Existing Business-to-Business (B2B) Portfolio

Profitable services for existing business customers will be continued after undergoing cost-optimisation measures. In order to further reduce the Group's internal costs per securities transaction, developments in the B2C segment will only specifically target strategic areas of focus with a direct link to the securities business.

Business process outsourcing (BPO)

Additional services in the area of deposits, securities accounts and securities trading for third-party customers are available within the scope of business process outsourcing.

General clearing member (GCM)

flatex Bank AG is a GCM (Eurex Clearing AG) for stocks and other securities. This gives brokers and securities trading banks access to securities settlements processing.

Employee participation

In its role as custodial bank for the German market, flatex Bank AG has been cooperating with Equatex AG, which has been managing the global employee stock option programmes (employee participation) of major German corporations (most of them listed in the DAX), since 2015.

Cash management

The cash supply business, which was started in 2011 together with Prosegur Deutschland GmbH, has been contributing to stable earnings for years and will be continued unchanged.

Credit & Treasury (C&T)

The Group holds more than EUR 2 billion in customer funds, which are a by-product of the online brokerage business. Even in the current interest environment, the investment of some of these customer funds allows for a risk-adverse optimisation of the interest earnings.

Lending business

In addition to the increase in securities loans, the expansion of the receivables-based lending business together with syndicated and special loans have contributed to an increased credit volume.

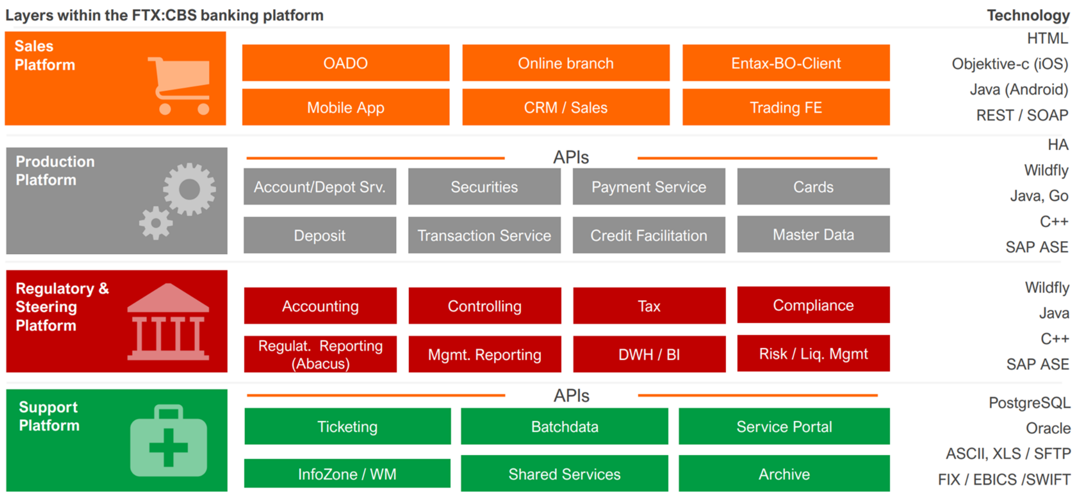
As a result of the acquisition of DeGiro B.V. by flatexDEGIRO AG, the refinancing of the fully secured loan portfolio was taken over by flatex Bank AG in the fourth quarter of 2020.

Treasury

The Treasury unit purses a broad diversification of investments, including in overnight money/ fixed-term deposits, bank and government bonds, cash loans, debentures as well as UCITS and specialist investment funds. A special focus in this area is on the management of adequate counterparty default risks and reasonable holding periods.

TECHNOLOGIES SEGMENT (TECH)

The FTX:CBS is a standard platform for full banking operations and is divided into four platforms from which modular technology support can be offered:



The sales platform provides the basis for customer contacts, with components relating to the opening of a cash and securities account online (client check-in, CCI), customer relationship management (CRM), online banking front-end, trading front-end, support and call centre, as well as (marketing) campaign management. Technical support is provided through modular software solutions of the Banking Suite, such as ENTAX or CRM tools.

The production platform includes all technical processes for cash and securities custody account maintenance, cash deposit, settlement processing, payments, money market and foreign exchange transactions, loans, and ready cash (ATM) logistics. Software solutions such as the WebFiliale and WinFiliale, but also solutions such as corporate payments, tools for professional trading or market data and low latency services, are integrated into this platform.

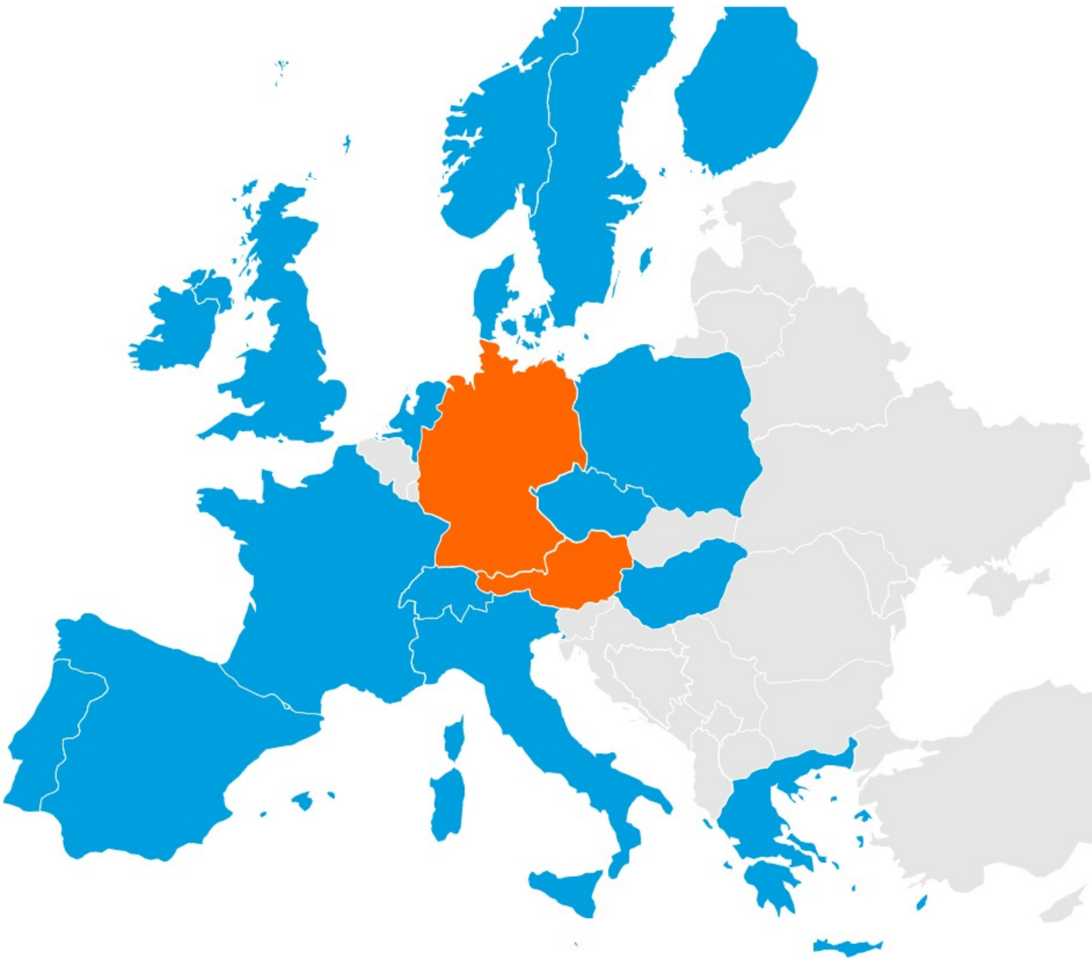
The control platform (regulatory & steering platform) covers business processes in accounting, regulatory reporting, management reporting and risk management. Among other things, software support is provided by connecting a Cloud ERP-General Ledger (SAP Business byDesign©) based on Hana S/4 technology. It also includes business intelligence and management reporting tools.

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

1.8 Target markets and Clients

The primary focus of flatexDEGIRO is on online brokerage, which is part of B2C and falls within the Financial Services segment. The DEGIRO, flatex and ViTrade brands represent the Group in a total of 18 European countries, making it the only retail online broker that covers all important European markets.

In Germany and Austria, flatexDEGIRO is focusing on further developing the strong flatex brand, while the DEGIRO brand is the first priority in all other countries.



Customers in the Technology segment are predominantly German and Austrian banks.

1.9 Goals and Strategies

flatexDEGIRO AG has set itself the target of becoming an established, leading, independent European financial supermarket by no later than 2025. The main focus is on the continued development and expansion of the online brokerage business. Sustainable, above-average growth and rapid market penetration are the main targets of the company, particularly with the aim of further increasing the level of recognition of its proprietary flatex and DEGIRO brands in Europe. Defending its position as a technology leader is also critical to the company's success.

The goals for the operating segments are derived from these overarching goals, as explained below.

1.9.1 Targets in the Financial Services Segment

Organic growth

flatexDEGIRO is planning to utilise organic growth to increase the number of securities transactions settled to more than 100 million per year by no later than 2025. At the same time, dynamic expansion, innovative and easy-to-understand trading applications, and a reinforced media presence are expected to increase our customer base to at least 3 million customers. This is not only expected to increase revenues, but also to generate additional economies of scale, which will significantly reduce transaction costs and raise profit margins. A long-term positive effect can generally be expected from market trends that are foreshadowing growth for the online brokerage markets in all European countries. These trends include the current low interest rate environment, an increasing affinity with online activities as a result of the COVID-19 pandemic, simplified access to capital market products, and the systematic problems of many public pension schemes.

Following the acquisition of DEGIRO in July 2020, the Group intends to achieve organic growth with its online brokerage brands in its current markets (currently active in 18 European countries) by attracting new customers with its cost-effective pricing model, a comprehensive and independent product range, as well as transparent, convenient and customer-focused platforms. International growth will focus on DEGIRO, growth in Germany and Austria on flatex.

A diverse mix of customers, with different investment objectives already exists in the online brokerage market. Customers use the online brokerage service to fund the savings plans they have set up as long-term investments. There are also customers who use the brokerage service for active trading, which leads to rather short-term portfolios. flatexDEGIRO will continue to develop its strong flatex and DEGIRO brands in both directions.

The launch of flatex-next introduced an innovative, user-friendly and easily understandable user interface, which flatexDEGIRO wants to use to democratise the brokerage business. Members of the general population can now purchase securities with only a few clicks and thereby contribute to their personal retirement provisions.

The Group is also pursuing efficient marketing strategies that are geared to increasing the recognition of both brands across Europe. Last but not least, a significantly higher brand recognition is expected to result from the sponsorship of internationally successful Bundesliga club Borussia Mönchengladbach.

Acquisitions may take place as deemed expedient to attaining the growth targets. The Growth through acquisitions will target online brokers with higher transaction costs, higher customer acquisition costs, inefficient product partnerships, or difficulties in the handling of increasingly extensive regulatory requirements. The Group's processes and systems, marketing strategies, award-winning product portfolio and experienced management team wil increase the bottom line and create additional value.

The Group has no current plans to expand outside of Europe.

Secured loan book extended by using free liquidity

The Group's "flatex flex" line of credit offers flatex customers a fully secured loan of up to kEUR 250 with a conservative collateralisation of the customer's portfolio holdings. Contrary to the products of other market participants, the "flatex flex" line of credit can be used at the borrower's discretion, and not only for trading-related expenditure. The Group has extended its loan book by adding products that are collateralised by (re-)financed receivables and other types of security that can easily be liquidated. They also have a very moderate duration.

The acquisition of DEGIRO led to flatex Bank AG also taking over the financing of fully secured securities loans to DEGIRO customers from another bank in the fourth quarter of 2020. The outstanding loan volume increased to EUR 360 million by the end of 2020.

1.9.2 Goals in the Technology Segment

The technical harmonisation and integration of DeGiro B.V. customers, transactions and processes are the primary objectives of the Group's Technologies segment. The integration will help to exploit the synergy potential of the collaboration and further optimise utilisation of the FTX:CBS. In particular, the development services that were provided in previous years for various projects in the European sector will also be used at DeGiro B.V.

The provision of high-quality IT services can be derived as an operational objective. They satisfy both the legal and regulatory requirements and support efficient business operations with their stability and performance.

1.10 Financial goals of the Group

The Group's key financial goals include the generation of sustainable profits and the maintenance of solid equity funding. The company's financial goals also include the assurance of comfortable liquidity levels at all times. This should help to achieve a positive development in central control parameters.

Profit-oriented and sustainable corporate development that positively effects the shareholder value of the company is therefore at the heart of all our financial targets.

1.11 Strategies to attain our goals

The management of flatexDEGIRO AG has placed its strategic focus on expanding existing business models, implementing a contemporary human resources policy, and fostering investor relations.

For many years, flatexDEGIRO AG has been promoting the commitment, satisfaction, motivation, and loyalty of its employees through the following measures:

- Establishment of a High-Potential and Key-People Circle for executives
- Participation in the company's success through different employee stock option programmes
- Flexible work arrangements (including remote work)
- Childcare options, emergency care, parent/child offices and holiday care at all sites in Germany

- Full cover for external childcare costs for small children and preschoolers
- Sport and health, physiotherapy and fitness
- Special employee conditions for the purchase of IT equipment
- Vouchers for discounted meals
- Company pension scheme with additional employer contributions
- Measures to promote occupational health and safety

Keeping employees up to date about the company’s development is a top priority of the management’s internal information policy. The establishment of technical committees helps the company remain focused on essential issues concerning business operations.

Uplisting to the regulated market of the Frankfurt Stock Exchange and satisfaction of the most stringent transparency requirements in the Prime Standard were important steps taken by flatexDEGIRO AG in 2020 to further strengthen its investor relations activities.

Development of the corporate culture and social initiative

The Group's social responsibilities, such as the interests of its employees, institutional investors, customers, suppliers, and other stakeholders, are taken into account in all strategic decisions. The Group publishes a separate annual non-financial Group report on its website. This is an annual report on non-financial performance indicators. In line with established reporting standards, this ensures a qualitative assessment of process optimizations and measures already implemented and those planned for the future.

The separate annual non-financial Group report can be downloaded on the company's website under Investor Relations > Reports & Financial Calendar (www.flatexdegiro.com/de/investor-relations/reports-financial-calendar).

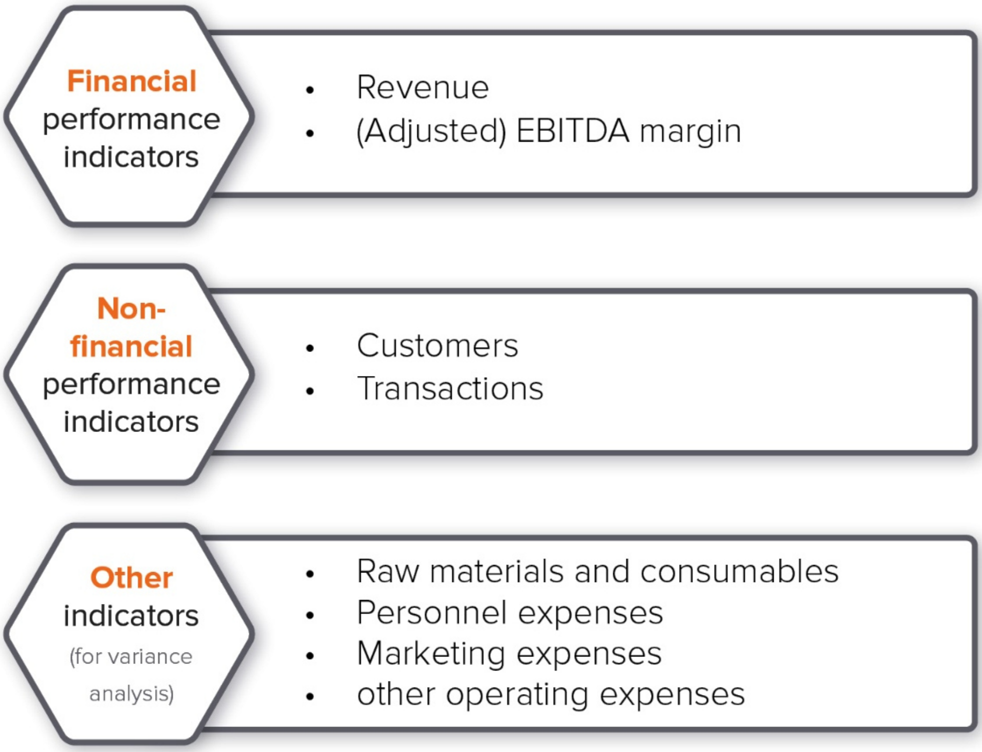
The Group fosters a continuous appreciative dialogue with all relevant stakeholders. These include our customers, employees, business partners and shareholders as well as associations, public authorities, political stakeholders and the scientific community. We use the exchange with our stakeholders to gain interesting insights, understand other positions, identify trends and develop partnerships. flatexDEGIRO also uses this open dialogue to engage in discussions about current challenges and to highlight the important fundamentals for flatexDEGIRO. Feedback we receive from our stakeholders is always given due consideration in our commercial deliberations, development projects and decision-making processes.

The Group considers responsible and resource-friendly business conduct as the fundamental basis for successful corporate governance and has also enshrined this principle in its Code of Conduct and Ethical Principles. The most efficient consumption of energy and economic use of resources is very important for the commercial success of flatexDEGIRO. In addition to business travel, this is where we have the biggest leverage to improve our environmental footprint. flatexDEGIRO takes its environmental responsibility very seriously and steadfastly pursues the objective of reducing energy consumption at all of its sites. This coincides with its objective of reducing emissions, because the volume of emissions is largely determined by the quantity of electricity and heat consumed.

The Group is committed to continuing its responsible corporate governance in the future and will continue to meet its social obligations and incorporate them into its value management. This includes setting minimum standards for the energy efficiency of our technologies, and the reduction of environmental risks through the continuous optimisation of business processes.

1.12 Value-based management system

By consistently focusing on value-enhancing measures, flatexDEGIRO AG achieves lasting and sustainable competitive advantages, that are at the heart of its strategies and goals. flatexDEGIRO AG is integrated in the Group-wide controlling system. The following illustrations were derived from the flatexDEGIRO Group. In order to achieve the overall corporate goals, management has agreed on key target figures and performance indicators (KPIs) that contribute to increasing the value of the company in the long term.



The financial and non-financial performance indicators sensure the comparability of fundamental economic data on international markets.

The financial performance indicators are consolidated at Group level and, in addition to the financial results, incorporated into a rolling plan for future business development. Monthly reporting and further analyses are central control instruments of Group controlling. By continuously monitoring the performance indicators, changes in the development of our Group's business are identified at an early stage and countermeasures can be initiated early on. As part of monthly risk reporting and a general reporting system, the Supervisory Board, the Management Board and a management team of flatexDEGIRO AG are continuously kept informed about the development of the performance indicators. The other indicators implicitly included in the EBITDA margin are used for variance analysis and do not serve as direct control parameters.

Corporate planning is ensured by analysing past performance indicators and forecasting on the basis of the information obtained to date. This business planning is carried out at least once a year in a top-down approach, based on the specifications of flatexDEGIRO AG's management, as well as in a bottom-up approach to validate the determined figures and to adjust them to important operational issues affecting the KPIs. The individual specialist departments make a significant contribution to this, allowing their findings to be combined and business plans to be finalised at Group level.

1.13 Research and Development Activities

In order to supply innovative products and services, flatexDEGIRO AG needs to invest in the following fields of research and development:

- Research in new areas of activity
- Development of new products and services
- Adaptations, improvements and evolution of existing products and services

The technology-driven services provided by flatexDEGIRO AG enable customers and partners to benefit from the performance of the FTX:CBS. Customer-oriented and innovative research and development activities are a key operational component of flatexDEGIRO AG guaranteeing its success and layingthe foundations for the future growth of the Group.

With their contribution, employees of the R&D departments are one of the main pillars of the commercial success of flatexDEGIRO AG. Personnel capacities in product and project management, system architecture, development and quality assurance amounted to 260 employees on the reporting date (previous year: 190 employees). Based on the total number of employees at the reporting date, this corresponds to a share of 45% (previous year: 36%).

The qualification, experience and commitment of employees are key factors in the success of R&D activities. Continuous technological development is ensured by an open culture, with the freedom to allows employees' creativity and innovation to flourish.

A deep understanding of the needs of customers as well as of the respective market environment enables flatexDEGIRO AG to further develop products and solutions in a demand-oriented manner and to drive the markets forward with innovations. The development activities of flatexDEGIRO AG take place in the various development units and are modular. This modular approach allows for an efficient implementation and development of technology services that facilitate the integration of the corresponding customer or market requirements with little or no adjustments to the platform approach.

Based on the modular and scalable platform approach, flatexDEGIRO AG offers its customers innovative and flexibly customisable solutions along the entire financial services value chain. Efficient use of resources in a highly dynamic market environment is ensured through the targeted use of the latest technologies and innovative software solutions, which are predominantly proprietary and constructively supplemented by third-party services.

Activities in the past financial year focused on the implementation of new regulatory requirements, the further development of the technical infrastructure, as well as the ongoing optimisation of the existing applications, the development of flatex-next, and the technical integration of DeGiro B.V. into the Group.

Technological developments, regulatory adjustments and the further automation of business processes for the control platform were optimised.

Research activities take place exclusively in flatexDEGIRO AG. Personnel expenses of 0.68% were invested in research (previous year: 0.42%). These are not performed by or for third parties. Likewise, there is no change in the measurement methods or the delimitation of research and development work.

Driven by the continued development of the flatex platform (flatex-next) and the technical integration of DEGIRO, net development expenses amount to kEUR 7,964 in the past financial year (previous year: kEUR 14,785). The R&D cost ratio (in relation to total revenue) is 3% (previous year: 11%). The total depreciation of finished intangible assets created in-house amount to kEUR 6,079 (previous year: kEUR 4,172).

2 Economic Report

2.1 Macroeconomic and sector-specific Parameters

Global economy

The development of the global economy in the 2020 reporting year was clearly dominated by the COVID-19 pandemic. Following the outbreak of the virus at the beginning of the year, the middle of the year saw global gross domestic product experience an unprecedented decline, down 10% from the end of the previous year. Particularly hard hit were the highly developed economies, which were evident in the strong 18% contraction in international trade and the massive collapse of international travel. The situation is different in emerging countries like China and other ASEAN countries, which employed a faster and more successful strategy against the pandemic. Together with the experience gained from previous epidemics, this allowed them to better control the strong economic downturn. When various infection protection measures were lifted during the summer months, the expenditure for production and private consumption rose strongly into positive territory. Retail sales even surpassed their pre-crisis levels. Following a constantly strong development over the past couple of years, we have now seen an additional boost in online shopping.[1]

After most economies had lifted their restrictions over the summer, a second and in some cases even third infection wave forced the respective governments to reintroduce the restrictions and impose new lockdowns. This means that the economic recovery is now dampened once again. The general assumption, however, is that the magnitude of the decline will be relatively limited due to the fact that experience has been gathered and solutions are now available. The newly developed vaccines give rise to hopes for a positive development, but uncertainty remains high. The Cologne Institute for Economic Research (Institut der deutschen Wirtschaft Köln e.V.) is forecasting growth of +4.5% in the year 2021 after a global economic crash with a downturn of 4% in 2020. The Institute is predicting that the US will return to pre-crisis levels as early as 2021, while most European countries will have an additional year ahead of them before their economies will recover.[2]

While the COVID-19 pandemic was the biggest risk factor in 2020, the European economy in particular continued to be affected by the United Kingdom's withdrawal from the EU. An agreement was only reached in a last-minute effort at the end of 2020 and, compared to a failure of the negotiations, will positively shape trade activities between the EU and the United Kingdom. The election of Joe Biden as the new US president also gave rise to expectations that the trade conflict between the United States and its trading partners will abate in the future.[3]

[1] ifo Institut (publ.): ifo Economic Forecast for Winter 2020: The Corona-virus is Fighting Back - New Shutdown Subdues the Economy. 73rd vol. Special edition. December 2020
[2] Cologne Institute for Economic Research (publ.): IW-Trends 4/2020 – Upturn after the Winter Hibernation: IW Economic Forecast and Economic Survey Winter 2020, 47th vol. No 1.
[3] KfW Research (publ.): KfW Economic Compass: Hope for a Strong Economic Recovery after a Difficult Winter. 24 November 2020

Fundamental macroeconomic conditions in Europe

The European economy was no exception when the entire world economy was negatively affected by the COVID-19 pandemic and the measures taken by the respective governments in response to the high number of casualties and enormous pressure on the health system. All markets in which flatexDEGIRO is active have been negatively affected by COVID-19, albeit to varying degrees. Due to these variances, it must be assumed that the expected recovery will differ from country to country.

The European Central Bank (ECB) published its latest economic forecasts for the eurozone on 10 December 2020. In light of the recent reinforcement of the countermeasures, the ECB now expects a further contraction in economic activity both in the fourth quarter of 2020 and in the first quarter of 2021. The ECB forecast a decline in real GDP in the eurozone of 7.3% in 2020 and a recover of +3.9% in 2021.[4]

The first three quarters of 2020 saw the GDP of the Netherlands decline by 4.1% in comparison to the first three quarters of 2019, with the decline mainly being attributable to a drop in the expenditure of private households (6.4%). The capital expenditure for non-current assets declined by 3.5% in the same period, with exports and imports both declining by roughly the same percentage figure (4.6% vs. 4.7%). In November 2020, the European Commission forecast a 12.4% GDP decline for the Spanish economy in 2020, a decline of 9.4% for France, and a decline of 5.3% in the same year for the Netherlands.[5]

In Germany, the COVID-19 pandemic caused the biggest drop in the country's economic output in any quarter since the beginning of quarterly economic output reporting in 1970. The strong increase in the summer months forms is underpinning hopes for a real GDP decrease at a rate of -5.1% for the year 2020, which is similar to the rate in the year 2009 during the financial crisis. A recovery is not expected before early 2022. In comparison to other countries, Germany managed to compensate the downturn to some degree with its unemployment benefits scheme, short-time work and new measures. The unemployment rate stood at roughly 5.9%. The hoped for effect of higher consumption driven by a lower VAT rate failed to materialise. One of the rare positive effects of the pandemic was the rapid expansion and development of digitalisation. As a result of weaknesses hampering the education, public administration and health systems, this development is proposed to be further advanced in the future. The first step toward this is the intensification of efforts aimed at a climate-neutral economy.[6]

Industry-specific conditions affecting the FIN segment

The COVID-19 pandemic did not stop short of the financial markets and had a significant impact on them. The DAX started 2020 at 13,386 points before falling to a low of only 8,442 points in mid-March during the first corona-virus wave. Following a strong increase and a smaller recovery at the end of October, the index closed the year at 13,719 points, a plus of 2.5% or 333 points. The development was of course similar for other German indices. The SDAX even rose by 16.8%, with the MDAX gaining 7.6%. We can also see consistently positive trends when looking at the world's most important indices in Europe, Asia and America. The MSCI World, which measures the value of more than 1,600 companies from 23 industrial nations, recorded a double-digit increase of 13.2%. The forecasts on the stock markets for the current year are positive, despite the persisting pandemic. Many companies have used the pandemic to depreciate their assets

[4] European Central Bank, https://www.ecb.europa.eu/pub/projections/html/ecb.projections202012_eurosystemstaff%7Ebf8254a10a.en.html, December 2020
[5] European Economic Forecast, https://ec.europa.eu/info/sites/info/files/autumn_20_forecast.pdf, November 2020
6 Council of Experts (publ.): Annual Report 2020/21. November 2020

and cut their costs, which has resultsedin significantly higher margins. The DAX-listed companies are expecting their profits to increase by 30% in 2021 and 15% in 2022.[7]

In contrast to 2019, the euro significantly picked up in value against the US-dollar in 2020. At the beginning of the year under review, the euro was still quoted at USD 1.12 and then increased to USD 1.22 by the end of the year (+8.9% compared to the previous year). M.M.Warburg is forecasting a sideways movement for the first couple of months in 2021.[8]

The pandemic also put strong pressure on the oil markets. The sharp fall in oil prices by March to as low as USD 29.9 for a barrel of Brent Crude Oil recovered to USD 51.61 by the end of the year (-22.1% compared to the previous year). The main driver behind the fall was the strong decline in industrial production and associated demand for oil. At times, some of the crude oil storage facilities were at peak capacity. The previous year was however not matched, despite the stronger economic activity.[9]

In December 2020, the Council of the European Central Bank decided to extend the pandemic emergency purchase programme (PEPP) started in March from the original EUR 750 billion to a new total of EUR 1,850 billion. The Council has also extended the timeline of the programme until at least the end of March 2022. The deposit interest rate for banks is proposed to remain at -0.5%.[10]

The low interest rates of European bonds continued. The ten-year German government bond yielded -0.57% at the end of the year.

Industry-specific conditions affecting the TECH segment

The forecast for the German market for information and communication technology (ICT) projects a growth of 2.7% to a total turnover of EUR 174.4 billion in 2021. With an increase of 4.2% to EUR 98.6 billion, the largest growth driver is still the IT business.[11]

The number of new FinTech companies in the market continues to grow steadily. Already established providers are consolidating their market position by offering a broad product range.

Demand for technology products and services was already strongly driven by the ongoing digitization of the financial industry in recent years and accelerated further in 2020. The closing of many branches of traditional retail banks and customers switching to online banks will continue to drive the demand for automated processes and technology services. Furthermore, increased regulatory requirements require greater adaptability of existing systems, which in turn have been in use for decades and offer neither flexibility nor the necessary scalability.

[7] M.M.Warburg & CO (publ.): Capital Market Prospects. January 2021.
[8] M.M.Warburg & CO (publ.): Capital Market Prospects. January 2021.
[9] IfW Kiel (publ.): Kiel Economic Outllok Report – the Global Economy in the Winter of 2020. December 2020
[10] European Central Bank (publ.): Press release – Monetary Policy Decisions https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp201210~8c2778b843.en.html. 9 January 2021
[11] Bitkom, EITO.ICT market figures. January 2021

2.2 Business performance and situation of flatexDEGIRO AG (Group)

The Group's business performance in 2020 was shaped by a number of significant events.

High market volatility and strong growth in new customers

In addition to a number of other triggers (US elections, Brexit), it was first and foremost the COVID-19 pandemic and the direct measures taken against it that contributed to a massive jump of volatility in stock markets. Naturally, this resulted in an increased number of trading opportunities for investors, which in turn directly led to significantly higher than average customer trading activity.

Existing long-term trends were given a particular boost by measures taken in connection with the COVID-19 pandemic. The closure of bank branches as part of the lockdown measures noticeably increased the general acceptance of online banking and brokerage. For large parts of the population, the measures made them place greater focus on their financial security and future planning, and invest time in their personal financial planning. As a consequence of this sustainably increased interest, the entire industry as a whole, and flatex Bank and the flatexDEGIRO Group in particular, experienced a significant influx of new customers. Together with the higher average customer trading activity, this resulted in a very strong increase in transaction numbers in 2020.

The acquisition of DEGIRO makes flatexDEGIRO a market leader in Europe

Following regulatory approval, flatex concluded the acquisition of 100% of DEGIRO shares and has since seen itself as the first and largest pan-European retail online broker. With a presence in 18 European countries, the Group is in the best possible position to strongly participate in future market growth and to further solidify its unique position in Europe. Please refer to Note 7 and Note 28 in the notes to the consolidated financial statements for detailed information about the acquisition of DeGiro B.V. and the associated effects on the net asset, financial and earnings position of flatexDEGIRO AG in the reporting year.

flatex AG becomes flatexDEGIRO AG

To highlight the according to the management newly attained position as Europe's largest retail online broker, the strong flatex and DEGIRO B2C brands will now be reflected in the name of the parent company. The Annual General Meeting on 20 October 2020 thus resolved to change the company name of flatex AG to flatexDEGIRO AG.

flatex-next kicks off the next growth phase in Germany

The introduction of flatex-next in November 2020 laid the foundation for tapping into an additional market potential of 1 to 2 million new customers in Germany. A modern user experience, intuitive processes and a straightforward language provide easy access to investments in stocks and ETF savings plans. The market launch is supported by a wide-scale marketing campaign with highly attractive offers for new customers.

Complete digitalisation of flatex application processes for customers

The past financial year saw the development of a completely digital, legally compliant application process that allows new accounts to be opened in just five minutes. New customers receive their personal access details electronically as soon as they opan an account. This new client check-in process (CCI) has been used for all new flatex customers since the beginning of the fourth quarter of 2020. In addition to a significantly improved customer experience and access to new target groups (mobile-first customers, millennials, etc.), the new process eliminates the printing and shipment of application documents and cuts postal transit times. The Group has taken this step with the aim of making all of its processes even more efficient, scalable, and - most importantly - sustainable. All application processes for new customers of the flatex and DEGIRO brands are now completely digitalised and paperless.

Risk reduction by terminating the last liability umbrella

Efforts to minimise risks and focus on the brokerage business resulted in flatex Bank terminating the last remaining liability umbrella mandate with effect from 31 December 2020. As a result, the bank is no longer a liability-bearing company for contractually bound brokers under banking supervisory law.

2.3 Business performance in Financial Services Segment

In the 2020 financial year, the Group settled a total of 46,548,155 securities and CFD transactions (pro forma 75,024,392).

The number of customers increased from 368,133 to 1,300,128 (+253.2%). As of 31 December 2020, the Group had EUR 31.8 billion in assets under custody (EUR 2.1 billion in cash deposits and EUR 29.7 billion in securities under custody). Another 53,311 customers (+13.6%) are serviced under a BPO on behalf of other credit institutions.

Development of the online brokerage segment (B2C)

flatexDEGIRO AG now has three established and successful online broker brands: flatex, DEGIRO, and ViTrade. All online broker brands specialise in the no-advice securities business and target active and well-informed traders and investors who trade autonomously. The company also provides account/custody and brokerage services to Whitebox GmbH.

The number of securities and CFD transactions executed in the online brokerage segment (B2C) increased almost four-fold over the previous year, to 44,662,875 transactions (+297.8%), as a result of organic growth in the customer base, a higher market volatility, and the acquisition of DeGiro B.V.

The number of active B2C brokerage customers rose by 292.7% from 317,783 in 2019 to 1,248,054 in 2020. The COVID-19 pandemic has accelerated digitalisation in the banking sector, resulting in a significant influx of new customers for flatex and DEGIRO. A very high level of processing quality and stability during times of high market volatility attests to the Group's quality standards and contributed to further growth in the customer base. With the aim of sustainably increasing recognition of the flatex and DEGIRO brands, the Group has found a strategic partner in internationally successful Bundesligal club Borussia Mönchengladbach and become the club's new main sponsor.

The managed volume of assets under custody in the online brokerage segment (B2C) increased by EUR 12.6 billion (+129.5%) in 2020 to EUR 22.3 billion, with the increase essentially attributable to the consolidation of DEGIRO (EUR 11.7 billion).

Lower volatility coupled with a slight reduction in the number of transactions per customer are expected for the following financial year. The first steps towards achieving our Vision 2025, in which we have set ourselves a target of increasing our customer base to more than 3 million customers and more than 100 million transactions per year, have already been taken. The launch of flatex-next in December 2020 introduced an innovative, user-friendly and easily understandable user interface, which flatexDEGIRO wants to use to drive the democratisation of the brokerage business. Additional product innovations and wide-scale marketing campaigns are among the measures to be implemented in 2021, with the objective of solidifying and extending the market leadership of flatex and DEGIRO in various European countries.

Developments in the Business-to-Business segment (B2B)

The further development of the core banking system FTX:CBS by flatexDEGIRO AG is also the result of the experience and understanding of customer needs in recent years in the area of business process outsourcing (BPO) and the close integration of the Group units. This proprietary solution developed on the basis of standard technology offers a modular and future-proof core banking process for the Group. To further secure our innovative capacities and cover the ongoing IT costs, FTX:CBS will continue to be made available to existing customers as a standard solution for the B2B segment. The joint implementation of requirements resulting from supervisory law and the joint business operations contribute significantly to increasing IT cost efficiency.

General clearing member (GCM) / Business process outsourcing (BPO)

flatexDEGIRO AG has been handling the entire mutual funds business for a securities trading bank from Germany since December 2014, and since mid-2015, has also been managing its entire securities settlement processing. Higher market volatility also resulted in transaction numbers increasing in this business segment. In 2020, 1,885,202 securities trades were settled as GCM, representing an increase of 85.9% over the previous year.

Activities from the management of deposit platforms delivered an earnings contribution of kEUR 914, which was essentially on par with the previous year (approx. +0.3%). While the continuing low interest policy together with strong competition in the brokerage of overnight money investments and fixed-term deposits is dampening a potential expansion, the trend toward securities-based forms of investment is ongoing. As a result, the earnings contribution is expected to remain stable or decline slightly in the next financial year.

Employee participation

The cooperation with Equatex AG was further extended with the acquisition of an additional business customer. As a result, the bank's securities portfolios held in custody as of 31 December 2020 now amount to approximately EUR 5.9 billion (+55.1% over the previous year's reporting date). The contract was extended ahead of time in the previous year, along with an extension of the existing service portfolio and an increase in the earnings contribution. The Management Board continues to expect a stable earnings contribution for the years to follow, possibly with further increases from potential new customer acquisitions.

Cash management

The cash supply business, which was started in 2011 with Prosegur Deutschland GmbH, has been contributing to stable earnings for years. Following renewal of the corporation with our contract partner Prosegur in 2020 and conclusion of the new contract, stable revenues are expected to continue in the future.

Institutional brokerage

The cooperation with Koch Wertpapier GmbH ended in December 2020 with the effect that there are now no remaining contractually bound brokers who transact under the liability umbrella of flatex Bank AG.

Development of the Credit & Treasury business segment (C&T)

Deposits

Liabilities to customers increased from approximately EUR 950 million in the previous year to EUR 2,089 million as of 31 December 2020. This development is attributable to the significant increase of new flatex customers, as well as the progressing migration of DEGIRO customers, whose cash accounts are administered by flatex Bank AG.

Treasury investments

The Treasury unit is pursuing a broad diversification of investments, including in overnight money/fixed-term deposits, bank and government bonds, cash loans, debentures as well as UCITS and specialist investment funds. A special focus in this area is on the management of adequate counterparty default risks and reasonable holding periods.

Lending business

The bank's equity base was further strengthened in the past financial year, continuously improving its lending capabilities. A substantial part of the lending business is used to finance securities loans to the bank's customers, with the respectively held security portfolios serving as collateral. Implementation of the lending strategy focuses on low-risk types of credit with valuable collateral that have no significant impact on the quantitative administrative capacity. The Group has therefore extended its loan book by additional products that are collateralised with (re-)financed receivables and fully covered by other types of security that can easily be liquidated. They also have a very moderate duration.

The Group's "flatex flex" line of credit offers flatex customers a fully secured loan with a conservative collateralisation of the customer's portfolio holdings. Strong customer growth is also reflected in the growth of the securities-based loans, with the volume of loans to customers of the flatex and ViTrade brands increasing to EUR 219.6 million (approx. +60.6%) as of 31 December 2020.

As of 31 December 2020, the fully collateralised portfolio in receivables-based lending had a loan volume of EUR 187.4 million, on par with the previous year (approx. -0.6%). The volume of the remaining loan book increased moderately (+10.3% to EUR 105.6 million).

Additionally, flatex Bank AG took over the financing of fully secured securities loans to DEGIRO customers from another bank in the fourth quarter of 2020. The outstanding loan volume increased to EUR 360.0 million as of the end of 2020.

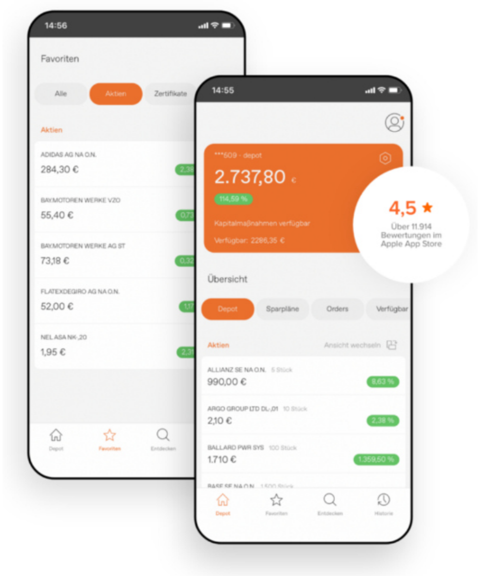
A further expansion in line with the growing customer base is planned.

2.4 Business performance in the Technologies Segment

Business performance was substantially affected by the acquisition and integration of DeGiro B.V. in the Netherlands. As a result of the acquisition of DeGiro B.V., the Group is now present in the B2C brokerage business in 18 European countries. The company has made great progress in achieving its vision of becoming the leading European broker. The transaction was concluded in July 2020 by issuance of 7.5 million flatexDEGIRO AG shares to the DEGIRO legacy shareholders and payment of the remaining EUR 81.5 million in cash. A further contingent payment of EUR 13.0 million is due in 2021. Please refer to the Notes for further information.

The acquisition of DEGIRO resulted in adjustments to the flatexDEGIRO technology platform. These adjustments concern both the IT infrastructure as well as the core banking system FTX:CBS. Capacity utilisation in these areas was optimised significantly. The Group's IT systems successfully settled a total of 75 million transactions (pro forma).

The development and introduction of the "flatex-next" app in the fourth quarter of the past financial year has enabled flatexDEGIRO AG to offer a more intuitive trading platform user interface to a broader audience. The benefits include an account opening process with video authentication that can be completed in less than five minutes.



The implementation project for the FTX:CBS in Andorra was successfully completed in close cooperation with Vall Banc. The know-how and continued development of the FTX:CBS in many areas, including multi-lingual capabilities, were successfully utilised in other application scenarios over the course of 2020.

2.5 Comparison of the forecasts reported in the previous period and the actual course of business

The following table compares the forecasts made by the Group Management Board for the current reporting period and the actual key figures achieved. The plan relates to the scope of consolidation as of 31 December 2019 and does not include the changes from the acquisition of DeGiro B.V.

	Consolidated		FIN		TECH	
	PLAN	ACTUAL	PLAN	ACTUAL	PLAN	ACTUAL
Number of customers	-	-	> 480,000	1,300,128	-	-
Number of transactions	-	-	> 15,000,000	46,548,155	-	-
Revenues in kEUR	> 158,350	261,490	-	-	-	-
EBITDA margin in %	> 28.5	43.6 *	> 22.6	44.7 *	> 45.2	8.8 *

* Adjusted EBITDA has been reduced by personnel expenses for long-term variable compensation (new in 2020)

The Group's overall positive course of business compared to the forecast reported in the previous year is mainly due to the acquisition of new customers in the Financial Services segment, as well as the average trading activities of customers, which also significantly surpassed the initial expectations.

The overall positive business performance of the Group compared with the forecast reported in the previous year was mainly due to the acquisition of new customers in the Financial Services segment, which exceeded expectations (including 392,366 customers as a result of the acquisition of DeGiro B.V.), and average customer trading activity, which was also significantly above original expectations (including 21,233,055 transactions as a result of the acquisition of DeGiro B.V.).

The significantly higher number of transactions processed not only has a positive impact on revenues (21.2% revenue share due to the acquisition of DeGiro B.V.). Due to the high proportion of fixed costs in the Group's business model, this has also resulted in a significantly higher-than-expected improvement in the EBITDA margin of both the Group and the Financial Services segment.

The positive development in the number of customers and average trading activity in the Financial Services segment were primarily attributable to the acquisition of DEGIRO B.V., the higher volatility on the capital markets caused by COVID-19, and the acceleration of secular trends.

The change in the EBITDA margin in the TECH segment is mainly due to the lower level of capitalized development expenditure compared with the plan. For further details, please refer to Notes 23 and 25.

2.6 Earnings Position

The main sources of revenue for flatexDEGIRO are gross commission income, interest income, and other operational income, especially from the IT services business.

Revenues in 2020 amount to kEUR 261,490 (previous year: kEUR 131,952). After deducting raw materials and consumables amounting to kEUR 49,446 (previous year: kEUR 38,172), the remaining net revenues amount to kEUR 212,044 (previous year: kEUR 93,780).

Gross commission income in 2020 amount to kEUR 211,770 (previous year: kEUR 90,401). After deducting the commission expenses which are recognised in raw materials and consumables used, in the amount of kEUR 38,709 (previous year: kEUR 27,551), the net commission income amounts to kEUR 173,061 (previous year: kEUR 62,850), and thus increased by 175.4%. The increase came mainly from the initial consolidation of DeGiro B.V. from 1 August 2020, as well as from the share market volatility caused by the COVID-19 pandemic and the resulting significantly higher transaction numbers. The number of customers who contributed to an organic increase of the number of trades was increased significantly.

Interest income amounts to kEUR 32,524 (previous year: kEUR 15,147). Interest expenses in the financial year amount to kEUR 2,887 (previous year: kEUR 450), resulting in a rise in net interest income to kEUR 29,636 (previous year: kEUR 14,697). This growth is mainly due to the expansion of the loan portfolio, which consists for the most part of secured loan products (including securities loans such as the flatex flex loan and special loans), as well as from the initial consolidation of DeGiro B.V.

The other operational income in particular includes revenues from the provision of IT services in the amount of kEUR 15,481 (previous year: kEUR 19,794). After deducting expenses for IT services of kEUR 5,317 (previous year: kEUR 2,820) recognised in other operational expenses, the remaining earnings from IT services amount to kEUR 10,164 (previous year: kEUR 16,973). The decline resulted in particular from the completion of the project for the customer Vall Banc in 2020, as well as from a strategic focus on internal IT projects, like the integration of DeGiro B.V. and the development of the new flatex-next app. The sales revenues are mainly generated with customers from Europe, and in Europe predominantly within the Eurozone.

Personnel expenses amounts to kEUR 66,125 (previous year: kEUR 25,409). The increase is mainly dueto the initial consolidation of DeGiro B.V. and a higher number of employees. Another factor was a significant downturn in the R&D capital expenditure for intangible assets to kEUR 7,464 (previous year: kEUR 14,785). In the financial year 2020 the personnel expenses include for the first time expenses for the newly introduced Stock Appreciation Rights Plan in the amount of kEUR 15,528 (see Note 33). The increase in marketing and advertising expenses to kEUR 24,281 (previous year: kEUR 12,527) predominantly results from the initial consolidation of

DeGiro B.V., the sponsorship of Bundesliga club Borussia Mönchengladbach during the financial year, as well as various initiatives and campaigns for the acquisition of new customers. Other administrative expenses increased by 27.1 % to kEUR 23,213 (previous year: kEUR 18,264). Please refer to Note 25 "Other administrative expenses" for a detailed breakdown of the other administrative expenses.

All revenues were received in EUR and earned with European customers and products and services generated in Europe. Inflation and the fluctuation in foreign exchange rates have not significantly impacted earnings.

In the financial year 2020, we achieved an EBITDA in the amount of kEUR 98,425 (previous year: kEUR 37,580). The adjusted EBITDA without provisions for long-term variable remuneration components amounts to kEUR 113,953 (previous year: kEUR 37,831). The consolidated net profit is kEUR 49,924 (previous year: kEUR 14,908).

The key financial performance indicators are as follows:

In kEUR	12/31/2020	12/31/2019
EBITDA	98,425	37,580
+ Adjustment by personnel expenses for long-term variable compensation	15,528	251
=Adjusted EBITDA	**113,953**	**37,831**
EBIT	73,786	24,751
+ Adjustment by personnel expenses for long-term variable compensation	15,528	251
=Adjusted EBIT	**89,314**	**25,002**
EBT	69,867	21,628
+ Adjustment by personnel expenses for long-term variable compensation	15,528	251
=Adjusted EBT	**85,395**	**21,879**

2.7 Asset Position

The highest priority in the financial management of the Group is to always secure a comfortable level of liquidity and to maintain operational control of the in- and outflow of funds. Inflation and the fluctuation in foreign exchange rates have not significantly impacted the financial position.

Capital

The equity components and their developments are shown below:

EQUITY

In kEUR	12/31/2020	12/31/2019	Change in kEUR	Change in %
Subscribed capital	27,273	19,596	7,677	39.2
Additional paid-in-capital	310,916	106,894	204,022	190.9
Retained earnings	62,783	41,902	20,881	49.8
Net profit	49,924	14,887	35,037	235.4
Shares of minority shareholders	528	512	16	3.0
Other earnings/losses	-5,590	-1,589	-4,001	251.9
Total	**445,834**	**182,202**	**263,632**	**144.7**

The change in subscribed capital results exclusively from the capital increase in connection with the acquisition of DeGiro B.V. and from exercising stock options in the past financial year.

The non-cash capital increase carried out in the reporting year resulted in the subscribed capital increasing by kEUR 7,500. The agio of the issued shares increased the capital reserve by kEUR 202,500. In the course of the Conditional Capital increase during the reporting period by exercising stock options from the Conditional Capital 2014 and the Conditional Capital 2015 approved by resolution of the General Meeting, the subscribed share capital increased by kEUR 178. The agio of the issued shares increased the capital reserve by kEUR 1,522.

Capital structure

The capital structure of the Group is as follows:

In %	12/31/2020	12/31/2019	Change in percentage points
Equity ratio	15.8	14.4	1.4
Debt ratio	84.2	85.6	-1.4

LIABILITIES

The vast majority of flatexDEGIRO AG’s total liabilities in the amount of kEUR 2,372,344 as of 31 December 2020 (previous year: kEUR 1,083,760) are of a short-term nature (kEUR 2,280,910, previous year: kEUR 1,045,051) and consisted mainly of customer deposits with flatex Bank AG (kEUR 2,089,213, previous year: kEUR 950,777).

There were long-term (non-current) financial liabilities in the amount of kEUR 91,435 (previous year: kEUR 38,710). These liabilities were essentially comprised of leases in the amount of kEUR 23,572 (previous year: kEUR 10,062), pension obligations in the amount of kEUR 14,543 (previous year: kEUR 11,012), as well as deferred tax liabilities in the amount of kEUR 32,849 (previous year: kEUR 10,476), which were predominantly attributable to DeGiro B.V. (kEUR 31,086).

In addition, there were contingent liabilities from unutilised irrevocable lines of credit in the amount of kEUR 22,761 (previous year: kEUR 216,827). The irrevocable credit commitments essentially consist of granted but not yet utilised credit lines in the area of receivables-based finance. The refinancing of a potential utilisation of loan commitments is ensured at all times by the Group's liquidity level.

2.8 Investments

Investments in intangible and fixed assets

A material investment in the past financial year was the acquisition of DeGiro B.V., which also included the acquisition of trademarks and customer relationships. Additionally, the development and extension of the FTX:CBS platform made progress with the completion of the flatex-next application.

There are no material investment commitments as of the balance sheet date. Capital expenditure is financed from current operations.

2.9 Liquidity

The cash flow statement of flatexDEGIRO AG – here in condensed form – shows the cash flows generated in the financial year:

CASHFLOW

In kEUR	2020	2019
Cash flow from operating activities	141,452	45,513
Cash flow from investments	-314,648	-33,189
Cash flow from financing activities	206,411	4,005
Free cash flow before banking operations	33,215	16,328
Cash flow from banking operations	753,292	-202,759
Cash and cash equivalents at the beginning of the period	468,616	655,046
Cash and cash equivalents at the end of the period	**1,255,124**	**468,616**

In the past financial year, flatexDEGIRO AG was able to meet its financial obligations at all times. No liquidity shortages occurred in the financial year, nor are any liquidity shortages expected in the foreseeable future.

The operating cash flow improved on the back of significantly higher earnings in the FIN segment. The cash flow from investment activities is mainly comprised of the investment for the acquisition of DeGiro B.V.

To increase the meaningfulness of the cash flow statement, the accounting changes to the banking business are now reported below the free cash flow. These accounting changes affect customer deposits and investment decisions derived from them.

2.10 Financial position

The following table shows the consolidated balance sheet in condensed form:

In kEUR	12/31/2020	12/31/2019
Assets	**2,818,178**	**1,265,962**
Non-current assets	561,332	245,749
Current assets	2,256,846	1,020,213
Liabilities and shareholders' equity	**2,818,178**	**1,265,962**
Equity	445,834	182,202
Non-current liabilities	91,435	38,710
Current liabilities	2,280,910	1,045,051

The increase in total assets by kEUR 1,552,216 is essentially attributable to the acquisition of DeGiro B.V. and higher customer deposits in connection with a strong growth in the customer base.

The non-current assets are shown below:

NON-CURRENT ASSETS

In kEUR	12/31/2020	in %	12/31/2019	in %	Change in kEUR	Change in %
Goodwill	183,361	32.7	36,555	14.9	146,806	401.6
Internally generated intangible assets	46,935	8.4	45,730	18.6	1,205	2.6
Customer relationships	123,068	21.9	6,319	2.6	116,749	1,847.5
Other intangible assets	36,068	6.4	4,118	1.7	31,950	775.9
Property, plant and equipment	32,858	5.9	16,265	6.6	16,593	102.0
Financial assets and other assets	1,486	0.3	1,305	0.5	181	13.9
Equity instrument measured ar fair value through profit of loss (FVPL-EK)*	74,660	13.3	66,049	26.9	8,611	13.0
Non-current loans due to customers	62,896	11.2	69,409	28.2	-6,513	-9.4
Total	**561,332**	**100.0**	**245,749**	**100.0**	**315,583**	**128.4**

*Compared with the previous year, the item has been reclassified to non-current assets. For further information please refer to note 12.

The item ‘goodwill’ consists of the purchase price allocations for DeGiro B.V. acquired in 2020 and acquisitions made in previous years (XCOM AG in 2015, and factoring.plus.GmbH in 2018).

The increase in the value of customer relationships and trademarks recognised in other intangible assets resulted from the acquisition of DeGiro B.V. in financial year 2020. Please refer to Note 7 “Business combinations pursuant to IFRS 3” for further information on the acquisition of DeGiro B.V.

The increase in internally generated intangible assets by kEUR 1,205 resulted mainly from capitalised R&D expenses for FTX:CBS less the scheduled depreciation for already completed assets.

The breakdown of current assets is shown in the following tables:

CURRENT ASSETS

In kEUR	2020	in %	2019	in %	Change in kEUR	Change in %
Inventories and work in progress	8	0.0	99	0.0	-91	-91.7
Trade receivables	14,041	0.6	12,220	1.2	1,821	14.9
Other receivables	2,074	0.1	1,026	0.1	1,048	102.2
Financial assets measured at fair value through other comprehensive income (FVOCI)	89,802	4.0	61,547	6.0	28,255	45.9
Financial assets measured at fair value through profit or loss (FVPL)	189	0.0	214	0.0	-25	-11.7
Cash loans due to local authorities	370	0.0	14,056	1.4	-13,686	-97.4
Current loans due to customers	843,337	37.4	362,552	35.5	480,785	132.6
Equity instrument measured ar fair value through other comprehensive income (FVOCI)	19,565	0.9	68,644	6.7	-49,079	-71.5
Other receivables due to banks	32,336	1.4	31,239	3.1	1,097	3.5
Cash reserve	106,129	4.7	45,735	4.5	60,394	132.1
Balances with central banks	1,015,434	45.0	356,868	35.0	658,566	184.5
Receivables due to banks (on demand)	133,561	5.9	66,013	6.5	67,548	102.3
Total	**2,256,846**	**100.0**	**1,020,213**	**100.0**	**1,236,633**	**121.2**

The changes in current assets mainly relate to the Financial Services segment and result from the initial consolidation of DeGiro B.V. and the expansion of the lending business of flatex Bank AG.

2.11 General statement on business development and the situation of the Group

2020 was an exceptionally successful year for flatexDEGIRO AG. The operating business significantly exceeded our expectations. The Group's revenues almost doubled to EUR 261.5 million (previous year: EUR 132.0 million), while the adjusted EBITDA margin stands at 44% (previous year: 29%). The net profit for the year amounts to kEUR 49,924 (previous year: kEUR 14,908).

Since the acquisition of DeGiro B.V., the Group sees itself as the largest retail online broker in Europe. Initial synergy measures were implemented successfully in 2020. All important markets in the brokerage business experienced significant growth, both with regard to new customers as well as the average trading activity per customer. The original growth targets set were adjusted upwards on multiple occasions over the year.

In the past financial year, the continuing loyalty of long-term customers and the expansion of FTX:CBS against the background of the technical integration of DeGiro B.V. were positive highlights.

The over-achievement of all important goals for the past financial year underpins the Management Board's overall assessment of an exceptionally successful flatexDEGIRO AG business performance.

2.12 Report on events after the closing date

For events of particular importance that occurred after the end of the reporting period, please refer to our comments in Note 37.

2.13 Forecast and Opportunities Report

The forecast period for business development relates to financial year 2021 and is twelve months. The forecast only includes continuing activities.

The expected development in activities for 2021 continues to be dominated by the COVID-19 pandemic and the resulting economic and sociopolitical consequences. While the uncertainty in the financial markets had all but evaporated by the end of 2020 and the most prominent stock market indices aimed for new record highs, the beginning of the financial year 2021 is expected to see a slightly increased volatility that could potentially abate over the course of the year. With the victory of Joe Biden in the U.S. presidential election, there has been some relief in world politics and international relations between the U.S. and other countries, as well as the EU, appear visibly friendlier, which could have a positive impact on trade sales.

Turning to the stock markets, we believe that especially companies from the renewable energy sector and infrastructure-related sectors will benefit and thereby amplify the trend towards sustainable investment products. This trend is however not only noticeable in the U.S. but has, at least since the beginning of the "Fridays for Future" movement, been developing into a global trend that has also been reflected in the Group's product innovations.

Overall, we expect the positive development of the previous financial year to continue. It is evident that the strategy employed by flatexDEGIRO AG with its primary focus on the B2C brokerage business and lending business is yielding success. The Management Board is very confident that the positive development in earnings from operations will continue in 2021. It is the Management Board's express goal to stick to the existing strategy and focus on its implementation.

With regard to business development, the Management Board expects the customer base to grow to a range of 1.8 million to 2.0 million in 2021. The number of transactions settled in 2021 is expected to be in the range of 75 to 90 million. The implementation of already initiated synergy measures in connection with the acquisition of DeGiro B.V. is expected to result in a significant double-digit improvement in EBITDA in 2021.. Based on these assumptions, the Management Board expects 2021 to deliver significant growth in both the Group's revenues as well as earnings from operations.

The forecast of the performance indicators for the full year is subject to uncertainties. This is even more relevant regarding the potential ramifications of the COVID-19 pandemic.

Financial Services Segment

A diverse mix of customers pursuing different investment objectives already exists in the online brokerage market. Customers use the online brokerage service to fund the savings plans they have set up as long-term investments. There are also customers who use the brokerage service for active trading, which leads to rather short-term portfolios.

The launch of flatex-next at the end of 2020 introduced an innovative, user-friendly and easily understandable user interface, which flatexDEGIRO wants to use to democratise the brokerage business.

In addition to the existing services for actively trading customers, members of the general public can now use flatex-next to purchase securities with only a few clicks and thereby contribute to their personal retirement provisions. In addition to traditional investment products, flatex customers can now also use a convenient function to search for products that conform with ESG, i.e. that satisfy environmental (ecology), social and responsible governance criteria.

We are also pursuing an efficient marketing strategy that is geared to increasing recognition for the Group's brands and subsidiaries in Europe. Last but not least, a significantly higher brand recognition is expected to result from the sponsorship of internationally successful Bundesliga club Borussia Mönchengladbach.

Technologies Segment

The successful integration of DeGiro B.V. into the business processes of flatexDEGIRO AG is – in addition to organic growth on both sides - the primary strategy of the business customer business of flatexDEGIRO AG. The FTX:CBS will be expanded to include additional country-specific regulatory, accounting and tax-related requirements (national GAAP, taxation, regulatory reporting, etc.). Additionally, the core banking system will be prepared to process all of the transactions of the flatexDEGIRO Group. This will lead to a sustained increase in business activities and a better utilisation of economies of scale.

Another focus is on the continuous development of the new flatex-next app. Our plans include the introduction of a desktop version that will improve the search functionalities in the area of ETP and ETFs, and the development of a community for topics like securities, financial know-how and the flatex product universe. flatex will use the desktop version to introduce new features to its customers, develop products in collaboration with them, and allow customers to share stock market know-how with the community.

The implementation of the synergy measures in connection with the acquisition of DEGIRO will also be aimed at achieving significant cost reductions in the area of IT.

Plan assumptions and forecast of key performance indicators

The expected business development is based on the assumptions that the customer base as of 31 December 2020 can be extrapolated on the basis of historical values and the management's current market appraisal. Specifically, the forecast is based on the assumption that a continuation of the existing marketing strategy will lead to continued growth, both in terms of the number of transactions as well as the customer base.

Based on this, the Management Board expects the number of online brokerage customers to increase by between 550,000 and 750,000 new customers in 2021. The average trading activity of brokerage customers is expected to come in at between 50 and 55 transactions per year.

The expected number of customers and expected average customer trading activity form the basis for the expected total number of settled transactions.

In the Technologies segment, all contractually agreed revenues as well as expected new business, as of the time of budgeting, are taken into account on the basis of historical values and in consideration of the development of prices and economic trends.

Opportunities Report

The opportunities that avail themselves to the company are analysed on a regular basis and reported to the Management Board. A significant opportunity for the flatexDEGIRO Group is the collaboration with and technical integration of DeGiro B.V., which delivers additional value to the Group and represents a ‘perfect fit’ for the company. The management sees short-term synergy potentials (EBITDA) of more than EUR 30 million in this collaboration. This synergy potential is primarily derived from the combined trading volume and savings in the area of IT. Cross-selling potential between the flatex and DEGIRO brands will make a significant contribution to revenues. The insourcing of services currently being procured by DeGiro B.V. from external markets as well as an optimised allocation of marketing expenditure will also play an important role.

Opportunities in the Financial Services Segment

The online brokerage segment traditionally depends on the volatility of the various trading venues. This dependency remains unchanged in 2021. The COVID-19 pandemic has resulted in a higher share market volatility and in turn a significantly increased number of transactions in the Group's brokerage business. So far, this has positively affected the financial situation of the Financial Services segment. Volatility indices like the VIX or V2TX hint at an overall higher market volatility than in 2018 and 2019, but still lower than in 2020.

The management further expects sustained secular trends to continue driving growth in the online brokerage markets. The company believes that its pan-European approach, strong brands and attractive customer offers put it in the perfect position to continue reaping the benefits from these growth trends and in the future gain additional market shares.

Future success will be securely underpinned by new, innovative products and by solid partnerships. flatex-next opens up additional growth opportunities in Germany. The company will continue to add customer value to its flatex-next app and market the product aggressively. An important element in this effort is the sponsorship of Bundesliga club Borussia Mönchengladbach, which increases brand awareness.

In addition to the newly developed lending products, the flatex and DEGIRO brands will continue to host intensified strategic partnerships with premium partners, who are already issuing certificates and warrants on the German market. Expanding the activities of DeGiro B.V. will significantly accelerate the Group’s internationalisation strategy.

Additionally, diversification will be driven forward by the continued expansion of the lending business.

Opportunities in the Technologies Segment

Increased transaction volumes, mandates for the technical implementation of new regulatory requirements, and technological innovations require a higher level of IT services as well as software support and maintenance, thus directly affecting the Technologies segment of the flatexDEGIRO Group. This creates an increased demand for software maintenance and development services. Following the successful completion of the technical integration of DeGiro B.V., transaction figures will increase considerably and transaction costs will be significantly optimised, taking into account economies of scale.

2.14 Risk Report

Risk management system

flatexDEGIRO AG conducts its online brokerage and banking business in a regulated market. Thus, in addition to dealing with constant changes in the business environment of the Group, adapting to changes in legal and regulatory frameworks is essential to the company‘s success. Current developments are constantly being monitored and carefully analysed. The Management Board incorporates the emerging opportunities and potential threats into its business and risk strategy and adjusts it accordingly as necessary. Monitoring and managing the risks of the Group is a central component of flatexDEGIRO AG’s management tools.

In principal flatexDEGIRO AG promotes a risk culture that ensures compliance with high ethical standards and a pronounced awareness of risks in all relevant business processes, both among management and among employees of flatexDEGIRO AG. Also, the limitation of risks is one of the key performance targets for all flatexDEGIRO AG managers within their respective areas of responsibility. Thus, each manager develops effective task-specific control processes and ensures their ongoing application.

flatex Bank AG is the superordinate institute of the Group and is responsible for the Group-wide tasks of risk controlling in accordance with the `Minimum Requirements for Risk Management’ (MaRisk) AT 4.4.1. It thus contributes significantly to the cross-departmental and Group-wide tasks inherent risk management and risk control processes i.e. identification, assessment, management, monitoring and communication of risks.

The acquisition of DeGiro B.V. by flatexDEGIRO AG in the second half of 2020 has resulted in a significant, Europe-wide diversification of the risk profile of flatexDEGIRO AG in the area of brokerage.

The acquisition of DeGiro B.V. was followed by steps initiated by flatexDEGIRO AG to harmonise existing processes and systems across the entire Group. This consists of the gradual deactivation of components that are no longer required in favour of harmonised and consistent processes throughout the Group. The integration process is currently set to conclude 2021.

The head of the Risk Management Department is involved in all important risk policy decisions of the Management Board. In the event of a change in the leadership of the Risk Management department, the Supervisory Board of flatexDEGIRO AG will be informed immediately.

Risk identification and risk assessment

flatexDEGIRO AG takes a risk inventory on a regular basis, which may also be updated on an ad hoc basis, identifying the following key types of risks: counterparty default, market price, interest rate, liquidity, operational and other risks. At the same time, the risks are assessed, taking into account the risk-reducing measures taken and the current net equity situation. This includes, in particular, a risk shield in the form of a risk assumption by cooperation partners and clients of flatexDEGIRO AG. In this process, flatexDEGIRO AG and the cooperation partners attach great importance to ensuring that risks are borne or partially underwritten in proportion to the related upside potential.

In the risk inventory process of flatexDEGIRO AG, the risk assessments of all significant corporate divisions are carried out in a consistent manner. In doing so, assessments are made of probabilities and loss levels, which are then condensed into a risk-oriented overall assessment. The assessments especially serve the timely identification of emerging risk concentrations, so that appropriate countermeasures may be initiated in a timely fashion.

The reporting year saw flatex Bank further reducing its risk structure by terminating its cooperation with the last contractually bound broker, Koch Wertpapier GmbH, thereby dismantling its liability umbrella.

The management and supervisory body of flatexDEGIRO AG are regularly updated about the risk assessments obtained from the risk inventory (RiskMap) as part of ongoing risk reporting.

Control of risks

flatexDEGIRO AG carries out scenario-based risk-bearing capacity calculations (including stress tests) on a regular basis, taking into account possible concentration risks and potential extreme developments in the (market) environment of the Group, to ensure adequate net equity levels of the Group even under unfavourable conditions.

The findings from these risk-bearing capacity analyses are used by flatexDEGIRO AG to install risk-control and risk management requirements for the Group's operating businesses through an adequate risk limitation system. Adjustments to the risk limitation system are made in close coordination between the Group's management and the Risk Management department.

Ongoing monitoring measures and a comprehensive risk communication system ('risk reporting') ensure that the risks taken by flatexDEGIRO AG stay within the strategic guidelines and its risk-bearing capacity. In addition, they enable short-term reactions to emerging risk control needs. The monitoring and control instruments which are used in this process, in the form of daily and monthly risk monitoring and risk communication reports, are subsequently presented in more detail.

Risk monitoring and risk communication

Management is supplied with current figures pertaining to the risk and earnings position at flatexDEGIRO AG through daily reports. Such reports also ensure continuous ad-hoc reporting: the 'cockpit' as a central (risk) management tool provides daily information on the key performance indicators, key risk figures, and limit utilisation levels, as well as on the development of relevant early warning indicators. It also contains comments on control-relevant issues and, where appropriate, recommendations for necessary adjustments. In addition, for each business area that is significant from a risk perspective, it includes monthly and annual target achievement levels as well as comparisons with the previous year's P&L.

The cockpit described above is complemented by the 'Monthly Risk Report' (MRR), which contains a monthly detailed presentation and commentary on the Group's risk and earnings position and supplementary analyses of the Group's opportunity and risk situation. The MRR is also submitted to the Supervisory Board and discussed in detail with the Management and Supervisory Board in regular 'finalisation meetings'.

The measures taken to analyse and monitor the risk situation of flatexDEGIRO AG are deemed to be appropriate. The risk-bearing capacity was adequate at all times during the reporting period. No immediate risks that could jeopardise the continued existence of the company, also no potential concentration risks, were discernible at the time of preparation of this risk report.

Risk report, including risk reporting on financial instruments.

The following section describes the key risks flatexDEGIRO AG is exposed to as a result of its operating activities. The probability of occurrence and the magnitude of a potential loss is categorised according to the following increments:

Probability of occurrence	Description
< 5%	Very low
≥ 5 bis 25%	Low
> 25 bis 50%	Medium
> 50%	High

Risk exposure	Description
Low	imited negative impact on business activities, net assets, financial position and earnings, reputation, < EUR 0.25 million EBITDA individual risk
Medium	Negative impact on business activities, net assets, financial position and earnings, reputation, ≥ EUR 0.25 million EBITDA individual risk
High	Significant impact on business activities, net assets, financial position and earnings, reputation, ≥ EUR 1 million EBITDA individual risk
Very high	Damaging negative impact on business activities, net assets, financial position and earnings, reputation, ≥ EUR 5 million EBITDA individual risk

Managing and limiting counterparty default risks

The counterparty default risk is defined as the risk of losses or foregone profits due to unexpected default of or unforeseeable deterioration in the creditworthiness of business partners.

Counterparty default risks in flatexDEGIRO AG result from security-oriented selected investments (including interbank investments, German country bonds, bank bonds, mortgage bonds, cash loans) mixed with investments in special funds which supplement the sector diversification of the Group's overall portfolio, e.g. through infrastructure financing and residential property investments in the Financial Services division. The investment/loan strategy and the limits derived from it ensure a wide diversification of individual positions, so that concentration risk remains limited. In addition to a risk averse selection of business partners, risks are also limited by ongoing monitoring of credit ratings on the basis of publicly available data. Counterparty default risk monitoring, which is performed on a daily basis, is currently based on CDS prices and rating changes and is transmitted daily to the relevant decision makers. As of 31 December 2020, the counterparty default risks amount to a total of kEUR 3,098. flatexDEGIRO AG estimates the size of the resulting risk amount as high, but the associated probability of occurrence as very low.

flatexDEGIRO AG is also exposed to counterparty default risk from its lending business and pursues a strategy of fully secured lending in this area:

a) By issuing security-backed loans (lombard & flatex-flex loans) via flatex Bank AG and (margin loans) via DeGiro B.V. in the Financial Services segment, flatexDEGIRO AG is exposed to counterparty default risk. Through appropriate requirements pertaining to the security type, credit rating, conservative LVRs, and an ongoing monitoring of credit lines and securities, the Group ensures that the exposure to security-backed customer loans is sufficiently covered by the deposited security even when prices are falling. Scenario analyses of the collateralised security holdings are carried out monthly on the basis of a VaR simulation (99% confidence and 30 day holding period) and form part of the risk-bearing capacity calculation. In a real stress test during the COVID-19 pandemic, our conservative LVRs have proven reliable despite the fact that the entire stock market collapsed by up to 40% in the first quarter of 2020 without resulting in any losses for us. The Group rates the probability of occurrence due to the residual risks as very low and the possible loss impact as low. To adequately respond to the insolvency of a small number of customers who as a result of losses went into negative equity, the bank entered into repayment agreements and recognised impairments for any potential default risks. The bank rates the probability of occurrence due to the residual risks as very low and the possible loss impact as low.

b) Counterparty default risks also exist in diversified true sale factoring in the Financial Services segment. The factoring receivables are secured by commercial credit and insurance policies of major insurance companies; in addition, personal liabilities of the clients and security retentions are negotiated. Factoring also includes football club financing, which is secured by the assignment of sponsorship, TV and advertising rights as well as by means of contingency insurance.

c) In addition, flatex Bank AG operates an opportunistic, comprehensively secured loan portfolio in the Financial Services division, particularly in real estate financing. The loans are secured by real assets, guarantees, assignment of other receivables and deposited securities.

The diversified collateralisation structure in the aforementioned loan portfolio proved again this year that the bank has established an extensive risk management framework umbrella to counteract potential defaults and reduce risks.

Following the merger of XCOM AG into flatexDEGIRO AG in 2017 and the integration of flatex Bank AG, flatexDEGIRO AG made significant efforts to uniformly record the counterparty default risks arising at its subsidiaries throughout the Group and make them accessible to a comprehensive management system. The same strategy is pursued with regard to the acquisition of DeGiro B.V. the integration process is currently set to conclude in 2021. Pertinent presentations and analyses have been integrated into the MRR of flatexDEGIRO AG and are continuously being refined. With its comprehensive credit portfolio model, the Group can quantify its important counterparty default risks on a continuous VaR basis (99% confidence), and systematically and continually captures and manages potential concentration risks. The current investment strategy of the Group mandates diversification of counterparty risk-bearing positions (primarily by geographic spread, publicly available ratings, and the maturity of the investments) and thereby limits concentration risks effectively.

Managing and limiting market price risks

flatexDEGIRO AG understands market price risk as the risk of loss due to changes in market prices (share prices, exchange rates, precious metals/commodity prices, interest rates) and price-influencing parameters (e.g. volatilities).

For flatex Bank AG, the resulting market price risk is contained by a multi-level system of value-at-risk and stop-loss limits relative to positions with daily and annual values. The bank calculates daily VaR figures using historical simulation (99% confidence) and also prepares a daily income statement. The calculated risk ratios and profit and loss figures are compared daily with the established limits. When limits are exceeded, immediate countermeasures are initiated.

VaR-oriented monitoring is performed for the long-term investment in special funds, initiated in 2016, which pursues a 'negative basis' strategy. According to historical simulations, the corresponding VaR figures were below kEUR 247 in 2020. The bank estimates that both the magnitude of potential losses and the probability of their occurrence are low for this business.

In the Financial Services segment, flatexDEGIRO AG has had stable and sizeable customer deposits over the course of time (flatex Bank AG). Since these funds are not reinvested at the exact same terms that they are taken in, flatexDEGIRO AG incurs an additional market risk in the form of interest rate risk through the resulting yield curve gaps. The Group handles these risks with its fundamentally conservative asset/liability management. Continuous calculation of interest rate risks on the basis of a VaR calculation (99% confidence) ensures that negative developments in interest rate risk are identified early on and countermeasures may be taken. flatexDEGIRO AG rates the probability of occurrence of corresponding losses as very low, but calculates with a medium risk amount. The loss estimate based on value at risk is in the magnitude of kEUR 1,429.

The risk from fluctuations in exchange rates (currency risk) in financial instruments at flatexDEGIRO AG is immaterial.

The Group ‘cockpit’ is updated with control-relevant information on flatexDEGIRO AG‘s market price risks on a daily basis, thereby informing the Group’s management in a timely fashion. The market price risks are also reflected in the MRR of the Group, so that detailed presentations and comments on the current risk situation are ensured and, if necessary, adjustments may be initiated.

Managing and limiting liquidity risks

flatexDEGIRO AG defines its liquidity risk as the risk that it cannot meet its current or future payment obligations from the available financial resources fully and/or on time. As a consequence, funding may need to be raised at higher interest rates, or existing assets may need to be sold at a discount, to provide additional (temporary) financial resources. Additionally, flatexDEGIRO AG generally subsumes the refinancing risk and the market liquidity risk under the term liquidity risk. The liquidity risk is simulated for potential outflow rates on the basis of an LvaR approach (99% confidence) with potential refinancing costs being recognised as a liquidity risk. The simulated value as of 31 December 2020 is kEUR 0. Both types of liquidity risks only play a subordinate role in the current business model of flatexDEGIRO AG and are thus assigned to the lowest risk categories used with regard to both the probability of occurrence ('very low') and the possible extent of losses ('low').

To limit the remaining liquidity risk (liquidity risk in the narrow sense), flatexDEGIRO AG pursues a conservative investment strategy, in which client deposits with daily maturities are reinvested predominantly in short-term instruments, and where there are substantial investments in ECB-eligible securities, which may be pledged for short-term funding through the central bank when needed. In addition to very conservative short-term liquidity buffers/limits (daily, weekly, monthly liquidity bands), which must be maintained at a minimum, management is also carried out by means of ongoing duration measurement across all relevant investments of flatexDEGIRO AG, which are within the average target corridor of less than 24 months.

Finally, flatex Bank AG carries out ongoing liquidity monitoring and adequate financial planning/liquidity planning in the Group‘s financial accounting department. The measures taken, in combination with a suitable “Business continuity plan - liquidity”, ensure a comfortable liquidity level with adequate reserves for the Group’s payment obligations, also and particularly in the case of unforeseen events such as unfavourable market developments or payment deferrals and client defaults.

In light of the comfortable liquidity level on the reporting date (approximately 45% of assets with daily maturities, average capital commitment of 92 days) and the measures taken to limit risk, flatexDEGIRO AG classifies the probability of occurrence of its remaining liquidity risks (in the narrow sense) as being very low and also assesses the associated loss potential as low.

Control and limitation of operational and other risks

flatexDEGIRO AG defines operational risk as the risk of loss due to human error, the inadequacy of internal processes and systems, and external events. Legal and reputational risks are also included in this category.

flatexDEGIRO AG uses a multi-year time series of actually incurred losses for its operational risk inventory. These losses are categorised according to the type of damage, the cause of the loss, the time of occurrence, etc., and documented in a database. The operational risks are managed by assigning each loss case to a risk mitigation strategy (avoidance, reduction, transfer, etc.) and implementing defined measures. An internal assessment method is used in addition to the so-called basic indicator approach to determine the amount of regulatory capital utilised for operational risks. In addition to the identification of operational risks from historical data, flatexDEGIRO AG uses expert assessments to identify potential losses as part of risk assessments with all specialist departments of flatexDEGIRO AG, in order to map quantifiable risks where a sufficient loss data history is not available. The value for operational risks simulated on the basis of the approach explained above amounts to kEUR 4,696 as of 31 December 2020.

Dependency on software and other IT risks

For flatexDEGIRO AG, operational risk arises particularly from the dependency on IT infrastructure and associated services, which is typical for banking operations. This also includes the dependency on the flawlessness of services which have been outsourced to external providers. The operational risks in IT can be divided into hardware, software and process risks. Group-wide, comprehensive IT and Internet-based systems are being used, which are essential for the proper conduct of business. The Group is dependent on the trouble-free functioning of these systems. Despite comprehensive measures for data backup and the bridging of system disruptions, malfunctions and/or complete failures of the IT and internet systems may not be precluded. Also, deficiencies in data availability, errors or functional problems of the software used and/or server failures due to hardware or software flaws, accident, sabotage, phishing or other reasons, could have a significant negative impact on the reputation or business of the Group, or lead to possible obligations to pay damages.

The Group undertakes significant IT investments to ensure, on the one hand, that the high business volume is executed adequately and, on the other hand, that sufficient collateralisation is provided against disruptions. The probability of software and other IT risks is rated to be very low and the possible impact of such risks is rated to be low.

Personnel risks

Comprehensive restructuring of flatexDEGIRO AG, which was completed in 2018, resulted in changes to the organisational structure and processes, including communication processes, which may initially lead to an increased potential for error and loss. flatexDEGIRO AG has established monitoring and communication processes to limit these risks, which are primarily HR-related. Nevertheless, individual employee mistakes or errors can never be completely ruled out. We estimate the probability of occurrence of a loss event arising from personnel risks to be very low, and the possible impact from such an event to be low.

Legal risks

The flatexDEGIRO Group acts as a regulated provider of financial services in an environment with rapidly changing (regulatory) legal framework conditions. Legal violations can result in fines or litigation risks. flatexDEGIRO AG contains these legal risks by permanently monitoring the legal environment, having internal legal know-how and by resorting to external legal expertise if necessary. flatexDEGIRO AG is involved in an employment dispute with a former employee, which could result in a financial risk. flatexDEGIRO AG has refrained from recognizing provisions. We estimate the probability of legal risks to be very low, and the possible impact from such risks to be low.

Outsourced processes

Outsourcing within the meaning of § 25b (1) of the German Banking Act (KWG) and MaRisk (AT 9) occurs when a non-Group company is entrusted with such activities and processes, in connection with the provision of financial services or other institution-specific services, that would otherwise be performed by flatexDEGIRO AG itself.

In such cases, increased regulatory requirements apply. The Group has outsourced various activities from its operations to external companies.

flatexDEGIRO AG has installed outsourcing controlling, which takes stock of all relevant outsourcing contracts and manages them as needed. All outsourcing contracts are included in the Group‘s risk management effort. Non-essential outsourcing contracts are subject to a lower degree of control than essential outsourcing contracts.

As part of the concluded outsourcing contracts, service level agreements (SLAs) have been agreed for all significant outsourcing. In addition, liability rules have been agreed which allow a transfer of damages.

Reputational risk

The reputational risk for flatexDEGIRO AG is the risk of negative economic effects that result from the company‘s reputation being damaged.

In principle, the Group companies strive to ensure a high level of customer loyalty through a good reputation in order to gain a competitive advantage over their competitors. In addition to immediate financial implications, many of the risks discussed above pose a risk that the Group's reputation may be damaged, and that a decline in customer loyalty may result in financially adverse consequences for the Group. flatexDEGIRO AG puts particular emphasis on reputational risk in its strategic guidelines and continually uses its risk-controlling processes to monitor the relevant environment. Associated risk estimates are made as part of the estimates for the Group's operational risks.

To limit its operational risks, flatexDEGIRO AG promotes a fundamental risk culture which ensures compliance with high ethical standards and a pronounced awareness of risk in all relevant business processes, for both the management and the employees of flatexDEGIRO AG. The mitigation of risks is also one of the key performance targets for all flatexDEGIRO AG managers within their respective areas of responsibility. Each manager develops task-specific control processes and ensures their ongoing application. In addition, flatexDEGIRO AG regularly establishes a risk inventory - which may also be updated on an ad-hoc basis - in particular to ensure an ongoing analysis and assessment of the operational risk in existing business processes.

flatexDEGIRO AG assigns a low probability of occurrence to the operational risks outlined above and cautiously estimates a high risk impact.

Other risks

Included in other risks at flatexDEGIRO AG are general business risks.

General business risk exists due to the dependence on technical developments and customer behaviour. General business risks arise out of changes in the environment. They include, for example, changing markets, changing customer preferences and technological progress.

Technological developments and changing customer behaviour can significantly influence the market conditions for financial services. They may open up opportunities for flatexDEGIRO AG's financial products, but they may also negatively impact demand for the Group's products and services and thus reduce its financial success.

flatexDEGIRO AG pays particular attention to changes in the legal and regulatory environment, as well as to changes in customer behaviour and technological progress, and is constantly reviewing the resulting strategic implications. The Group considers the probability of occurrence of a loss event due to dependencies on technical developments and customer behaviour to be very low, and a possible loss impact to be low.

The integration of DeGiro B.V. into the Group is expected to realise earnings and cost synergies of more than EUR 30 million per year over the next couple of years. Harnessing the identified synergies will deliver significantly improved results as early as 2021. The risks presented above are also relevant for the integration. With regard to costs, there is the risk that synergies may be realised later than forecast. These risks are monitored by a regular reappraisal of the synergy measures.

In light of current developments in connection with the COVID-19 pandemic, the global financial markets are characterised by high volatility and market uncertainty. As a result of these developments, record numbers of new customers and completed transactions were achieved in financial year 2020. In addition to the positive development in the brokerage business, a risk assessment of the loan portfolio was also carried out, in which the bank acts in the area of receivables-based financing of top football clubs from the largest European leagues. Due to the collateralisation through credit default insurance policies, no significant effects on the existing portfolio are expected. The significant price declines on the securities markets at the end of the first quarter of 2020 resulted in a significant number of securities-backed loans exceeding their collateral values. Significant overcollateralization of loan balances by deposit values was ensured by our conservative collateralization of lending values. The overruns of the collateral values have been fully repaid since May and substantial buffers have been built up since then.

With regard to business operations, no restrictions have arisen due to a functioning Business Continuity Management (BCM). Extensive measures have been taken to protect employees (working from home, avoidance of business trips, use of digital infrastructure for meetings, etc.).

Measures were also taken for areas of responsibility that do not permit working from home activities (physical separation, shift work, avoidance of group formation and establishment of emergency workstations), with which the risk of infection was minimised as much as possible.

Management Board assessment of the overall risk situation

The Group views the assessment of the overall risk situation as a consolidated analysis of all material risk categories and individual risks. The higher market volatility resulted in the total risk situation increasing in financial year 2020 in comparison to the previous year, but all relevant material risks have been mitigated by appropriate measures to the largest possible extent. flatexDEGIRO AG is convinced that, at the balance sheet date and at the time of preparation of the consolidated financial statements, neither one of the above-mentioned individual risks, nor the consolidated risks, pose a threat to the Group as a going concern.

Furthermore, flatexDEGIRO AG is confident that it will be able to continue to seize opportunities that arise in the future without having to expose itself to disproportionately high risks. The aim is to strike a healthy balance between risks and opportunities.

2.15 Accounting-related internal control system

The accounting-related internal control system (ICS) comprises the principles, procedures and measures to ensure the correctness of accounting. It is continuously developed further and aims to achieve the following:

The consolidated financial statement of flatexDEGIRO AG has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German commercial law pursuant to § 315e HGB. The basic principle for any ICS is that, regardless of how it is specifically designed, there is no absolute certainty that it will achieve its objectives. With regard to the accounting-related ICS, therefore there can only be relative, but no absolute certainty that material misstatements in the financial statements will be avoided or detected.

The Group accounting and Group controlling departments manage the Group accounting processes, and the investor relations department manages the process of preparing the Group management report. Laws, accounting standards and other pronouncements are continuously analyzed to determine whether and to what extent they are relevant and how they affect accounting. Relevant requirements are recorded and communicated, for example, in the Group accounting guideline and, together with the Group-wide deadline and schedule, form the basis for the financial statement preparation process.

In addition, the company-wide cloud ERP solution SAP Business byDesign supports the process of uniform and proper accounting. Derived from this are Group-wide regulations such as intercompany business processes, standardized reporting formats and object-driven as well as artificial intelligence-supported approval processes. In addition, SAP Business byDesign enables the further reporting and consolidation process by standardizing the data structure and automated interfaces for data transfer. As part of the Silver Partnership with SAP, the employees of the Finance & Controlling team are informed about permanent further developments of the cloud ERP solution and are certified by SAP for corresponding process monitoring and for ensuring data integrity and consistency. Systemic test steps additionally monitor compliance with the principles of proper IT-based accounting systems in an automated manner.

If necessary, flatexDEGIRO AG also uses external service providers, e.g. for the valuation of pension obligations or the determination of provisions for long-term variable compensation. The employees involved in the accounting process receive regular training. flatexDEGIRO AG and the group companies are responsible for ensuring that they comply with the policies and procedures applicable throughout the Group. flatexDEGIRO AG and the group companies ensure the proper and timely execution of their accounting-related processes and systems; the employees of the Finance & IFRS department support and monitor them in this regard.

Internal controls defined under risk aspects are embedded in the accounting process. The accounting-related internal control system comprises both preventive and detective controls; these include:

- IT-based and manual reconciliations,
- the separation of functions,
- the dual control principle,
- monitoring controls,
- general IT controls such as access regulations in IT systems and a change request procedure.

Throughout the Group, flatexDEGIRO AG has implemented standardized procedures to monitor the effectiveness of the accounting-related internal control system. These procedures are consistently geared to the risks of possible misreporting in the consolidated financial statements: under risk aspects, financial statement items and accounting-related process steps are selected that are reviewed for effectiveness during the course of the year. Where control weaknesses are identified, they are analyzed and evaluated, in particular with regard to their impact on the consolidated financial statements and the group management report. Significant control weaknesses as well as their action plans for processing the ongoing work progress are reported to the Executive Board of flatexDEGRIO AG. In order to ensure the high quality of this accounting-related internal control system, the internal audit department is closely involved across all stages of the procedures.

3 Collateralisation of the legal representatives (responsibility statement)

"We hereby affirm that, in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the asset, financial and earnings position of the Group and that the Group Management Report includes a fair view of the development and performance of the business and the position of the Group corresponding to the actual situation of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Frankfurt am Main, 23 March 2021

flatexDEGIRO AG

Frank Niehage	Muhamad Said Chahrour
CEO, Chairman of the Management Board	CFO, Member of the Management Board

Consolidated Financial Statements

IFRS Consolidated Balance Sheet

as of 31 December 2020

In kEUR	Note	12/31/2020	12/31/2019
Assets		**2,818,178**	**1,265,962**
Non-current assets		**561,332**	**245,749**
Intangible assets	9	389,432	92,722
Goodwill	9	183,361	36,555
Internally generated intangible assets	9	46,935	45,730
Customer relationships	9	123,068	6,319
Other intangible assets	9	36,068	4,118
Property, plant and equipment	11	32,858	16,265
Financial assets and other assets		1,486	1,305
Equity instruments measured at fair value through profit or loss (FVPL-EK)*	12	74,660	66,049
Non-current loans due to customers	12	62,896	69,409
Deferred tax assets	27	-	-
Current assets		**2,256,846**	**1,020,213**
Inventories and work in progress		8	99
Trade receivables		14,041	12,220
Other receivables		2,074	1,026
Other current financial assets	12	985,599	538,253
Financial assets measured at fair value through other comprehensive income (FVOCI)	12	89,802	61,547
Financial assets measured at fair value through profit or loss (FVPL)	12	189	214
Cash loans due to local authorities	12	370	14,056
Current loans due to customers	12	843,337	362,552
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	12	19,565	68,644
Other receivables due to banks	12	32,336	31,239
Cash and cash equivalents	12	1,255,124	468,616
Bank balances	12	95,290	29,913
Cash on hand	12	10,839	15,821
Balances with central banks	12	1,015,434	356,868
Receivables due to banks (on demand)	12	133,561	66,013

* item reclassified to non-current assets. Please refer to Note 12 for further information.

In kEUR	Note	12/31/2020	12/31/2019
Liabilities and shareholders' equity		**2,818,178**	**1,265,962**
Equity		**445,834**	**182,202**
Subscribed capital	13	27,273	19,596
Additional paid-in-capital	13	310,916	106,894
Retained earnings	13	107,117	55,200
Shares of minority shareholders	8	528	512
Liabilities		**2,372,344**	**1,083,760**
Non-current liabilities		**91,435**	**38,710**
Non-current liabilities to banks	14	-	3,727
Non-current liabilities to non-banks	14	28,656	13,495
Pension obligations	15	14,543	11,012
Provisions for long-term variable remuneration components	33	15,387	-
Deferred tax liabilities	27	32,849	10,476
Current liabilities		**2,280,910**	**1,045,051**
Trade payables		10,473	5,581
Liabilities to customers	16	2,089,213	950,777
Liabilities to banks	17	97,117	71,694
Other financial liabilities	18	45,010	6,131
Tax provisions	20	24,369	1,193
Other provisions	19	14,728	9,674

IFRS Consolidated Statement of Income

as of 1 January to 31 December 2020

In kEUR	Note	2020	2019
Revenues	21	**261,490**	**131,952**
thereof commission income		211,770	90,401
thereof interest income		32,524	15,147
thereof interest income from financial instruments measured at amortised cost		28,149	14,979
thereof other operating income		17,196	26,404
Raw materials and consumables	22	49,446	38,172
thereof impairment losses[1]	35	-	3,629
Net revenue		**212,044**	**93,780**
Personnel expenses	23	66,125	25,409
Current personnel expenses	23	50,597	25,158
Personnel expenses for long-term variable remuneration components	23, 33	15,528	251
Marketing and advertsing expenses[2]	24	24,281	12,527
Other administrative expenses	25	23,213	18,264
EBITDA[3]		**98,425**	**37,580**
Depreciation	9 -11	24,639	12,829
thereof impairment losses	35	4,605	-
EBIT[3]		**73,786**	**24,751**
Financial result	26	-3,919	-3,123
EBT[3]		**69,867**	**21,628**
Income tax expenses	27	19,943	6,720
Consolidated net profit		**49,924**	**14,908**
thereof: majority shareholders' share of income		**49,908**	**14,886**
thereof: minority shareholders' share of income		**16**	**22**
Earnings per share (undiluted) in EUR	32	**2.18**	**0.77**
Earnings per share (diluted) in EUR	32	**2.16**	**0.77**

[1]Impairment losses were reclassified from raw materials and consumables to the item depreciation. Please refer to Note 22 for further information.
[2]The marketing and advertising expenses were separated from the other administrative expenses. Please refer to Note 25 for further information.
[3]For the sake of a better comparison of the performance indicators for the periods on the basis of adjusted EBITDA/EBIT/EBT, please refer to the Group Management Report, chapter "Earnings position", page 56.

IFRS Consolidated Statement of Other Comprehensive Income

as of 1 January to 31 December 2020

In kEUR	Note	2020	2019
Consolidated net profit		**49,924**	**14,908**
Income and expense items recognised directly in equity			
Pensions		**-3,978**	**-5,206**
Actuarial gains/losses	15	-4,260	-5,286
Remeasurement of plan assets	15	258	44
Reimbursement rights	15	24	36
Securities		**-1,514**	**3,192**
Change in value reported in equity		-1,514	3,192
Deferred tax	27	**1,491**	**877**
Pensions		1,263	1,640
Securities		228	-763
Total other earnings/losses		**-4,001**	**-1,137**
Comprehensive income		**45,923**	**13,772**

IFRS Consolidated Cash Flow Statement

as of 31 December 2020

In kEUR	Note	2020	2019
Consolidated net profit	**21**	**49,924**	**14,908**
Depreciation and amortisation/appreciation on property, plant and equipment and intangible assets	9,11	20,075	12,395
Increase/decrease in inventories		91	89
Increase/decrease in trade receivables		-1,822	3,293
Increase/decrease in trade payables	12	4,892	2,801
Increase/decrease in other receivables, financial investments and other assets	12	-1,229	5,952
Increase/decrease in provisions, pension obligations and deferred taxes	15,19, 27	54,134	6,075
Increase/decrease in provision for long-term variable remuneration components	33	15,387	-
Cash flow from operations		**141,452**	**45,513**
Cash outflow/inflow for the investment/disposal in/from intangible assets	9	-2,246	-3,653
Cash outflow/inflow for investment/disposal in/from property, plant and equipmant	11	-6,752	-14,525
Increase/decrease due to changes in the scope of consolidation	7	-298,154	-
Non-cash movements in fixed assets		-7,496	-15,012
Cash flow from investments		**-314,648**	**-33,189**
Inflow from equity injections by shareholders of the parent company		191,675	6,073
Non-cash movements in equity		22,033	-3,464
Increase/decrease in non-current liabilities to banks (loans)	14	-3,727	-6,147
Increase/decrease in leases and non-current liabilities to non-banks	14	-3,570	7,542
Cash flow from financing activities		**206,411**	**4,005**
Free cash flow prior to accounting changes to the banking business	**28**	**33,215**	**16,329**
Increase/decrease in long-term loans to customers	12	6,512	-28,299
Increase/decrease in financial assets measured at FVOCI	12	20,824	9,648
Increase/decrease in financial assets measured at FVPL	12	-8,586	-65,370
Increase/decrease in cash loans to municipalities	12	13,686	4,844
Increase/decrease in short-term loans to customers	12	-480,785	-145,308
Increase/decrease in other receivables due from banks	12	-1,097	9,227
Increase/decrease in liabilities to customers	16	1,138,436	-4,712
Increase/decrease of liabilities to banks	17	25,423	14,435
Increase/decrease in other financial liabilities	18	38,879	3,913
Other non-cash transactions		-	-1,137
Cash flow from accounting changes to the banking business		**753,292**	**-202,759**
Change in cash and cash equivalents		**786,507**	**-186,430**
Cash and cash equivalents at the beginning of the period		**468,616**	**655,046**
Cash and cash equivalents at the end of the period		**1,255,124**	**468,616**

IFRS Consolidated Statement of Changes in Equity

as of 31 December 2020

In kEUR	Subscribed capital (Note 13)	Capital reserves (Note 13)	Retained earnings (Note 13)	Actuarial gains/losses (Note 13)	Unrealized gains/losses from financial instruments measured at fair value through other comprehensive income (Note 13)	Total	Minority interests (Note 8)	Total equity
As of 12/31/2018 and 01/01/2019	**18,737**	**101,406**	**43,472**	**2,085**	**-2,536**	**163,164**	**490**	**163,655**
Issue of new shares	859	5,488	-	-	-	6,347	-	6,347
Contributions to / withdrawals from reserves	-	-	-	-	-	-	-	-
Changes in the scope of consolidation not involving a change of control	-	-	-1,572	-	-	-1,572	-	-1,572
Dividend distribution	-	-	-	-	-	-	-	-
Other earnings/losses	-	-	-3,106	-531	2,501	-1,137	-	-1,137
Consolidated net profit	-	-	14,886	-	-	14,886	22	14,908
As of 12/31/2019 and 01/01/2020	**19,596**	**106,894**	**53,681**	**1,554**	**-35**	**181,689**	**512**	**182,202**
Issue of new shares	177	1,522	-	-	-	1,699	-	1,699
Recognition of new shares (DEGIRO acquisition)	7,500	202,500	-	-	-	210,000	-	210,000
Rededication of new shares	-7,500	-202,500	-	-	-	-210,000	-	-210,000
Issue of new shares	7,500	202,500	-	-	-	210,000	-	210,000
Contributions to/withdrawals from reserves	-	-	6,010	-	-	6,010	-	6,010
Changes in the scope of consolidation not involving a change of control	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-
Other earnings/losses	-	-	3,108	-5,872	-1,237	-4,001	-	-4,001
Consolidated net profit	-	-	49,908	-	-	49,908	16	49,924
As of 12/31/2020	**27,273**	**310,916**	**112,707**	**-4,318**	**-1,273**	**445,305**	**528**	**445,834**

List of Abbreviations

act.	active
adjusted EBIT	Earnings before interest and taxes adjusted for personnel expenses attributable to long-term variable remuneration components
adjusted EBITDA	Earnings before interest and taxes, and depreciation and amortization adjusted for personnel expenses attributable to long-term variable remuneration components
adjusted EBT	Earnings before taxes adjusted for personnel expenses attributable to long-term variable remuneration components
AG	joint stock company
AK/HK	acquisition or production costs
AM	Asset management
API	Application programming interface
approx.	approximately
ATM	Automated teller machine
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
CFO	Chief Financial Officer
CGU	cash generating unit
CHF	Swiss Franc
CRM	Customer relationship management
CTO	Chief Technology Officer
DACH	Germany, Austria, and Switzerland
DAX	German stock index
DCF	Discounted cash-flow
def.	deferred
dep.	deputy
DNO	Declaration of no objection
DP	Data processing
e.g.	for example
EBIT	Eearnings 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
E-funds	electronic funds
EPS	Earnings per share
ERP	Enterprise resource planning
etc.	et cetera
ETF	Exchange traded fund
ETP	Exchange traded products
EU	European Union

Federal Financial Supervisory Authority	German Federal Financial Supervisory Authority
FIN	Financial Services
FTX:CBS	flatex Core Banking System
FTXDG	flatexDEGIRO AG
FVOCI	financial assets measured at fair value through other comprehensive income
FVPL	financial assets measured at fair value through profit or loss
FX	Foreign exchange
GAAP	Generally accepted accounting principles
GAS	German accounting standard
GCM	General clearing member
GmbH/LLC	Limited liability corporation
GS	Goldman Sachs
HGB	German commercial code
HRB	Trade register department B
i.e.	that means, in other words
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICS	Internal control system
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFRS IC	IFRS Interpretations Committee
IMF	International Monetary Fund
ISIN	International securities identification number
ISO	International Organisation for Standardisation
IT	Information Technology
ITIF	IT infrastructure
kEUR	Thousand euros
KPI	Key performance indicator
KWG	German banking act
L.O.X	Limit Order System
LP	Limited partnership
MaRisk	Minimum requirements for risk management
mbH	With limited liability
mEUR	Million euros
MiFID	Markets in Financial Instruments Directive II
MRR	Monthly risk report
MS	Morgan Stanley
No	Number
OCI	Other comprehensive income
OTC	Over the counter
P&L	Income Statement
p.a.	Per annum
P2P	Peer-to-Peer
Para.	Paragraph
prel.	Preliminary
PSD II	Payment Services Directive II
reg.	Regarding
RoU	Right of use
s.s.	Strictly speaking
SaaS	Software as a Service
SE	European public limited company

SICAV	Investment shareholder with variable subscribed share capital
SLA	Service level agreement
T2S	TARGET2-Securities
TECH	Technologies
UCITS	Undertakings for Collective Investments in Transfarable Securities
U.S.	United States of America
USD	United States Dollar
VaR	Value at risk
vs.	Compared to
WACC	Weighted average cost of capital
WKN	German securities identification number
WpHG	Securities trading act

Notes to the Consolidated Financial Statement as of 31 December 2020

NOTE 1 About the Group

This Group Annual Report presents the consolidated financial statements of flatexDEGIRO AG and its subsidiaries.

The company name flatex AG was changed to flatexDEGIRO AG on the basis of a resolution adopted by the Annual General Meeting on 20 October 2020 and upon registration in the trade register on 9 November 2020.

flatexDEGIRO Aktiengesellschaft has its registered office in Frankfurt am Main, Germany; it is registered in the trade register at Frankfurt am Main under company number HRB 103516. The registered business address is Rotfeder-Ring 7, 60327 Frankfurt am Main, Germany.

The registered no-par-value (registered) shares of the company are traded on the SDAX index (Prime Standard, ISIN DE000FTG1111/German WKN 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.

flatexDEGIRO AG is the group holding company and parent company of the flatexDEGIRO Group.

The consolidated financial statements were approved for publication by the Board of Management on 30 March 2021. 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 business if, they are capital market-oriented parent 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, § 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 § 315e (1) in conjunction with § 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) § 2 (11)].

flatexDEGIRO AG is currently legally required to prepare consolidated financial statements under IFRS because it is listed in an organised market (prime segment) and therefore represents a capital market-oriented parent company.

The consolidated financial statements are in full compliance with IFRS as applicable within the European Union, and with the supplementary provisions of HGB § 315e, the German Commercial Code. The consolidated financial statements of flatexDEGIRO AG are based on the assumption of a going concern.

The presented assets, financial and earnings position as well as the presented 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.

The declaration of compliance within the meaning of § 161 of the German Stock Corporation Act (AktG) based on the German Corporate Govenance Code in its version of 16 December 2019 will be made publicity available by the Supervisory Board and the Executive Board on the website of flatexDEGIRO AG at https://flatexdegiro.com/en/investor-relations/corporate-governance after its adoption, but no later than four months after the end of the reporting year.

flatexDEGIRO 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 flatexDEGIRO AG and the subsidiaries controlled by it.

This is the case if flatexDEGIRO 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 flatexDEGIRO AG scope of consolidation as of 1 January 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%)

Changes in scope of consolidation in 2019

There were no changes in the scope of consolidation in financial year 2019.

Overview of the flatexDEGIRO AG scope of consolidation as of 31 December 2019/1 January 2020

- 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%, retroactively merged with flatex Bank AG as of 1 January 2020)
- financial.service.plus GmbH, Leipzig (72%)

There were no joint-venture companies and associated companies as at 31 December 2019.

Changes in scope of consolidation in 2020

The acquisition of all shares in DeGiro B.V, Amsterdam, was concluded with effect from 30 July 2020. The acquisition of the remaining 90.6% of shares in DeGiro B.V. to place after the necessary approval was received from the relevant supervisory authorities. The purchase price was financed by a non-cash capital increase in the amount of 7.5 million shares on the closing date under exclusion of the pre-emptive rights of the existing shareholders, as well as through a cash component of up to kEUR 81,500. As of 1 August 2020, DeGiro B.V. will be consolidated as a 100% subsidiary of the flatexDEGIRO concern.

factoring.plus.GmbH, with registered offices in Leipzig was merged with flatex Bank AG with registered offices in Frankfurt am Main with retroactive effect from 1 January 2020 on the basis of the merger agreement dated 1 September 2020 and the resolution of the merged company's general meeting.

Overview of the flatexDEGIRO AG scope of consolidated as of 31 December 2020

- flatex Finanz GmbH, Frankfurt am Main (100%)
- flatex Bank AG, Frankfurt am Main (100%)
- Brokerport Finance GmbH, Frankfurt am Main (100%)
- Xervices GmbH, Frankfurt am Main (100%)
- financial.service.plus GmbH, Leipzig (72%)
- DeGiro B.V., Amsterdam (100%)

Joint-venture companies and associates are not available as at 31 December 2020.

Consolidated financial statements for the largest scope of companies

flatexDEGIRO AG is preparing the consolidated financial statements for the largest scope of companies for the first time in the reporting year. The increase of the free float to more than 70% means that Mr Förtsch as the sole shareholder of BFF Holding GmbH is no longer in a position to exercise a controlling influence over flatexDEGIRO AG directly via GfBk or indirectly via Heliad. The ultimate parent company of flatexDEGIRO group is flatexDEGIRO AG.

In accordance with the statutory requirements, the consolidated financial statements are published in the Federal Gazette as well as on the homepage of flatexDEGIRO 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 ad-hoc and at least annual impairment testing, which validates 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 realisable in technical and economic terms, and if the future economic benefit is probable. The initial capitalisation of these costs will be 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 their useful life, starting at the time when economic 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, licences and industrial property rights are accounted for at their acquisition cost and depreciated on a straight-line basis over their expected useful life as follows:

- Technology and software: straight line depreciation is applied over eight years.
- Customer relationships: straight line depreciation over 6, 8, 16 and 20 years.
- Trademarks: with the exception of the trademarks acquired as a result of the acquisition of DeGiro B.V, trademarks are depreciated over 10 years using the straight-line method.

Intangible assets acquired for valuable consideration are subject to impairment testing if there is an indication that it may be impaired. There werde no such indications apparent in financial year 2020.

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 to use (right of use) of an asset for an agreed period of time.

As a result of IFRS 16, leases are supposed to be recognised by the lessee in the balance sheet, because the distinction between operating and finance leases is eliminated from the lessee’s perspective. Under the standard, an asset (the right of use of the leased asset) and a financial liability for rental or lease payments are recognised. The lease liability corresponds to the present value of the minimum lease payments. The only exceptions to this are short-term and low-value leases. flatexDEGIRO AG did not use the exception options for short-term and low-value leases in the financial year.

flatexDEGIRO 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 consisten 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. One indication arose from the COVID-19 pandemic, but a qualitative and quantitative analysis determined that the recognition of an impairment is not required.

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-rata 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. The value in use is determindes by management planning for the CGU. The cash flows for the CGU in question are derived from such planning, taking into account the expected growth rates of the respective markets. They are discounted at the appropriate interest rate. The interest rate is determined by 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, flatexDEGIRO 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 realisable value on 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 flatexDEGIRO 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 flatexDEGIRO AG becomes a contractual party to the financial instrument.

The classification of financial assets depends on the business model (held to maturity, held for sale, held for 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 for sale' or 'held for trading' and the type of cash flows associated with the financial instrument, the financial assets of flatexDEGIRO 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)
- Financial equity instruments measured at fair value through profit or loss (FVPL-EK)

Amortised cost

The following financial instruments are assigned to the 'held to maturity' business model and measured at amortised cost by the flatexDEGIRO AG:

- Trade receivables
- Loans to customers (long and short term)
- Cash loans 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 for sale' are valued at fair value through other comprehensive income (FVOCI). At the time of purchase or acquisition, they are recognised at 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 cost 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 measured at fair value through profit or loss (FVPL-EK)

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. flatexDEGIRO 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 flatexDEGIRO 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 financial year, the financial liabilities of flatexDEGIRO 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, flatexDEGIRO 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. A loan loss allowance is then required, which is assessed on an individual basis and covers the full lifetime of the financial instrument (lifetime ECL).

For risk provision calculations at flatexDEGIRO AG, financial instruments with similar credit risks are grouped together or the credit risk is assessed individually.

Hedge Accounting

flatexDEGIRO AG continues not to make use of the option of hedge accounting during the financial 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 flatexDEGIRO 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 the nominal value. The item cash and cash equivalents contains cash reserves, cash at hand and credit balances with central banks and commercial banks.

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 outside of profit or loss.

Income taxes

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 financial 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 taxes 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 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 risk-free market interest rates. The settlement amount also includes the expected cost increases.

Contingent liabilities

If the criteria for forming a provision are not met, through the outflow of financial resources not unlikely, these obligations are reported in the notes to the consolidated financial statements. Liabilities are recognized 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 contractual agreements.

For the valuation of 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 as follows:

- 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: Capture 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 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. This method was selected because the realisation 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 parent company shares issued and outstanding during the financial year.

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 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 adopted by the 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 application of these standards and interpretations.

New standards, interpretations and improvements

Standard/ Interpretation	Amendment/new regulation	Date of application (EU)	EU-Endorsement
IFRS 9, IFRS 16, IFRS 1, IAS 41	Changes within the framework of the annual improvement cycles	Financial years that started on or after Jan 1, 2022	No
IAS 37 Provisions, Contingent liabilities and Contingent assets	Clarification regarding costs attributable to a contract	Financial years that started on or after Jan 1, 2022	No
IFRS 3 Business Combinations	Changes in relation to the new framework concept	Financial years that started on or after Jan 1, 2022	No
IAS 16 Property, Plant and Equipment	Clarification of revenue from property, plant and equipment before intended use	Financial years that started on or after Jan 1, 2022	No
IAS 1 Presentation of Financial Statements	Clarification of the classification of liabilities as current or non-current	Financial years that started on or after Jan 1, 2023	No
IFRS 17 Insurance Contracts	New accounting regulation for Insurance contracts	Financial years that started on or after Jan 1, 2023	No
IFRS 10 and IAS 28	Clarification that the gain/loss from the transfer of assets to an associate or joint venture is to be recognised in full when a business as defined by IFRS 3 is transferred	n/a	No

All of the above referenced standards, interpretations and amendments to existing standards and interpretations, insofar as their content is relevant, are not expected to be applied by flatexDEGIRO AG until the date of mandatory first-time application. No material effects are currently expected from first-time application.

Newly applied standards and interpretations in the current reporting period (2020)

The following standards became mandatory during the financial year 2020 and were adopted by flatexDEGIRO AG:

Adjustments to IAS 1 and IAS 8

The rules of IAS 1 applicable to financial years beginning on or after 1 January 2020 further sharpen the definition of the term "material" in order to improve disclosures on financial information provided to receipients of financial statements. The relevance of the disclosures in the notes is to be increased and the materiality assessment of information facilitated. The previously applicable definitions of the term "material" in accordance with IAS 8 have been adjusted to the effect that reference is now made to the new regulations of IAS 1. flatexDEGIRO AG applies the applicable definitions and amended standards accordingly.

Revision of the IFRS framework

The revised version of the IFRS framework, effective since 1 January 2020, has no direct impact on individual IFRS or IAS standards. The framework serves as a basis for the preparation and future revision of the standards as well as for clarifying accounting issues that are not substantiated via IFRS or IAS. If items to be reported on the balance sheet are not sufficiently specified by the applicable standards, flatexDEGIRO AG will apply the revised version of the framework.

Definition of a business according to IFRS 3

By specifying the definition of a business according to IFRS 3, the criteria to be assessed for business combinations as well as for the acquisition of assets with regard to their recognition as a business or an asset are determined. This can be determined futilizing of the previously introduced concentration test. This involves assessing whether the acquired value is concentrated in one asset. If that is the case, it follows that no business has been acquired. For information on the acquisition of DeGiro B.V., please refer to Note 7 "Business Combinations in accordance with IFRS 3.

Amendments to IFRS 9, IAS 39 and IFRS 7 with regard to the effects of the IBOR reform

As part of the reference interest rates reform, amendments were made to IFRS 9 and 7 as well as IAS 39. The application of the amended standards is mandatory as of 1 January 2020. The amendments are intended to mitigate the impact on financial reporting from the IBOR reform. They relate to the period before an existing reference interest rate of a hedging instrument is replaced by an alternative interest rate (phase 1). In the event of uncertainty about the reference interest rate that would follow the replacement, the previously applicable rules occasionally resulted in a termination of hedge accounting. Phase 2 of the IBOR reform addresses the issues related to and resulting from the replacement that could impact financial reporting when an existing reference rate is actually replaced. As in the previous year, flatexDEGIRO AG does not use the option of hedge accounting and does not expect any material effects from the IBOR reform.

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. The impact of the current global COVID-19 pandemic also carries an extraordinary importance. The resulting uncertainty in estimates relate in particular to the measurement of credit exposures and the recognition of the allowance for losses on loans and advances. As a consequence, the actual values realised may deviate from current estimates. New information is taken into account as soon as it becomes available. At the time of preparation of the consolidated financial statements, it is assumed that there have been no material changes to the assumptions and estimates other than those described above.

The impairment test for non-financial assets (in particular goodwill, capitalised development costs and customer relationships) is based on the assumption 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., the relief-from-royalty method or residual value method) to the extent that observable market values are not available.

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. The risk-bearing capacity analysis is based on the assumptions of various scenarios, with the aim of limiting estimation uncertainties where a material risk exists. The risk-bearing capacity analysis and the associated assumptions have not revealed any indications that a significant adjustment of the carrying amount will be required in the next financial year. The real-world stress test over the course of the COVID-19 pandemic proved that our conservative MLRs stand the test of time. In this context, we refer to the comments on financial risk management under Note 35 and to the section "Management and limitation of counterparty default risks" in the risk report of the Group Management Report.

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 provision for the SARs Plan 2020 is evaluated using a suitable option pricing model (Black-Scholes formula) and taking into account the expected EPS at the projected activation date. The other valuation assumptions of share price, interest rate and volatility were determined on the basis of publicly available market data at the balance sheet date.

The calculation of deferred tax assets involves an estimate of future taxable income and the date of realisation.

NOTE 7 Business Combinations in accordance with IFRS 3

flatexDEGIRO AG acquired all shares of the Dutch online broker DeGiro B.V. on 30 July 2020.

DeGiro B.V. and its securities trading business is represented in 18 European countries, offering retail investors access to global markets. The trading tools and trading platforms are developed and customised in-house, allowing fee structures to be kept low.

Benefitting from the combination of financial and technological know-how, DeGiro B.V. is a perfect complement to the financial technology company flatexDEGIRO AG and its group company flatex Bank AG. These qualitative factors have been included in the assessment of the purchase price paid for the acquisition of DeGiro B.V.

The purchase price for the acquisition of 100% of the shares in DeGiro B.V. amounted to kEUR 321,317 and includes the following components:

In kEUR	07/30/2020
Fair value of shares acquired in December 2019 (9,44%)	29,440
Fair value of the newly issued flatexDEGIRO shares (as of 07/30/2020)	210,000
Purchase price payment 2020	68,877
Contingent Purchase price payment 2021	13,000
Purchase price	**321,317**

The fair value of the 9.44% shares acquired in December 2019 amounted to kEUR 29,440 as of 31 July 2020. The shares were reported in the balance sheet item "Equity instruments measured at fair value through other comprehensive income" until the date of initial consolidation. The result from the reevaluation of the shares recognised in the current financial year as of 31 July 2020 amounted to kEUR 4,551 and is included in retained earnings.

In addition, the selling shareholders of DeGiro B.V. were granted 7,500,000 newly subscribed shares in flatexDEGIRO AG with a separate ISIN DE000FTG1202 for the contribution of the remaining shares in DeGiro B.V. as part of a capital increase through contributions. In addition, purchase price payments of kEUR 68,877 were made from agreed purchase price adjustments. A further contingent purchase price payment of kEUR 13,000 is due in the financial year 2021. The payment is conditional due to a pending approval of the Dutch Central Bank (De Nederlandsche Bank, Amsterdam Netherlands, DNB).

In deriving the purchase price, a fair value of kEUR 210,000 was attributed to the newly issued shares in flatexDEGIRO AG (i.e. EUR 28.00 per share). In the calculation, the share price for the newly issued shares as of 31 July 2020 of EUR 36.30 was adjusted by a discount of 22.9%, which takes into account the limited tradability of the issued shares. The discount was determined on the basis of an option pricing model. Estimates are uncertain with regard to the assets identified in the purchase price allocation and their useful lives, and with regard to the contingent purchase price payments in 2021, and are therefore provisional. The uncertainty in estimates affecting useful lives mainly relate to customer relationships and registered brand names.

On 31 July 2020 the amounts of identifiable assets acquired and liabilities assumed were as follows:

In kEUR	**07/31/2020**
Cash and cash equivalents	61,134
Secured receivables from customers	269,847
Securities	165
Technology and software	500
Registered trademarks	30,836
Customer relations	120,511
Property, plant and equipment	1,273
Trade receivables and other receivables	3,571
Subtotal	**487,837**
Trade accounts payable and other liabilities	11,702
Loan liabilities	270,108
Deferred tax liabilities	31,026
Subtotal	**312,837**
Net Assets	**175,000**

The gross amount of secured loans and advances to customers amounted to kEUR 269,847 as of 31 July 2020, of which kEUR 302 is expected to be uncollectible. The gross amount of trade and other receivables amounted to kEUR 3,571, of which the total amount is expected to be collectible.

Factoring in deferred taxes of kEUR 31,026, the derivative goodwill resulting from the transaction amounts to kEUR 146,806. The recognized goodwill is not relevant for corporate tax purposes.

The derivative goodwill was calculated using the revaluation method in accordance with the option provided by IFRS 3.19. The goodwill was recognised in profit or loss in the period in which it arose. The assets and liabilities identified and included in the revalued net assets were revaluated at fair value at the acquisition date.

In kEUR	Gross amount as of 01/01/2020	Additions	Disposals	Gross amount as of 12/31/2020	Accumulated depreciation as of 01/01/2020	Impairment in the financial year 2020	Accumulated depreciation as of 12/31/2020
Goodwill	36,555	146,806	-	183,361	-	-	-

Derivative goodwill is fully attributable to continuing operations. There are no adjustments due to subsequently recognised deferred tax assets.

Of the revenues reported in the consolidated financial statements, a total of kEUR 55,453 has been attributable to DeGiro B.V. since initial consolidation. Accordingly, the contribution to net income amounted to kEUR 11,885. Assuming full consolidation of DeGiro B.V. as of 1 January 2020, revenues would have been EUR 133.7 million (of which EUR 125.1 million in commission income), cost of materials EUR 29,781 million (of which EUR 25,472 million in commission expense) and net income EUR 39.3 million. Free cash flow would have amounted to EUR 47.0 million in this period. The main balance sheet items are included in the presentation of net assets and consist of collateralised receivables and the corresponding liabilities of the securities business as well as trademark rights and customer relationships. DeGiro B.V. has been included in the consolidated financial statements of flatexDEGIRO AGsince 1 August 2020.

NOTE 8 Group subsidiaries with minority shareholders

Non-controlling interest existed at the level of flatexDEGIRO AG as of 31 December 2020. Non-controlling interests relate to the direct subsidiary financial.service.plus GmbH, Leipzig. As of the reporting date of 31 December 2020, this share amounts to a total of 0.1% of the equity of flatexDEGIRO AG. These non-controlling shareholders account for flatexDEGIRO AG earnings of kEUR 16.

The following tables show the condensed financial information on the assets and liabilities, profit and loss, as well as cash flows of financial.service.plus GmbH for the financial years 2020 and 2019. The information provided relates exclusively to financial.service.plus GmbH prior to any intra-group eliminations.

Balance sheet (condensed):

In kEUR	12/31/2020	12/31/2019
Current		
Assets	602	905
Liabilities	-409	-601
Net current assets	**193**	**304**
Non-current		
Assets	1,237	1,130
Liabilities	-330	-389
Net non-current assets	**908**	**741**

Combined income statement

In kEUR	2020	2019
Revenues	1,661	1,658
Earnings before income taxes	77	114
After-tax earnings from continuing operations	55	77
Other earnings/losses	-	-
Comprehensive income	**55**	**77**
Total earnings attributable to minority shareholders	16	22

Combined cash flow presentation

In kEUR	2020	2019
Consolidated net profit from continuing activities	**55**	**77**
Depreciation and amortisation/appreciation on property, plant and equipment and intangible assets	322	416
Increase/decrease in inventories	-	-
Increase/decrease in trade receivables	-64	176
Increase/decrease in trade payables	-67	286
Increase/decrease in other receivables, financial investments and other assets	146	-
Increase/decrease in provisions, pension obligation and deferred taxes	1	-27
Increase/decrease in provision for long-term variable remuneration components	-	-
Cash flow from operations	**394**	**928**
Cash outflow/inflow for the investment/disposal in/from intangible assets	-331	-
Cash outflow/inflow for investment/disposal in/from property, plant and equipmant	-53	-823
Increase/decrease due to changes in the scope of consolidation	-	-
Non-cash movements in fixed assets	-	-
Cash flow from investments	**-384**	**-823**
Inflow from equity injections by shareholders of the parent company	-	-
Non-cash movements in equity	-	197
Increase/decrease in non-current liabilities to banks (loans)	-	125
Increase/decrease in leases and non-current liabilities to non-banks	-76	-
Cash flow from financing activities	**-76**	**322**
Free cash flowprior to accountins changes to the banking business	**-66**	**428**
Increase/Decrease in long-term loans to customers	-	-
Increase/decrease in financial assets measured at FVOCI	-	-
Increase/decrease in financial assets measured at FVPL	-	-
Increase/decrease in cash loans to municipalities	-	-
Increase/decrease in short-term loans to customers	3	-
Increase/decrease in other receivables due from banks	-	-
Increase/decrease in liabilities to customers	-	-
Increase/decrease in liabilities to banks	-17	-
Increase/decrease in other financial liabilities	-138	-
Other non-cash transactions	-	-
Cash flow from accounting changes to the banking business	**-152**	**-**
Change in cash and cash equivalents	**-217**	**428**
Cash and cash equivalents at the beginning of the period	**590**	**162**
Cash and cash equivalents at the end of the period	**373**	**590**

NOTE 9 Intagible Assets

Intangible assets were as follows in financial year 2020:

In kEUR	Acquisition/ production costs as of 01/01/2020	Additions	Disposals	Reclassifications	Acquisition/ production costs as of 12/31/2020	Accumulated depreciation as of 12/31/2020	Carrying amount as of 12/31/2020	Depreciation in financial year 2020
Goodwill	36,555	146,807	-	-	183,362	-	183,361	-
Completed developments costs	35,485	655	-	15,486	51,626	19,320	32,305	6,079
Current development costs	23,593	7,309	679	-15,486	14,737	107	14,630	-
Customer relationships	8,265	120,511	-	-	128,776	5,708	123,068	3,762
Industrial property rights and similar rights	12,892	1,528	5	-	14,415	10,727	3,688	1,585
Trademarks	700	30,836	-	-	31,536	403	31,134	70
Down payments	-	1,246	-	-	1,246	-	1,246	-
Intangible assets	**117,490**	**308,892**	**684**	**-**	**425,698**	**36,265**	**389,432**	**11,496**

Intangible assets were as follows in financial year 2019:

In kEUR	Acquisition/ production costs as of 01/01/2019	Additions	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 financial year 2019
Goodwill	36,555	-	-	-	36,555	-	36,555	-
Completed developments costs	39,362	1,123	-	-5,000	35,485	13,241	22,244	4,172
Current development costs	4,728	13,876	11	5,000	23,593	107	23,486	-
Customer relationships	9,240	-	975	-	8,265	1,946	6,319	666
Industrial property rights and similar rights	10,185	3,179	472	-	12,892	9,142	3,750	1,621
Trademarks	700	-	-	-	700	333	368	70
Down payments	133	-	133	-	-	-	-	-
Intangible assets	**100,903**	**18,178**	**1,591**	**-**	**117,490**	**24,769**	**92,722**	**6,529**

Apart from goodwill, ongoing development costs and the trademark rights acquired as part of the acquisition of DeGiro B.V., there are no intangible assets with indefinite useful lives. Due to the reach in 18 countries and the continued use of the registered trademark DEGIRO by flatexDEGIRO AG, the useful life is indefinite.

Intangible assets with a definable useful life are stated at their acquisititon or product cost, less accumulated depreciation amortisation and impairments; amortisation of intangible assets is recognised in the consolidated statement of income under the line item "Amortisation and depreciation". Depreciation occurs on a straight-line basis. Other comprehensive income does not include any amortisation of intangible assets.

Goodwill as well as current development costs are subject to annual impairment testing.

The recoverable amount of the asset was determined by a value-in-use calculation based on cash flow projections for the period of five years and using a pre-tax discount rate of 5.82% p.a. (previous year: 9.07% p.a.). Cash flows exceeding the five-year period were extrapolated by assuming a constant constant annual growth rate of around 1%. The assumptions in the impairment tests are based on management's previous experiences regarding the respective asset. A sensitivity analysis was also performed to further validate the recoverability of the significant customer relationships. In this case, the useful life of the customer relationships was varied by three years. A shortened useful life would result in a reduction in the carrying amount of < 1.0%, an extended useful life in a change of < 0.5%.

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 significantly exceeding its recoverable amount.

Individual, material intangible assets

Assets	Item	Carrying amount as of 12/31/2020 kEUR	Carrying amount as of 12/31/2019 kEUR	Remaining amortisation Years
Core Banking System (FTX:CBS)	Capitalised development cost	25,175	21,296	2 to 8
Customer relationships (DEGIRO)	Customer relationships	117,373	-	15
Customer relationships (ViTrade)	Customer relationships	2,636	2,821	14
Customer relationships (factoring.plus and financial.service.plus)	Customer relationships	1,458	1,740	3
Customer relationships (Bank)	Customer relationships	1,602	1,758	10

No significant portion of personnel expenses was invested in research during the financial year, as in the previous year.

Compared to the previous year, the presentation was supplemented by the intangible asset of the Core Banking System. This includes the previous year's figure for technology and software (flatex).

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 DeGiro B.V. and factoring.plus.GmbH is allocated in full to the FIN segment. The goodwill from the acquisition of XCOM AG totaling kEUR 28,780 (previous year: kEUR 28,780) is divided between the TECH (20%) and FIN (80%) segments. Goodwill was allocated to the CGU at the time of acquisition in accordance with the contribution of the CGU to total Group revenues.

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.

Testing for impairment of goodwill

The Group undertakes goodwill impairment tests on a regular basis at the end of each financial year, and also if there is an indication of an impairment.

In determining the value in use of the segments, the Group takes into account, among other factors, increasing competitive pressure and the changed strategic focus of the segments.

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. The cash flow forecasts include both historical values and future-oriented values, i.e. expected future market developments. 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 (interest rate),
- themarket 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 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 and conservative assumptions.

As of 31 December 2020 and per 31 December 2019, no group impairment of derivative goodwill had to be recognised as a result of impairment testing.

The carrying amount of the TECH-CGU as of 31 December 2020 amounts to kEUR 50,620 (previous year: kEUR 46,846). The recoverable amount of this CGU is kEUR 102,296 (previous year: kEUR 83,683). The derivative goodwill allocated to this CGU as of 31 December 2020 was kEUR 5,756 (previous year: kEUR 5,756). The pre-tax discount rate used for the cash flow forecast was 5.82% (previous year: 9.02%). The long-term growth rate is assumed to be 1.0% (previous year: 1.0%).

The carrying amount of the FIN CGU as of 31 December 2020 amounts to kEUR 186,079 (previous year: kEUR 70,650). The recoverable amount of this CGU is kEUR 1,147,389 (previous year: kEUR 221,980). The derivative goodwill allocated to this CGU as of 31 December 2020 was kEUR 179,740 (previous year: kEUR 30,631). The pre-tax discount rate used for the cash flow forecast was 5.82% (previous year: 9.02%). 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 any of the key assumptions used to determine the respective value in use of the FIN-CGU could cause the carrying amount of the CGU to materially exceed its recoverable amount. For the TECH-CGU, a decrease in revenue of more than 15% and an increase in personnel costs of more than 41.7% would cause the carrying amount of the CGU to exceed its recoverable amount. The management considers both scenarios to be extremely unlikely based on reasonable judgment.

The carrying amounts of the TECH CGU correspond to the Group units of flatexDEGIRO AG, financial.service.plus GmbH and Xervices GmbH (including their shared services for the other Group companies), while the FIN CGU is assigned the Group units of flatex Bank AG, DeGiro B.V. and Brokerport Finance GmbH.

NOTE 11 Property, plant and equipment

Property, plant and equipment was as follows in the financial year 2020

In kEUR	Acquisition/ production costs as of 01/01/2020	Additions	Disposals	Acquisition/ production costs as of 12/31/2020	Accumu-lated depreciation as of 12/31/2020	Carrying amount as of 12/31/2020	Depreciation in financial year 2020
Land and buildings, including buildings on third-party land	5,560	78	-	5,638	3,605	2,033	795
Other plant, business and office equipment	30,560	23,081	-	53,641	22,817	30,824	7,473
Property, plant and equipment	**36,121**	**23,158**	**-**	**59,278**	**26,421**	**32,858**	**8,267**

Total rights of use recognised in property, plant and equipment

In kEUR	12/31/2020	12/31/2019
Rights of use for real estate	19,395	7,091
Rights of use for business and office equipment	3,546	2,173
Rights of use for vehicles	673	811
Total	**23,614**	**10,075**

Rights of use accruals

In kEUR	2020	2019
Accrual from RoU for real estate	15,147	9,125
Accrual from RoU for business and office equipment	2,857	1,063
Accrual from RoU for vehicles	764	1,566
Total	**18,768**	**11,754**

Amortisation of rights of use by asset class

In kEUR	2020	2019
Rights of Use for real estate	2,843	1,997
Rights of Use for business and office equipment	1,484	1,053
Rights of Use for vehicles	902	751
Total	**5,228**	**3,801**

Property, plant and equipment were listed as follows in financial year 2019:

In kEUR	Acquisition/ production costs as of 01/01/2019	Additions	Disposals	Acquisition/ production costs as of 12/31/2019	Accumu-lated depreciation as of 12/31/2019	Carrying amount as of 12/31/2019	Depreciation in financial 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**

Impairment expenses of kEUR 400 were recognised in the financial year 2020. Reversals of impairment losses were not recognised in the financial year 2020, nor in the financial year 2019. No property, plant and equipment has been pledged as collateral. The increase in property, plant and equipment as well as in depreciation and amortisation mainly results from the first-time consolidation of DeGiro B.V. and from additions to leased assets.

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 "Accounting Policies") of each financial assets and liability depending on the nature of the business model and measurement category:

In kEUR	Carrying amount 12/31/2020	Carrying amount 12/31/2019
Business Model 'hold until maturity'		
Amortised cost		
Non-current loans due to customers	62,896	69,409
Cash loans due to local authorities	370	14,056
Current loans due to customers	843,337	362,552
Other receivables due to banks	32,336	31,239
Cash and cash equivalents	1,255,124	468,616
Business Model 'hold to collect and sell'		
Financial assets measured at fair value through other comprehensive income (FVOCI)	89,802	61,547
Business model 'hold to sell'		
Financial assets measured at fair value through profit or loss (FVPL)	189	214
Equity instruments without trading intent		
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	19,565	68,644
Equity instruments measured at fair value through profit or loss (FVPL-EK)	74,660	66,049
Financial liabilities		
Financial liabilities measured at amortised cost (including trade payables)	2,270,468	1,051,405

For a description of the business model, see Note 4 Explanation of Significant 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 the fair value for these receivables. The long-term loans to customers have a maximum term of up to seven years and were issued in the second half of 2020. As a result, the carrying amount still represents an appropriate fair value and has not led to any significant events relevant to the measurement since allocation.

The following table summarises the financial instruments measured at fair value in accordance with their measurement hierarchy levels:

In kEUR	Level 1 12/31/2020	Level 1 12/31/2019	Level 2 12/31/2020	Level 2 12/31/2019	Level 3 12/31/2020	Level 3 12/31/2019
Business Model 'hold until maturity'						
Amortised cost						
Non-current loans due to customers	-	-	-	-	62,896	69,409
Cash loans due to local authorities	-	-	-	-	370	14,056
Current loans due to customers	-	-	-	-	843,337	362,552
Other receivables due to banks	-	-	-	-	32,336	31,239
Cash and cash equivalents	1,255,124	468,616	-	-	-	-
Business Model 'hold to collect and sell'						
Financial assets measured at fair value through other comprehensive income (FVOCI)	89,802	61,547	-	-	-	-
Business model 'hold to sell'						
Financial assets measured at fair value through profit or loss (FVPL)	189	214	-	-	-	-
Equity instruments without trading intent						
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	19,565	68,644	-	-	-	-
Equity instruments measured at fair value through profit or loss (FVPL-EK)	-	-	-	-	74,660	66,049
Financial liabilities						
Financial liabilities measured at amortised cost (including trade payables)					2,270,468	1,051,405

Level 2 financial instruments did not exist as of the reporting date, since no investments were made either during the financial year or to prior.

Cash and cash equivalents

In kEUR	12/31/2020	12/31/2019
Balances with central banks	1,015,434	356,868
Receivables due to banks (on demand)	133,561	66,013
Bank balances	95,290	29,913
Cash on hand	10,839	15,821
Total	**1,255,124**	**468,616**

The cash and cash equivalents amount in the cash flow statement corresponds to the relevant amount in the balance sheet. In the financial year 2020, there were no material restrictions regarding cash and cash equivalents.

Loans to customers

Loans to customers mainly include securities-backed loans such as Lombard and flatex-flex loans, special Lombard loans and margin loans, receivables-based financing such as true sale factoring and football club financing, for which default insurance, guarantees and assignments of receivables from sponsorship, TV and advertising rights exist. Furthermore, loans to customers include asset-based financing, real estate financing and other financing. Long-term loans to customers are mainly composed of football club and asset-based financing.

With the further expansion of the loan book, loans to customers increased to a total of kEUR 906,234 (previous year: kEUR 431,961). The increase results in particular from the expansion of securities-backed margin loans and the refinancing of the DEGIRO loan book through own deposits.

Asset-based financing increased by kEUR 26,702 to kEUR 87,154 (previous year: kEUR 60,452) compared to the previous year. This resulted of an increase in property financing by kEUR 8,025 to kEUR 53,505 (previous year: kEUR 45,480) and in other asset-based financing by kEUR 18,677 to kEUR 33,649 (previous year: kEUR 14,972).

The share of total receivables-based financing in the loan book decrease by kEUR 1,164 to kEUR 187,417 (previous year: kEUR 188,581), of which kEUR 26,558 (previous year: kEUR 29,914) is mainly attributable to receivables from true sale factoring and kEUR 140,804 (previous year: EUR 147,673) to football club financing.

Cash loans due to local authorities

Cash loans to municipalities decreased by kEUR 13,686 to kEUR 370 as in the previous year. The reason for this was the continued negative returns and the associated reduced investment attractiveness. The liquidity freed up was used for broader diversification through investments in new asset classes and sectors, and deposited as a cash reserve with the European Central Bank, taking risk and return considerations into account.

Other receivables due to banks

Other receivables from banks amounting to kEUR 32,336 (previous year: kEUR 31,239) include receivables from banks in connection with the settlement of securities and payment transactions amounting to kEUR 18,625 (previous year: kEUR 0), from security deposits with cooperation banks amounting to kEUR 11,190 (previous year: kEUR 10,030) and other receivables in the amount of kEUR 2,521 (previous year: kEUR 7,279).

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 comprise shares in the amount of kEUR 189 (previous year: kEUR 189).

The equity instruments measured at fair value through profit or loss in the amount of kEUR 74,660 (previous year: kEUR 66,049) mainly relate to shares in residential investment and infrastructure funds in the corporate form of a SICAV. Compared to the previous year, these shares were reclassified from current to non-current assets.

Financial assets (FVOCI) and equity instruments (FVOCI-EK) measured at fair value through other comprehensive income

Financial assets and equity instruments at fair value through other comprehensive income include bonds from public issuers in the amount of kEUR 76,226 (previous year: kEUR 25,143), bonds from non-public issuers in the amount of kEUR 13,576 (previous year: kEUR 36,404) and shares in funds in the amount of kEUR 19,565 (previous year: kEUR 44,486).

The financial instruments designated under these items are held for the purpose of short-term liquidity management. They are not directly related to the Group's operating activities and are reported under current assets, in particular due to their maturity.

In kEUR	Type	Share	Total managed assets	Income within the financial year	Potential loss risk	Loss type
NORDIX BASIS UI AK I	fund	19,564	141,975	99	247	Market price risk
FG Wohninvest Deutschland S.C.S. SICAV-SF	Real estate fund	58,032	489,290	1,624	81	Adress default risk
Fidelio KA Infrast. Debt Fund Europe I - RAIF SICAV	Infrastructure-fund	16,628	267,936	240	178	Adress default risk

The FG Wohninvest Deutschland S.C.S. SICAV-SF invests in residential real estate portfolios in Germany in the mid-range rental price segment that offer attractive rental income prospects and sustainable appreciation potential.

Fidelio KA Infrast. Fund Debt Fund Europe I - RAIF SICAV invests in economic infrastructure projects in Europe and has stable, long-term dividend distributions.

The NORDIX BASIS UI AK I fund is based on a market-neutral investment strategy and systematically uses distortions on the bond and credit markets as a return component.

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	12/31/2020	12/31/2019
Financial instruments recognized directly in equity (FVOCI with recycling)	-1,265	-269
Equity instruments recognized directly in equity (FVOCI without recycling)	-7	305

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)" because the financial assets are assigned to a portfolio held in the "hold to collect and sell" business model and whose contractual cash flows meet the SPPI criterion.

Financial instruments that are recognised at fair value

Regular or recurring fair value measurements are carried out at flatexDEGIRO AG for selected financial instruments.

The fair value of financial instruments allocated to one of the categories is determined on the basis of quoted prices in active markets that are accessible to the company on the measurement date (level 1 valuation technique 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 the financial liabilities are the prices that were agreed between flatexDEGIRO AG and its contractual partners for the individual transactions.

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 the measurement. The measurement is based on level 3 input factors within the meaning of IFRS 13. The shares in the SICAVs are determined using a net asset value method. The "net asset value" is used to determine the purchase or redemption values.

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 12/31/2020	Carrying amount 12/31/2019
Assets		
Cash on hand and bank balances and balances with central banks	1,121,563	402,603
Loans due to customers	906,234	431,961
Receivables due to banks	32,336	31,239
Cash loans due to local authorities	370	14,056
Receivables due to banks (on demand)	133,561	66,013
Liabilities and shareholders' equity		
Trade payables	10,473	5,581
Liabilities to customers	2,089,213	950,777
Liabilities to banks	97,117	71,694
Other financial liabilities	45,010	6,132

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 interest 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 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. The validation did not result in any material differences between the fair value and the carrying amount.

Held collateral

flatexDEGIRO 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. The carrying amount of provided collateral amounts to kEUR 94,581 (previous year: kEUR 50,675) and can essentially be explained by the strong increase in trading volume in 2020.

The material transactions and their underlying contractual terms are as follows:

- A substantial portion of the total amount of collateral is attributable to the securities traded on the Eurex Exchange. Two types of collateral, the 'clearing fund' and the 'margin', must be deposited for this purpose. The "clearing fund", amounting to kEUR 5,096 as of 31 December 2020 (previous year: kEUR 5,244), represents the minimum level of collateral to which Eurex would have access in the event of a default of clearing member. The amount of the "margin" (31 December 2020: kEUR 51,390; previous year: kEUR 12,154) primarily reflects the volume of business and the risk content of the transactions conducted. The margin is supposed to cover the risk of pending Eurex transactions. 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 2020, the total amount thus provided is kEUR 10,510 (previous year: kEUR 10,030).
- flatex Bank AG uses UniCredit as a general clearer for the settlement of its customer business in exchange-traded derivatives on Eurex. For this purpose, kEUR 680 was held as cash collateral as at 31 December 2020 (previous year: kEUR 680) deposited with UniCredit.
- flatex Bank AG has obtained credit lines from its business partners for securities transactions settled in foreign currencies in the amount of kEUR 8,150 (previous year: kEUR 8,918). Collateral is provided in the form of deposited securities in the amount of kEUR 9,900 (previous year: kEUR 9,567). 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 installment loan.The loan amount as of 31 December 2020 is kEUR 542 (previous year: kEUR 708).

Net gains/losses from financial instruments

The net gains/losses from financial instruments are as follows:

In kEUR	Net gains 2020	Net losses 2020
Financial assets measured at fair value through profit or loss	-	432
Financial assets measured at amortised cost	244	2,102
Equity instruments whose changes in fair value upon exercise of the fair value OCI option (FVOCI-EK) for equity instruments are to be reconised in OCI, i.e. in equity	-	424
Financial assets measured at fair value through other comprehensive income (fair value through OCI for debt instruments)	365	-
Interest income and interest expense of financial assets measured at amortised cost	32,172	2,899
Fees recognised as income or expense	-	-

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 reconised 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	-	-

The net gains result mainly from the increase in interest received and in connection with the first-time effects by DeGiro B.V.

The net losses result mainly from interest expenses measured at amortised cost and from financial assets measured at amortised cost resulting from changes in market value.

In the financial year, fund units accounted for as equity instruments measured at fair value through other comprehensive income were sold. The three fund sales were made at a market value of kEUR 24,567 and resulted in total net losses of kEUR 424. The sales are due to a broader diversification of the portfolio and corresponding liquidity management.

NOTE 13 Equity

Subscribed capital

The share capital at the end of the financial year is divided into 27.273 million (previous year: 19.596 million) no par-value registered shares with a notional value of EUR 1.00 each. The subscribed capital of flatexDEGIRO AG amounts to kEUR 27,273 as at the balance sheet date (previous year: kEUR 19,596).

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
Number of new shares issued in 2020	7,677,500
Number of shares issued and outstanding as of 12/31/2020	**27,273,137**

The change in subscribed capital results from the issue of new shares against contribution in the context of the acquisition of DeGiro B.V. and from the exercise of options in the context of the employee participation programme. For more details, please refer to Note 7 and Note 33.

Authorised capital

At the beginning of the financial year 2020 flatexDEGIRO AG had authorised capital of kEUR 7,530.

With regard to the issue of new shares, no resolutions were passed in 2019.

With regard to the issue of new shares, the following resolutions were passed in 2020 :

1. The Authorised Capital 2017, including the remaining amount – after previous exercises – of kEUR 4,898, was utilised in full by resolution of the Management Board with the approval of the Supervisory Board on 28 July 2020.
2. The Authorised Capital 2018 in the amount of EUR 2,601,885 was fully utilised by resolution of the Management Board with the approval of the Supervisory Board on 28 July 2020, and as of the balance sheet day amounts to EUR 29,677 following registration of the capital increase. The Authorised Capital 2018 was cancelled in full with the remaining amount after previous exercises by resolution of the Annual General Meeting on 20 October 2020.
3. By resolution of the Annual General Meeting of 20 October 2020, the Management Board was authorised, with the consent of the Supervisory Board, to increase the share capital (Authorised Capital 2020/I) by a total of up to kEUR 10,900 by issuing new registered no par-value shares against cash and/or non-cash contributions on one or more occasions until 19 October 2025. As a rule, 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.
4. By resolution of the Annual General Meeting of 20 October 2020, the Management Board was authorised, with the consent of the Supervisory Board, to increase the share capital (Authorised Capital 2020/II) by a total of up to kEUR 2,700 by issuing new registered no-par value shares against cash and/or non-cash contributions on one or more occasions until 19 October 2025. As a rule, the existing shareholders must be granted pre-emptive rights. However the Management Board, with the consent of the Supervisory Board, is authorised to exclude such pre-emptive rights of the shareholders in specific instances.

As of 31 December 2020, the company thus had authorised capital of kEUR 13,600 (Authorised Capital 2020/I: kEUR 10,900; Authorised Capital 2020/II: kEUR 2,700).

	12/31/2020	**12/31/2019**
Number of authorised shares	13,600,000	7,529,677

Conditional Capital

1) Conditional Capital 2014

By resolution of the Extraordinary General Meeting of 30 October 2014, the Management Board was authorised, with the consent of the Supervisory Board, to conditionally increase the share capital by up to kEUR 1,390 by issuing up to 1,390,000 new no par-value bearer shares with 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 pre-emptive rights that are issued to the members of the Management Board, the employees of flatexDEGIRO AG and the members of the management and employees of affiliated companies of flatexDEGIRO AG in the period up to and including 30 September 2019 on the basis of the authorisation of the Annual General Meeting of 30 October 2014 within the framework of the 2014 stock option programme.

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 4 December 2017, the General Meeting's authorisation from 30 October 2014, which had been passed with modifications by the General Meeting on 27 July 2016, to issue subscription rights as part of the 2014 stock options programme, was modified and made more specific. At the same time, the Conditional Capital 2014 was amended to the effect that it also serves to service pre-empitve rights issued on the basis of the authorisation resolution of the Annual General Meeting of 30 October 2014, also with adjustments by the Annual General Meeting of 27 July 2016 and also in the version following their amendment by the corresponding resolution of the Extraordinary General Meeting of 4 December 2017, and also to the extent that the option conditions underlying the subscription rights in question were revised after the subscription rights were issued in the context of the corresponding resolution of the Annual General Meeting of 4 December 2017.

Due to the exercise of share options from the 2014 share option programme, a total of 859,000 new registered no-par value shares with a proportionate amount of the 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 kEUR 859 to kEUR 531 as of 31 December 2019 and the share capital increased to kEUR 19,596.

Due to the exercise of share options from the 2014 share option programme, a total of 125,000 new registered no par-value shares with a proportional amount of the share capital of EUR 1.00 per share were issued from the Conditional Capital 2014 in the 2020 financial year. As a result, the Conditional Capital 2014 was reduced by kEUR 125 to kEUR 406 as of the balance sheet date. The corresponding amendments to the Articles of Association were filed with the trade register and registered as requested on 22 July 2020 (kEUR 75) and 11 December 2020 (kEUR 50).

2) Conditional Capital 2015

By resolution of the Annual General Meeting of 28 August 2015, the Management Board was authorised, with the consent of the Supervisory Board, to conditionally increase the share capital by up to kEUR 230 by issuing up to 230,000 new no-par- value bearer shares with dividend rights 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 pre-emptive rights issued to the members of the Management Board, the employees of the company as well as the members of the management and employees of companies affiliated with the company in the period up to and including 27 August 2020 on the basis of the authorisation of the Annual General Meeting of 28 August 2015 within the framework of the 2015 stock option programme.

On 27 July 2016, the Annual General Meeting resolved to convert bearer shares into registered shares; the Conditional Capital 2015 was adjusted accordingly to issue registered shares.

By resolution of the extraordinary General Meeting of 4 December 2017, the authorisation to issue stock options within the framework of a 2015 stock option programme, resolved by the General Meeting of 28 August 2015 with adjustments by the General Meeting of 27 July 2016, was amended and substantiated. At the same time, the Conditional Capital 2015 was amended in such a way that it exclusively serves the servicing of pre-emptive rights that were or will be issued on the basis of the authorisation resolution of the General Meeting of 28 August 2015, also with adjustments by the Annual General Meeting of 27 July 2016 and in the version after its amendment by the corresponding resolution of the Extraordinary General Meeting of 4 December 2017, and also insofar as the option conditions underlying the respective subscription rights were or will be revised after the subscription rights were issued in the context of the corresponding resolution of the Annual General Meeting of 4 December 2017.

In the financial year 2020, a total of 20,000 new registered no-par-value shares with a pro rata amount of share capital of EUR 1.00 per share were issued by 10 January 2020 as a result of the exercise of stock options from the 2015 stock option programme. As a result, the Conditional Capital 2015 was reduced by kEUR 20 to kEUR 210 by 10 January 2020. The corresponding amendment to the Articles of Association was filed with the trade register and registered on 27 January 2020 as requested. Further into the 2020 financial year, additional stock options in the amount of EUR 32,500 were exercised, whereby a total of 32,500 new registered no par-value shares with a proportionate amount of the share capital of EUR 1.00 per share were issued. The corresponding amendment to the Articles of Association was filed with the trade register and registered on 30 July 2020 as requested. As at the balance sheet date, the Conditional Capital 2015 still amounts to EUR 177,500.

3) Conditional Capital 2018

By resolution of the Extraordinary General Meeting of 4 December 2017 with the addendum of 7 August 2018, the Management Board was authorised, with the consent of the Supervisory Board, to conditionally increase the share capital by up to kEUR 3,500 by 3 December 2022 by issuing up to 3,500,000 new registered no-par value shares with dividend rights starting at the beginning of the financial year in which they are issued (Conditional Capital 2018/I). The Conditional Capital increase serves to service bonds issued until 3 December 2022 on the basis of the corresponding authorisation resolution of the Annual General Meeting of 4 December 2017 as amended after the amendment of 7 August 2018.

By resolution of the Annual General Meeting of 7 August 2018, the Management Board was authorised, with the consent of the Management Board, to conditionally increase the share capital by up to kEUR 3,600 by issuing up to 3,600,000 new registered no-par value shares with dividend rights from the beginning of the financial year in which they are issued until 6 August 2023 (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 of the Annual General Meeting dated 7 August 2018.

Capital reserves

As of 31 December, the capital reserve amounts to 2020 kEUR 310,916 (previous year: kEUR 106,894) and is made up 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.

The share capital increased by kEUR 7,500 as a result of the non-cash capital increase carried out in the reporting year. The capital reserve was increased by kEUR 202,500 as a result of the agio on the shares issued. As part of the Conditional Capital increase in the reporting year through the exercise of stock options from the Conditional Capital 2014 and the Conditional Capital 2015 resolved by the Annual General Meeting, the share capital increased by kEUR 178. The capital reserve was increased by kEUR 1,522 through the agio of the issued shares.

Retained earnings

The following table shows the changes in retained earnings during the relevant periods:

In kEUR	Change
As of 01/01/2019	**43,023**
Additions to retained earnings	13,315
thereof: allocation from net profit	14,908
thereof: dividend distribution	-
thereof: 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**
Additions to retained earnings	55,918
thereof: allocation from net profit	49,924
thereof: dividend distribution	-
thereof: contribution to/withdrawal from reserves	5,994
thereof: changes in the scope of consolidation not involving a change of control	-
Other earnings/losses	-4,001
As of 12/31/2020	**107,117**

NOTE 14 Non-current liabilities to banks and non-banks

Non-current financial liabilities comprise the following:

In kEUR	12/31/2020	12/31/2019
Non-current liabilities to banks		
Loans with original terms of >1 year	-	3,018
Loans with original terms of >5 years	-	708
Total	**-**	**3,727**
Non-current liabilities to non-banks		
Liabilities from leases	23,572	10,062
Liabilities from hire purchasing	5,084	3,433
Total	**28,656**	**13,495**

Non-current liabilities to banks were fully repaid in the reporting year through scheduled redemption payments, leaving no non-current liabilities to banks for the Group.

Non-current liabilities to non-banks include leasing liabilities in accordance with IFRS 16:

In kEUR	12/31/2020	12/31/2019
Leasing liabilities	23,572	10,062
Total	**23,572**	**10,062**

The increase in leasing liabilities due in particular to the leasing of additional premises in Neuss and Hamburg, the leasing of new IT equipment and to the first-time consolidation of DeGiro B.V. as of 1 August 2020.

NOTE 15 Pensions and similar obligations

flatexDEGIRO AG maintains defined benefit pension plans based on individual fixed-amount commitments. Most pension plans provide life-long benefit payments, including retirement, disability and widow's/widower's pension. To finance pension commitments, re-insurance policies were bought for the employees of flatexDEGIRO AG from Swiss pension provider Swiss Life AG and German insurer MV Versicherungsgruppe. Some of the re-insurance policies are pledged to the beneficiaries and qualify as plan assets. Other re-insurance policies qualify as reimbursement rights.

The amount of the obligation is determined 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 in 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 and partly include additional minimum adjustment guarantees. The actuarial interest rate used to discount the benefit obligations at the 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 financial result. Past service costs are classified as operating expenses. Gains and losses from adjustments and changes in actuarial assumptions are recognised directly in equity in the period in which they arise.

The principal actuarial assumptions used are as follows:

In kEUR	12/31/2020	12/31/2019
Actuarial discount rate	0.40 %	1.00 %
Inflation rate	1.00 %	1.00 %
Mortality	Heubeck-tables 2018 G	Heubeck-tables 2018 G

The net liability for defined benefit pension obligations can be calculated as follows:

In kEUR	12/31/2020	12/31/2019
Present value of defined benefit obligations	34,806	30,393
Fair value of plan assets	-20,263	-19,381
Net liability for pension obligations	**14,543**	**11,012**

The development of the net liability for pension obligations was as follows:

In kEUR	2020	2019
As per balance sheet at beginning of the financial year	**11,012**	**6,253**
Current service expense	22	17
Past service expense	-	-
Net interest expense	107	113
Actuarial gains / losses	4,002	5,242
due to changes in demographic assumptions	-	-
due to changes in financial assumptions	4,080	5,142
due to adjustments in experience	180	144
income from plan assets other than amounts recognised in income statement	-258	-44
Employer contributions to plan assets	-600	-613
Pension benefits paid	-	-
Transfers and company transactions	-	-
As per balance sheet at the end of the financial year	**14,543**	**11,012**

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	2020	2019
Present value of defined benefit obligations at the beginning of the financial year	**30,393**	**24,791**
Components recognised in the income statement	**325**	**486**
Current service expense	22	17
Accrued interest expense	303	469
Past service costs and gains/losses from plan settlements	-	-
Amounts recognised in OCI	**4,260**	**5,286**
Actuarial gains/losses	4,260	5,286
due to changes in demographic assumptions	-	-
due to changes in financial assumptions	4,080	5,142
due to adjustments in experience	180	144
Payments and other adjustments	**-172**	**-170**
Employee contributions	-	-
Pension benefits paid	-172	-170
Payments for settlements	-	-
Transfers and company transactions	-	-
Present value of defined benefit obligations at the end of the financial year	**34,806**	**30,393**

Plan assets

In kEUR	2020	2019
Fair value of plan assets at the beginning of the financial year	**-19,381**	**-18,537**
Components recognised in the income statement	**-196**	**-356**
Acrrued interest income	-196	-356
Amounts recognised in OCI	**-258**	**-44**
Income from plan asssets other than amounts recognised in the income statement	-258	-44
Payments and other adjustments	**-428**	**-444**
Employee contributions	-	-
Employer contributions	172	170
Payments for plan settlements	-	-
Pension benefits paid	-600	-613
Transfers and company transactions	-	-
Fair value of plan assets at the end of the financial year	**-20,263**	**-19,381**

Reimbursement rights

In kEUR	2020	2019
Fair value of reimbursement rights at the beginning of the financial year	**-1,305**	**-1,126**
Components recognised in the income statement	**-14**	**-23**
Accrued interest income	-14	-23
Amounts recognised in OCI	**24**	**36**
Revenues from reimbursement rights other than amounts recognised in the income statement	24	36
Payments and other adjustments	**-191**	**-191**
Employee contributions	-	-
Employer contributions	-191	-191
Fair value of reimbursement rights at the end of the financial year	**-1,486**	**-1,305**

On the balance sheet, reimbursement rights are included in 'financial assets and other assets'.

The allocation of the defined benefit obligations to the different groups of entitled benefit plan participants, and their weighted average duration, are shown in the following table:

In kEUR	12/31/2020	12/31/2019
Active employees	790	647
Former, vested employees	29,167	25,208
Retirees	4,848	4,538
Present value of defined-benefit obligations	**34,806**	**30,393**
Weighted average duration of obligations in years	21	21

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 of the 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	12/31/2020	12/31/2019
Total obligation when the actuarial discount rate is increased by 0.25% p.a.	33,025	28,836
Total obligation when the actuarial discount rate is decreased by 0.25% p.a.	36,717	32,062
Total obligation when the inflation rate increased by 0.25% p.a.	35,198	30,786
Total obligation when the inflation rate decreased by 0.25% p.a.	34,420	30,007
Total obligation when the life expectancy of a 65-year-old increases by 1 year	35,829	31,207

For the upcoming year, pension payments of kEUR 176 are expected (previous year: kEUR 173). Payment contributions to plan assets are expected in the amount of kEUR 596 (previous year: kEUR 613) and to reimbursement rights in the amount of kEUR 191 (previous year: kEUR 191).

NOTE 16 Liabilities to customers

As of 31 December 2020, liabilities to customers amount to kEUR 2,089,213 (previous year: kEUR 950,777). Liabilities to customers in particular pertain to customer deposits flatex Bank AG, which are largely attributable to the credit balances of the customer cash accounts of the flatex, DEGIRO and ViTrade brands. As of 31 December 2020, the foreign currency holdings of customers increased by kEUR 5,730 to kEUR 9,615 (previous year: kEUR 3,885). Security deposits decreased by kEUR 500 to kEUR 1,000 (previous year: kEUR 1,500).

NOTE 17 Current liabilities to banks

Current liabilities to banks comprise the following:

In kEUR	12/31/2020	12/31/2019
Liabilities to banks	82,361	66,202
Foreign-currency balance	14,756	5,492
Total	**97,117**	**71,694**

Current financial liabilities to banks amount to kEUR 97,117 (previous year: kEUR 71,694) in the financial year and mainly include kEUR 82,361 (previous year: kEUR 66,202) liabilities from securities settlement processing on behalf of customers as well as foreign currency balances from transactions on behalf of customers in the amount of kEUR 14,756 (previous year: kEUR 5,492).

Foreign currency balances consist mainly of liabilities towards foreign banks for the settlement of securities transactions, undertaken in the name of our customers. Foreign currencies mainly consist of USD, GBP, HKD and NOK.

NOTE 18 Other financial liabilities

Other financial liabilities comprise the following:

In kEUR	12/31/2020	12/31/2019
Tax liabilities	25,408	5,572
Accruals and deferrals	119	559
Other financial liabilities	19,483	-
Total	**45,010**	**6,132**

Other financial liabilities amounted to kEUR 45,010 as at 31 December 2020 (previous year: kEUR 6,132). Tax liabilities mainly includes liabilities to the tax office from transaction taxes on customer transactions of kEUR 18,282 (previous year: kEUR 3,139). From capital gains tax of kEUR 4.986 (previous year: kEUR 1.553) and from payroll tax of kEUR 1.586 (previous year: kEUR 720).

Other financial liabilities mainly include contractually agreed purchase price components still to be paid to the former shareholders of DeGiro B.V. in the amount of kEUR 13,000, which become due in the financial year 2021.

NOTE 19 Other provisions

The development of provisions in the financial year were as follows:

In kEUR	01/01/2020	Utilisation	Reversals	Additions	12/31/2020
Other provisions	9,674	7,772	351	13,177	14,728
Total	**9,674**	**7,772**	**351**	**13,177**	**14,728**

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**

Other provisions include the measurable risk exposures towards third parties. These provisions are valued at full cost and amounts to kEUR 14.728 at year-end (previous year: kEUR 9.674). They mainly include Group expenses for performance-related variable remuneration components of kEUR 4.037 (previous year: kEUR 2.397) and other personnel costs including vacation provisions of kEUR 1.106 (previous year: kEUR 255). The additions mainly include accruals for vacation of the DeGiro B.V. kEUR 1.589 (previous year: kEUR 1.766) were set aside for audit fees and contributions of the Group and kEUR 7.610 (previous years: kEUR 4.936) for outstanding settlements.

flatexDEGIRO AG is in a labour dispute with a former employee, which raises the potential for financial risk. As in the previous year, no provisions were set aside.

NOTE 20 Tax provisions

Provisions for taxes mainly comprise corporate income tax and trade tax. As of the balance sheet date, tax provisions increased by kEUR 23,176 to kEUR 24,369 (previous year: kEUR 1,193). The increase in tax provisions results from the higher taxable income and from the first-time inclusion of the Group company DeGiro B.V.

The provision for corporate income tax increased by kEUR 16,364 to kEUR 17,557 (previous year: kEUR 1,193), of which kEUR 8,514 related to DeGiro B.V.

The provision for trade tax increased by kEUR 6,404 compared with the previous year.

NOTE 21 Revenues

Revenues for financial years 2020 and 2019 comprised the following:

In kEUR	2020	2019
Comission income	211,770	90,401
Interest income	32,524	15,147
Other operating income	17,196	26,404
thereof: provision of IT services	15,481	19,794
Total	**261,490**	**131,952**
Timeline of revenues recognition		
at a specific point in time	261,490	131,952
over a period of time	-	-

During the financial year, commission income of kEUR 211,770 (previous year: kEUR 90,401) was generated primarily from the securities business of the flatex, DEGIRO und ViTrade brands as well as the B2B services of the flatex Bank AG. The increase results from the first-time consolidation of DeGiro B.V as of 1 August 2020, organic growth as well as the high stock market volatility triggered by the COVID-19 pandemic and the resulting high transaction figures. New customer promotions that make possible securities trading at a reduced transaction fee of EUR 3.80 per transaction must be taken into account here. The positive development cotrasts with a decline in the Institutional Brokerage segment related to the termination of the provision of the liability umbrella to FIB Management AG in 2019.

With the execution of the respective order, flatexDEGIRO AG meets ist performance obligations within the scope of online brokerage. The corresponding payments are due at the time when the performance obligation has been met.

Interest income in the amount of kEUR 32,524 (previous year: kEUR 15,147) increased from the same period in the previous year, in particular due to the expanded, mostly fully secured loan book and from the first-time consolidated of DeGiro B.V.

Other operating income in particular includes income from the provision of IT-services amounting to kEUR 15,481 (previous year: kEUR 19,794). The most significant item here is IT-services with FTX:CBS, followed by further development services for customers from the Technologies segment. The decline in external revenue from IT-services is due in particular to the successful completion of the Vall Banc project in 2020 well as to a strategic focus on internal Group IT projects, such as linkng DeGiro B.V. FTX:CBS and the development oft he new B2C brokerage platform flatex-next.

Proceeds from commission and interest income are to be allocated to the Financial Services segment. Revenues for the provision of IT services relate exclusively to the technologies segment.

In kEUR	12/31/2020	01/01/2020
Short-term contractual assets from IT contracts	-	-
Short-term contractual assets from banking transactions	-	-
Total current contractual assets	**-**	**-**
Trade receivables (IT contracts)	4,080	3,518
Trade receivables (banking transactions)	9,967	4,308
Total receivables	**14,047**	**7,826**
Short-term contract liabilities from IT contracts	6	772
Short-term contract liabilities from banking transactions	113	872
Total current contract liabilities	**119**	**1,644**

No revenues 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 obligation 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 allocated to these unsatisfied performance obligations is not disclosed.

The increase of kEUR 5,659 in trade receivables in the are of banking transactions is the result of the overall increase in business volume in the financial year.

In addition to the contract balances shown above, the Group has recognised as asset value pertaining to the costs of fulfilment of a long-term IT contract. This is shown in the balance sheet under other assets:

In kEUR	12/31/2020	12/31/2019
Costs capitalised at the time of execution of a contract with a customer on 31 December	27	98
Amortisation amounts and impairments	-	-
Total	**27**	**98**

NOTE 22 Raw materials and consumables

The cost of materials for financial years 2020 and 2019 are broken down as follows:

In kEUR	2020	2019
Comission expense	38,709	27,551
Interest expense	2,887	450
Other operating expense	7,849	10,171
thereof: IT business expenses	5,317	2,820
Total	**49,446**	**38,172**

Commission expenses of kEUR 38,709 (previous year: kEUR 27,551) were recognised in the financial year. They essentially include external costs incurred in the course of the settlement of securities transactions with counterparties (stock exchange fees, custody fees, etc.). As with commission income, the increase was mainly due to the first-time consolidation of DeGiro B.V.

on 1 August 2020, organic growth and the high stock market volatility triggered by the COVID-19 pandemic, which resulted in high transaction numbers. The low percentage increase in commission expenses compared to commission income is due to the marginal cost structure and the resulting exploitation of economies of scale.

Other operating expenses amounting to kEUR 7,849 (previous year: kEUR 10,171) mainly include expenses for the provision of IT services amounting to kEUR 5,317 (previous year: kEUR 2,820).

In a change from the previous year's annual report, the additions to risk provisions according to IFRS 9 (levels 1–3) were reclassified from other operating expenses to write-downs of receivables and other securities in order to present a uniform, transparent disclosure of write-downs and impairments in one item. Furthermore, the expenses for the IT business were incorporated into other operating expenses.

NOTE 23 Personnel expenses

On average, 716 employees were employed in financial year 2020 (previous year: 527). As of the reporting date, 651 employees are listed in the FIN segment and 320 employees in the TECH segment. Personnel expenses are broken down as follows:

In kEUR	2020	2019
Wages and salaries	44,801	20,825
Social-security contributions and discretionary benefits	6,506	5,067
Income/expenses for pension obligations and employee benefits	-710	-735
Personnel expenses for long-term, variable remuneration components	15,528	251
Total	**66,125**	**25,409**
Activation of development services	7,464	14,785

Wages and salaries amount to kEUR 44,801 in financial year 2020 (previous year: kEUR 20,825). The increase from the previous year primarily the result of the first-time consolidation of DeGiro B.V. as of 1 August 2020 and a slight increase in gross personnel costs per capita. In addition, there was a significant decrease of kEUR 7,464 (previous year: kEUR 14,785) in capitalised development costs for intangible assets in accordance with IAS 38. The reduction in capitalised development costs compared to the same period in the previous year stems from successful project completions in 2019 as well as an increasing strategic focus on the B2C brokerage area.

Expenses of kEUR 15,387 were incurred for the first time in financial year 2020 for the newly introduced stock appreciation rights plan. Furthermore, kEUR 141 (previous year: kEUR 251) was spent on existing stock option plans (see Note 33).

NOTE 24 Marketing and advertising expenses

Marketing and advertising expenses for financial years 2020 and 2019 are broken down as follows:

In kEUR	2020	2019
Marketing and advertising	24,281	12,527
Total	**24,281**	**12,527**

The kEUR 11,754 increase in marketing and advertising expenses was mainly due to the first-time consolidation of DeGiro B.V. as of 1 August 2020 as well as the sponsor ship of Bundesliga football team Borussia Mönchengladbach during the financial year, which was accompanied by various promotions and campaigns to acquire new customers.

NOTE 25 Other administrative expenses

Other administrative expenses for financial years 2020 and 2019 are as follows:

In kEUR	2020	2019
Legal and professional services	6,431	4,656
Bank-specific contributions	4,705	2,364
IT	3,170	2,563
Premises	2,351	2,361
Insurance, contributions and official fees	2,251	1,790
Other expenses	1,817	1,842
Postage and office supplies	1,363	804
Vehicle expenses	473	752
Travel	382	868
Entertainment	271	262
Total	**23,213**	**18,264**

The increase in other administrative expenses was mainly due to the first-time consolidation of DeGiro B.V. as of 1 August 2020. Further significant drivers are listed below.

The kEUR 1,775 increase in legal and consulting fees includes, among other things, expenses in connection with the uplisting to the Prime Standard, which are of a one-off nature. The kEUR 2,341 increase in bank-specific contributions and the kEUR 559 increase in expenses for postage and office supplies can be accounted for by the higher number of accounts and deposits opened compared to the same period in the previous year, as well as a general increase in business volume. The kEUR 461 increase in expenses for insurance, contributions and official fees resulted from the expansion of the loan book and the factoring business.

The decrease in the areas of vehicle fleet and travel expenses is related to the impact of the COVID-19 pandemic and the resulting reduction in travel. Other expenses include compensation in the form of kEUR 500 to the Supervisory Board (previous year: kEUR 511) and other taxes of kEUR 676 (previous year: kEUR 334).

In a change from the previous year's annual report, marketing and advertising expenses were reclassified from other administrative expenses to marketing expenses. The previous year's figures have been adjusted accordingly in this annual report. This is reported in the consolidated statement of income under the item "Marketing and advertising expenses".

NOTE 26 Financial result

The financial result for financial years 2020 and 2019 is composed as follows:

In kEUR	2020	2019
Interest income for pensions	196	356
Other interest income	14	23
Total other financial income	**211**	**380**
Interest expenses for deposit facilities	2,983	1,941
Interest expenses for pensions	303	469
Interest expenses for non-current liabilities	370	275
Other interest expenses	474	817
Total other financial expenses	**4,130**	**3,503**
Financial result	**-3,919**	**-3,123**

The kEUR 1,042 increase in interest expenses for deposit facilities the result of increased deposits with the ECB as well as a reduction in the corresponding negative deposit rate during the previous year. The kEUR 166 decrease in interest expenses for pensions results from the adjustment of the interest rate level in favour of the pension provider.

Interest expenses for non-current liabilities includes interest expenses for lease liabilities.

NOTE 27 Income tax expenses

The income tax expense for the financial years ending 31 December 2020 and 31 December 2019 is made up of the following components:

In kEUR	2020	2019
Current income tax		
Current income tax expense	-24,833	-2,876
Tax income/expense for previous years	-1,281	-157
Deferred tax		
Deferred taxes on temporary differences	6,171	-3,687
Deferred taxes on losses carried forward	-	-
Income tax as per the income statement	**-19,943**	**-6,720**
Other earnings/losses		
Changes in deferred taxes recognised in other comprehensive income	1,491	877
thereof actuarial gains/losses from defined-benefit pension provisions	1,263	1,640
thereof gains/losses on changes in the value of available-for-sale assets	228	-763
thereof recycling of deferred taxes	-	-
Income tax in comprehensive income	**-18,452**	**-5,843**

Other comprehensive income in the year 2020 included deferred tax income on actuarial losses from defined benefit pension provisions of kEUR 1,263 (previous year: kEUR 1,640) and deferred tax income on changes in the value of available-for-sale financial assets of kEUR 228 (previous year: kEUR -763).

In Germany, the calculation of income taxes is based on a corporate tax rate of 15% and a solidarity surcharge of 5.5%. Factoring in the additional trade tax payable, the combined income tax rate for flatexDEGIRO AG in the tax group for income tax purposes is 31.26% (previous year: 31.08%). 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 flatexDEGIRO AG – and the tax expense reported in the income statement:

Tax reconciliation

		2020	2019
Earnings before tax	kEUR	69,867	21,628
Applicable tax rate	%	31.26	31.08
Expected tax expense	kEUR	-21,838	-6,722
Effect from non-deductible expenses	kEUR	-375	-315
Effect from non-taxable income	kEUR	72	811
Effect from non-deductible expenses from stock option plans	kEUR	-44	-24
Effect from current income taxes on previous year's income	kEUR	-1,281	-157
Effect from deferred taxes in previous years	kEUR	1,692	-
Effect from changes in tax rates of deferred taxes	kEUR	-795	-1
Effect deviating tax rates	kEUR	2,562	100
Effect from tax losses without recognition of deferred taxes	kEUR	-	-793
Other tax effects	kEUR	64	381
Reported tax expense	kEUR	-19,943	-6,720
Group tax rate	%	28.54	31.07

As of the balance sheet date, there were taxable temporary differences associatedn with subsidiaries (so-called “outside basis differences” according to IAS 12.39) in the amount of kEUR 1,215 (previous year: kEUR 952) on which no deferred tax liabilities were recognised.

The composition of deferred tax assets and liabilities is shown in the following overview:

In kEUR	2020	2019
Deferred tax assets		
Loss carryforwards	-	-
Financial instruments	585	-54
Pension liabilities	7,070	5,839
Other financial obligations	10,677	3,030
Other temporary differences	-	-
Offset in accordance with IAS 12.74	-18,332	-8,923
Total	**-**	**-**
Deffered tax liabilities		
intagible assets	-45,327	-16,307
Property, plant and equipment	-5,854	-3,053
Financial instruments	-	-
Other financial obligations	-	-39
Other temporary differences	-	-
Offset in accordance with IAS 12.74	18,332	8,923
Total	**-32,849**	**-10,476**

NOTE 28 Additional disclosures in accordance with IFRS 16 and IAS 7

Lease payments under IFRS 16

Principal payments

In kEUR	2020	2019
Principal payments	10,698	3,868
Total	**10,698**	**3,868**

During the financial year, repayments were made on lease liabilities from leases in accordance with IFRS 16 in the amount of kEUR 10,698 (previous year: kEUR 3,868).

Interest payments

In kEUR	2020	2019
Interest payments	358	173
Total	**358**	**173**

Interest payments of kEUR 358 (previous year: kEUR 173) were made under leases in accordance with IFRS 16.

The interest and redemption payments thus result in a total cash outflow of kEUR 11,056 (previous year: kEUR 4,041).

Disclosures on IAS 7

Income tax payments

In kEUR	2020	2019
Income tax payments	10,562	7,892
Total	**10,562**	**7,892**

The operating cash flow includes income tax payments of kEUR 10,562 (previous year: kEUR 7,892).

Effect of the initial consolidation of DeGrio B.V. on the cash flow statement

In kEUR	2020
Depreciation and amortisation/appreciation on property, plant and equipment and intangible assets	-
Increase/decrease in inventories	-
Increase/decrease in trade receivables	-141
Increase/decrease in trade payables	2,150
Increase/decrease in other receivables, financial investments and other assets	-63
Increase/decrease in provisions, pension obligations and deferres taxes	4,799
Increase/decrease in provision for long-term variable remuneration components	-
Cash flow from operations	**6,745**
Cash outflow/inflow for the investment/disposal in/from intangible assets	-500
Cash outflow/inflow for investment/disposal in/from property, plant and equipmant	-1,696
Increase/decrease due to changes in the scope of consolidation	-
Non-cash movements in fixed assets	-
Cash flow from investments	**-2,196**
Inflow from equity injections by shareholders of the parent company	-
Non-cash movements in equity	54,189
Increase/decrease in non-current liabilities to banks (loans)	-
Increase/decrease in leases and non-current liabilities to non-banks	30
Cash flow from financing activities	**54,219**
Free cash flow prior to accounting changes to the banking business	**58,768**
Increase/Decrease in long-term loans to customers	-
Increase/decrease in financial assets measured at FVOCI	-
Increase/decrease in financial assets measured at FVPL	-
Increase/decrease in cash loans to municipalities	-
Increase/decrease in short-term loans to customers	-269,660
Increase/decrease in other receivables due from banks	-16,269
Increase/decrease in liabilities to customers	270,108
Increase/decrease in liabilities to banks	-
Increase/decrease in other financial liabilities	1,249
Other non-cash transactions	-
Cash flow from accounting changes to the banking business	**-14,572**
Consolidation-related change in cash and cash equivalents	**44,196**

The individual items of the Group's cash flow statement contain the additions of assets and liabilities from the initial consolidation of DeGiro B.V. The above table shows the effects of the initial consolidation of DeGiro B.V. on the individual items of the Group's cash flow statement before consolidation.

The initial consolidation of DeGiro B.V. resulted in a change in cash and cash equivalents of kEUR 44,196.

NOTE 29 Contingent liabilities and other financial commitments

As of the balance sheet date, there were other financial liabilities from service contracts, rental and leasing contracts and from maintenance contracts. The remaining terms of these contracts are as follows:

In kEUR	Total as of 12/31/2020	Thereof: up to 1 year	Thereof: more than 1 to 5 years	Thereof: after 5 years	Previous Year
From rental and leasing contracts	10,654	4,069	6,585	-	14,462
From maintenance contracts	1,751	438	1,312	-	86
From other contracts	29,107	21,090	8,017	-	2,913
As of 12/31/2020	**41,511**	**25,597**	**15,915**	**-**	**17,461**

The kEUR 24,050 increase is largely the result of service and maintenance contracts as well as increased commitments for advertising initiatives.

In addition, there are contingent liabilities from irrevocable, unused credit commitments in the amount of kEUR 22,761 (previous year: kEUR 216,827). The decrease in irrevocable loan commitments is related to the reporting date. The irrevocable loan commitments are largely made up of granted, undrawn lines in the area of receivables-based financing.

NOTE 30 Related party relationships and transactions

In accordance with IAS 24, the members of the governing boards of the parent company flatexDEGIRO 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.

Management Board members were granted 440,000 SARs in 2020 (see Note 33). The expenses and provisions recognised for this amount to kEUR 8,479 (previous year: kEUR 0).

The fair value at the grant date was kEUR 4,877.

Legal transactions and other transactions with related parties

In the financial year 2020 Group companies of flatexDEGIRO AG did not conduct any legal transactions with related parties.

In addition, some related persons or companies maintain accounts and securities accounts with flatex Bank AG. All transactions (securities transactions and lending/deposit business) are conducted at standard market conditions for customers.

NOTE 31 Compensation of the Management Board of flatexDEGIRO AG

Frank Niehage and Muhamad Said Chahrour continued to serve as members of the Management Board of flatexDEGIRO AG.

Management Board members received fixed and variable compensation as follows:

		2020 Frank Niehage	2020 Muhamad Said Chahrour	2019 Frank Niehage	2019 Muhamad Said Chahrour
Fixed compensation	EUR	500,000	300,000	500,000	200,000
Variable compensation	EUR	1,000,000	300,000	950,000	250,000
2015 options model	number	-	10,000	-	15,000
(SARs- pot 1) options model	number	250,000	150,000	-	-
(SARs- pot 2) options model	number	20,000	20,000	-	-
Value at time of award	EUR	3,286,966	2,185,813	-	62,550
Total compensations	**EUR**	**4,786,966**	**2,785,813**	**1,450,000**	**512,550**
Fixed compensation for Supervisory-Board memberships in Group companies	**EUR**	**-**	**-**	**-**	**-**

In addition, they received certain fringe benefits, largely in the form of 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 reporting year was kEUR 50.

Compensation of the Supervisory Board of flatexDEGIRO AG

Members of the Supervisory Board of flatexDEGIRO AG were:

2020 Martin Korbmacher, Chairman of the Supervisory Board

Occupation:

Managing Director of Event Horizon Capital & Advisory GmbH

Managing Director of arsago ACM GmbH

Stefan Müller

Occupation:

Head of Finance of Börsenmedien AG

Herbert Seuling

Occupation:

Managing Director of M & S Monitoring GmbH

2019 Martin Korbmacher, Chairman of the Supervisory Board

Stefan Müller

Herbert Seuling

The members of the Supervisory Board of flatexDEGIRO AG receive only fixed compensation of a current nature. In the following, the compensation is listed in detail, separated by compensation for Supervisory Board activities in the Group parent company flatexDEGIRO AG and by Supervisory Board activities in Group subsidiaries (the respective temporary VAT rate has been applied in each case):

In EUR	**2020 total**	**2019 total**
flatexDEGIRO AG	282,405.00	285,600.00
Subsidaries	305,290.00	249,900.00

During the financial year, the Supervisory Board received compensation for travel expenses relating to Supervisory Board activities in the amount of kEUR 1 (previous year: kEUR 14).

NOTE 32 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 financial year.

Issued shares	2020	2019
Number of issued shares as of 1 January (all outstanding)	19,595,637	18,736,637
Number of new shares issued during the financial year	7,677,500	859,000
Time-weighted allocation of newly issued shares for yearly average	3,265,349	674,359
Average, time-weighted number of issued shares outstanding during the financial year (undiluted)	**22,860,986**	**19,410,996**

Earnings in kEUR	2020	2019
From continuing activities	49,924	14,908
From discontinued operations	-	-
Total	**49,924**	**14,908**
Undiluted earnings per share in EUR		
From continuing activities	2.18	0.77
From discontinued operations	-	-
Total	**2.18**	**0.77**

Earnings per share (diluted)

Diluted earnings per share in 2020 amount to EUR 2.16. The diluted average number of shares outstanding in the reporting year was 23,082,458.

NOTE 33 Stock option plans

2014 and 2015 stock option plans

In order to ensure competitive total compensation for managers, flatexDEGIRO AG has created stock option programmes. 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 flatexDEGIRO 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 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 prerequisite for exercise is that the stock exchange price of the share is exceeded by at least 100% on any stock exchange trading day within two years of the respective pre-emptive right (2014 performance target option programme) being issued. 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 flatexDEGIRO AG pay, or may the holders of pre-emptive rights demand, a cash compensation 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). The conditions for this programme were modified due to the share price development with regard to the exercise condition in 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 respective pre-emptive right (2015 performance target option programme) being issued. The other terms remain the same as those applicable to the first programme.

Valuation model

For each issuance date, a separate options valuation was simulated, on the basis of a Monte Carlo model. This model is based on the work of Kevin D. Brewer, and is regarded as being 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 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 five-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 five years.

Pricing factors

The first factor that goes into the model is the price of the stock on the 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 stock option plan. The volatility could not be derived from an implied volatility due to non-existent derivatives on the shares of flatexDEGIRO AG. Therefore, volatility was determined using the historic volatility of the stock price (source: Bloomberg).

The risk-free interest rate for the modelling of the six-year binomial expansion is based on the six-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 programme: in the 2014 stock option plan, it is 2 times the issuance price, in the 2015 stock option plan, it is 1.5 times the issuance price. Based on experience from the operating business, the transaction cost for options is only a few percent of the option value and is therefore being ignored for the purposes of this calculation.

Development of the 2014 and 2015 stock option plans

The following table shows the development of issued and outstanding pre-emptive rights/options:

Programmme / 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	02/27/2020	20,000	12.79	27.85	5.98	118
Number of options issued in 2020		**20,000**				**118**
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		**1,482,500**				**2,668**
2014 stock option plan	07/08/2015	84,000	-	-	-	-
2014 stock option plan	08/24/2015	75,000	-	-	-	-
2014 stock option plan	01/26/2016	20,000	-	-	-	-
2014 stock option plan	07/03/2017	10,000	-	-	-	-
2014 stock option plan	03/02/2018	35,000	-	-	-	-
Lapsed, forfeited or expired options		**224,000**				
Outstanding options		**1,258,500**				
thereof already exercised options		1,086,500				

Option values

The pre-emptive rights granted from the 2015 stock option plan in the 2020 calendar year (20,000 units) had an average market value of EUR 119,600 (EUR 5.98 per option).

Stock option plan expenses

In relation to the stock option plans, kEUR 203 was recognised as an expense in the income statement and transferred to additional paid-in-capital in 2020 (previous year: kEUR 251). 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:

Programme / year of issuance	Total value of options/ total expenditure in kEUR	Days	Expected allocation	2020 expenses to be captured/ capital reserve in kEUR
2015	1,060	365	82 %	98
2014	1,793	365	82 %	37
Total				**136**

Stock Appreciation Rights 2020 (SARs-Plan 2020)

In addition to the stock option plans, flatexDEGIRO AG introduced the Stock Appreciation Rights Plan 2020 (SARs Plan 2020) in May 2020. Under the SARs Plan 2020, up to one million stock appreciation rights (SARs) can be granted to Management Board members and employees, which can be exercised by the beneficiary within additional three years following an initial waiting period of three years. Furthermore, up to a further 400,000 SARs can be granted under a purchase model. A prerequisite for the granting of further SARs under the purchase model is the acquisition of shares in flatexDEGIRO AG. In 2020, a total of 845,695 SARs were granted to board members and employees.

Development of SARs

The SARs vest pro rata temporis over the three-year vesting period and entitle the holder to a cash payment only, 50% of which depends on the share price performance and 50% on the earnings per share performance.

As of 31 December 2020, a provision of kEUR 15,387 (previous year: kEUR 0) was created and recognised in line with the expenses of kEUR 15,387 (previous year: kEUR 0).

The intrinsic value of the already vested SARs amount to kEUR 2,366 as at 31 December 2020.

Valuation model of the SARs

At flatexDEGIRO AG, the Stock Appreciation Rights Plan 2020 (SARs Plan 2020) is a share-based payment transaction that is accounted for as a cash-settled plan in accordance with IFRS 2. A provision for this is recognised as an expense over the vesting period. The expenses are recognised in personnel expenses.

The provision is valued using a suitable option pricing model (Black–Scholes formula) and takes into account the expected EPS at the expected exercise date. The other valuation assumptions of share price, interest rate and volatility were determined on the basis of publicly available market data as of reporting date.

Sensitivity of assumptions

Management believes that no reasonably possible change in any of the key assumptions used to determine the respective valuation would cause the provision for the SARs to change materially. In a simulation, the adjustment of the EPS by +/- 5.0 % resulted in an adjustment of the provision of less than +/- 10 %. This effect will decrease disproportionately over the course of the vesting period.

NOTE 34 Segment reporting in accordance with IFRS 8

flatexDEGIRO 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 products of B2C online brokerage, B2B white-label banking as well as electronic securities settlement processing, custody account management and other banking services. The segment is derived from flatex Bank AG, DeGiro B.V., factoring.plus.GmbH and Brokerport Finance GmbH.

The Technologies (TECH) segment includes all IT-services; among other, 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 Bank 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. Corresponding segment reporting takes place to the Management Board of flatexDEGIRO 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 financial year 2020, flatexDEGIRO AG did not realize material revenues (> 10%) with just one customer.

Segment reporting for continuing activities in 2020

In kEUR	FIN	TECH	Consolidation	Total
Revenues	247,341	38,855	-24,707	261,489
Raw materials and consumables	57,868	5,046	-13,469	49,445
Personnel expenses	37,684	18,438	-5,525	50,597
Marketing and advertising	23,857	5,656	-5,231	24,282
Other administrative expenses	17,395	6,300	-482	23,213
EBITDA (adjusted)	**110,537**	**3,415**	**-**	**113,953**
Personnel expenses for long-termin variable remuneration components				15,528
EBITDA				**98,425**
Depreciation				24,639
EBIT				**73,786**
Financial result				-3,919
EBT				**69,866**
Income tax expense				19,943
Consolidated net profit				**49,924**

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
EBIT				**24,751**
Financial result				-3,123
EBT				**21,628**
Income tax expense				6,720
Consolidated net profit				**14,908**

NOTE 35 Financial risk management

The Management Board incorporates potential opportunities and threats into its business and risk strategy and adjusts it accordingly as necessary. At flatexDEGIRO AG, the monitoring and management of risks are a central component of the company's management tools.

flatexDEGIRO AG takes a risk inventory on a regular basis – which can also be carried out on an ad hoc basis – as needed, to counter any risk exposures in 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 a counterparty or the unforeseeable deterioration of a counterparty´s creditworthiness, in particular with regard to customers of flatexDEGIRO AG, 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.

For the overall and comprehensive assessment, limitation and control of the aforementioned risks, flatex Bank AG assumes overall responsibility for the flatexDEGIRO Group. As such, it contributes significantly to the tasks of Group-wide

- risk identification,
- risk assessment,
- risk management, and
- Risk monitoring and risk communication.

flatexDEGIRO AG has thus taken steps to enhance extensive structural and procedural organisational measures that habe already anchored essential risk management and control mechanism in the relevant bank processes at a decentralised level.

Measures implemented to standardise and produce a Group-wide, consistent risk management function have been completed.

Credit default risk

Default risk arises, in general, in any transaction that flatexDEGIRO AG conducts with a business partner, in particular in loans to customers, in trade receivables, but also in bonds that flatexDEGIRO AG has invested in. The maximum credit and default risk essentially corresponds to the book valus of the financial assets and the off-balance sheet business. 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 group impairment tests on an ad hoc basis (if there is an impairment trigger) and for each balance sheet date. Group impairments are recognised, for instance, when a business partner faces unexpected economic problems.

In addition, a number of receivables are bundled into homogeneous groups to undergo group impairment tests.

Cash loans 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

Group 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 surety holdbacks, the Group reviews periodically and on an ad hoc basis whether the credit default risk at the individual transaction level has increased significantly.

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 assessment at the level of the individual financial instrument would result in changes 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 loss (EL) according to CRR, a multiplicative link between probability of default (PD), loss given default (LGD) and the exposure amount in exposure at default (EaD) is carried out using the following formula:

Impairments or risk provisions (EL) = PD x LGD x EaD

At the 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 loss expected over the remaining term resulting from a default outcome that is possible within the next twelve months. This requires weighting the ECL against 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:

$$ECL_t^{12M} = PD_t^{12M} \times LGD_t^{12M} \times EAD_t^{12M}$$

This corresponds to the portion of expected credit losses from default events expected within twelve months of the balance sheet date. If the credit risk has not increased significantly since the initial recognition, the financial instrument remains at level 1.

For an assessment at loan portfolio level, individual transactions are grouped on the basis of the credit default risk characteristics of similar financial product groups.

The security-backed loans (Lombard and flatex-flex loans) of Financial Services are loans secured by diversified deposits as 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 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 and; 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 as of the balance sheet date.

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 reasonable 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 initial recognition. This includes quantitative and qualitative information based on the Group´s previous experience, analyses and assessments of credit default risk, inter alia,

- the financial instrument examined,
- the debtor,
- 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 on 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 the default credit default swap rates of borrowers, and internal credit ratings are used as early warning indicators.

The assessment of credit default risk at the debtor level may be more likely to produce 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.

Account management, contractual compliance and borrower behaviour (e.g. overdue payments), for example, overdrafts on credit lines, non-compliance with agreements, covenants and conditions, as well as missed interest and principal payments of more than 30 days; red flags signalling an increased credit risk for the Group. When such early warning signs occur, a test is carried out to determine whether any change in the external rating necessitates an increase in risk provisioning and possibly also an allocation to different level.

Actual or anticipated significant adverse changes in the borrower's regulatory, economic or technological environment that result in a significant change in the borrower's ability to meet their debt obligations, such as a decline in demand for the borrower's products due to a change in technology, serve as further indicators of increased 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 are likely to reduce the economic incentive of the borrower to make planned contractual payments or that are likely to affect the likelihood of a default occurring.

Any indications of breaches of contract on the part of the debtor, which could lead, for example, to waivers or supplements of conditions, pauses in interest payments, increases in the interest rate level, additional collateral or guarantees required or changes in the contractual framework conditions of the instrument, will trigger the examination of possible heightened default risks.

Framework for identifying financial assets at risk of default

Under IFRS 9, the Group's definition of impaired loans follows the definition of loans classified as impaired for regulatory purposes under Article 178 of the Capital Requirements Regulation (CRR).

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 debtor (borrower) will not meet its credit obligations to a Group company. This definition includes actions where the borrower has been granted a concession for economic or legal reasons that are qualitative indicators of credit impairment, or where contractual payments of principal or interest by the debtor are more than 90 days overdue.

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, inter alia, on the development of the external rating.

The default risk in level 1 essentially corresponds to that of an investment grade rating, in level 2 to that below an investment grade rating; no full repayment is expected in level 3. In terms of determining impairment, level 3 financial instruments are considered separately.

The development of risk provisions for pension obligations in 2020 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 reporting period	**851**	**665**	**10,256**	**11,772**
Changes in the provision for losses of financial assets including newly issued or acquired financial assets	-253	349	3,929	4,024
thereof: accruals in risk provision through acquired financial assets within the context of the acquisition of DeGiro B.V.	-	-	301	301
Changes due to disposals of financial instruments (including repayments, disposals)	-76	-	-	-76
Changes due to modifications without derecognition of assets	-5	-14	-	-19
Reclassifications due to deterioration in credit quality	-	-	-	-
at total maturity ECL - non-impaired loans	20	-	-	20
at total maturity ECL - impaired loans	160	-611	-	-451
Changes in inpairment for irrevocable loan commitments	-3	-	-	-3
Risk provision at the end of the reporting period	**693**	**389**	**14,486**	**15,568**

The development of risk provisions for pension obligations in 2019 was as follows:

In kEUR	12-month-ECL	Tota ECL maturity - unimpaired financial instruments	Total ECL maturity - depreciated financial instruments	Total
Risk provision at the beginning of the reporting period	942	28	6,889	7,859
Changes in the provision for losses of financial assets including newly iissued 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 increase in risk provisions of kEUR 3,796 (previous year: kEUR 3,366) results in particular from individual value adjustments on receivables from the factoring business of factoring.plus.GmbH from companies in Germany. The amount of risk provisioning for level 2 is due to the high level of collateralisation.

The changes in stock from level allocation show the additions and reversals that resulted from a change in level allocation in the reporting period. During the transfer, stock is completely dissolved in the previous level and the target stock is fully added to the new level. The reclassifications due to deteriorations in credit quality relate in particular to receivables from borrowers with an external investment grade rating from the factoring portfolio, individual loans secured by shares (Lombard and flatex-flex loans) and receivables from true sale factoring.

The first stage (12-month ECL) had a gross carrying amount of kEUR 645,430 (previous year: kEUR 601,681) as of the reporting date. Of these, a gross carrying amount of kEUR 216,670 (previous year: kEUR 134,781) is attributable in particular to security-backed loans (Lombard and flatex-flex loans). Due to the very conservative loan-to-value system and low historical defaults, they are treated like financial instruments with an external investment grade rating for which a lower default risk is expected. If the securities-backed loans fall below this level, they are assigned to level 2. Furthermore, receivables from borrowers with an external investment grade rating from the factoring portfolio with a gross carrying amount of kEUR 162,840 (previous year: kEUR 190,325), of which kEUR 119,578 (previous year: kEUR 149,417) is attributable to football financing, are included in level 1. In addition, gross carrying amounts of kEUR 95,628 (previous year: kEUR 84,325), of which kEUR 53,938 is attributable to real estate financing, are allocated to Level 1 from the portfolio of other financing. Furthermore, the gross carrying amounts of Level 1 are attributable to the receivables from banks from the treasury portfolio in the amount of kEUR 104,356 (previous year: kEUR 124,973) and to the irrevocable loan commitments in the amount of kEUR 22,761 (previous year: kEUR 216,827). For further information on irrevocable loan commitments, see Note 29 contingent liabilities and other financial commitments.

The gross carrying amounts in level 2 (total maturity ECL of non-impaired financial instruments) amount to kEUR 25,431 (previous year: kEUR 11,082) as of the reporting date. This level includes security-backed loans and loans from credit platforms with a significantly increased risk of default with a gross carrying amount of kEUR 1,906 (previous year: kEUR 1,998), purchased receivables from true sale factoring with a gross carrying amount of kEUR 8,919 (previous year: kEUR 8,472) and receivables from borrowers from the factoring portfolio of football financing with a gross carrying amount of kEUR 14,606 (previous year: kEUR 0).

Level 3 (total maturity ECL of impaired financial instruments) has gross carrying amounts totalling of kEUR 9,068 (previous year: kEUR 5,397). These are mainly made up of the factoring portfolio with a gross carrying amount of kEUR 3,421, the purchase of receivables from platforms with a gross carrying amount of kEUR 1,756 and security-backed loans with a gross carrying amount of kEUR 477 (previous year: kEUR 380). In addition, the impaired receivables taken over as part of the acquisition of DeGiro B.V. are allocated with a gross carrying amount of kEUR 302.

Due to the risk-adequate valuation and reflection of the higher credit utilisation as well as overall increased turnover in the securities business, the risk provisioning increased as of the reporting date. In view of the high collateralisation of the loan portfolio, no further additions were necessary as of the reporting date due to the COVID-19 pandemic. In view of the high level of collateralisation, there were no significant changes in risk provisions as of the reporting date. Furthermore, new findings were taken into account for individual exposures within the framework of risk provisioning and tier allocation.

For the validation of the recoverability, several possible scenarios and their probability of occurrence are simulated. The scenarios and probabilities are based on assessments, empirical values and publicly available information. In doing so, both the customer-specific and macroeconomic situations as well as the industry environment are taken into account in a forward-looking manner. The simulated scenarios include the potential damage to creditworthiness from the rating being downgraded by one or two rating grades. A downgrading of the credit rating by one rating grade would lead to an increase in risk provisions of up to approximately kEUR 600, a downgrading by two rating grades would result in an increased risk provision of up to approximately kEUR 1,550. The scenarios are applied at level 1 and level 2.

The risk-bearing capacity analysis and the associated assumptions have not revealed any indications that a significant adjustment of the carrying amounts will be required in the next financial year. In addition, the analysis is viewed in comparison with collateralisation. Thus, appropriate requirements for the type of securities, creditworthiness, volatility and liquidity of the securities accepted as collateral, conservative LVRs as well as ongoing monitoring of lines and securities ensure that the security-backed loans utilised by customers are matched by sufficient deposited securities even in the event of falling prices. The factoring receivables are secured by commercial credit and insurance policies of major insurance companies; in addition, personal liabilities of the clients and security retentions are negotiated. The factoring area also includes football club financing, which is secured by the assignment of sponsorship, TV and advertising rights as well as by means of contingency insurance. Real estate financing is secured by real assets, guarantees, assignment of other receivables and deposited securities. The diversified collateralisation structure in the aforementioned loan portfolio proved again this year that the bank has established an extensive liability umbrella to counteract potential defaults and reduce risks.

By contrast with the previous year's annual report, additions to risk provisions according to IFRS 9 (levels 1 – 3) were reclassified from other operating expenses to write-downs on receivables and other securities.

Market price risk

flatex Bank AG has extensive cash deposits. Since these funds are not reinvested at the exact same term 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. The development of market interest rates has a significant influence on the prices and valuation of financial instruments of flatex Bank AG and may positively or negatively affect the Group´s profitability.

By conservatively managing the timing of its customer deposits on the market ("conservative asset/liability management"), flatexDEGIRO AG limits its interest rate risks.; As a result is currently no need for hedging transactions. However, the management of flatexDEGIRO AG reserves the right to take action if interest rates take an unfavourable turn or if the overall risk situation should require it.

The following table shows the sensitivity of the Group's profit before tax and equity to possible changes in market interest rates of 0.5 percentage points up or down, with all other variables remaining equal:

In kEUR	Change in market interest rate	Earnings before taxes (new)	Equity (new)
2020	+0,5 percentage points	58,699	454,609
2020	-0,5 percentage points	41,149	437,059
2019	+0,5 percentage points	19,312	186,606
2019	-0,5 percentage points	10,504	177,798

The risk from fluctuations in exchange rates (currency risk) in financial instruments at flatexDEGIRO AG is immaterial.

Liquidity risk

flatexDEGIRO AG monitors its liquidity regularly and ensures continuity of funding by using debt financing and operating leases. flatexDEGIRO AG has taken steps to ensure the financing of its continued expansion and has introduced liquidity buffers in its internal reporting structure allowing for risks of insufficient financial resources to be regularly monitored.

The remaining terms of the contractual liabilities are as follows:

In kEUR	Total as at 12/31/2020	Thereof: up to 1 year	Thereof: between 1 and 5 years	Thereof: more than 5 years	Previous Year
Non-current liabilities to banks	-	-	-	-	3,727
Non-current liabilities to non-banks	28,656	12,868	13,924	1,864	13,495
Trade payables	10,473	10,473	-	-	5,581
Liabilities to customers	2,089,213	2,089,213	-	-	950,777
Liabilities to banks	102,099	102,099	-	-	71,694
As of 12/31/2020	**2,230,441**	**2,214,653**	**13,924**	**1,864**	**1,045,274**

Risk concentration

Risk concentration is of particular importance for flatexDEGIRO AG, especially with regard to potential cumulative counterparty default risks among bond issuers or partners in the Group's lending business ("cluster risks"). flatexDEGIRO AG has an investment guideline, and a limit system derived from it, which generally prevents risk concentrations. In addition, the new credit portfolio model introduced in 2016 and the Group's established risk reporting system allow countermeasures to be initiated as soon as potential risk concentrations become apparent. 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 of the balance sheet day, the nominal amount (after credit mitigation techniques) of the highest claim on an individual address was EUR 73.8 million (previous year: EUR 19.6 million).

Capital management

The Group's objectives with regard to capital management are designed to ensure the continuation of the business and to meet shareholders and other stakeholders expectations regarding its performance. To date, flatexDEGIRO 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 central control parameter for the strategic capital structure is the equity ratio derived from the consolidated statement of financial position. 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 minimum regulatory capital requirements during the reporting period. Such requirements are included in capital management planning at Group level. All existing minimum capital requirements have been consistently met.

NOTE 36 Dividends

No dividends were recognised by flatexDEGIRO AG to owners during the reporting period.

NOTE 37 Auditors' fees

The fees for the auditors recorded as expenses in the financial year are broken down as follows:

In kEUR	2020	2019
Audit of the financial statements	1,439	996
thereof: BDO AG	948	570
thereof: Baker Tilly GmbH & Co. KG	282	354
thereof: TREUWERK AUDIT GmbH	-	72
thereofof: Mazars	209	-
thereof: for the previous year	202	262
Other assurance services	409	-
Tax advisory services	-	-
Other	-	-
Total	**1,848**	**996**

The increase in expenses for audits of financial statements by kEUR 852 in particular the amount of kEUR 340, stems from added reserves for other audit services in connection with the uplisting of flatexDEGIRO AG as well as from additions to consolidations and from special regulatory effects in the reporting year.

NOTE 38 Events after the balance sheet date

flatex Bank AG has filed an application to establish a branch in the Netherlands. In conjunction with the establishment of the branch in the Netherlands, the merger of DeGiro B.V. into the flatex Bank AG is planned. Subject to the still outstanding official approvals, the merger will be expected to take place by the end of the first halfyear of 2021.

Independent auditor's report

To the flatexDEGIRO AG, Frankfurt am Main

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of flatexDEGIRO AG, Frankfurt am Main and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2020 to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the Group management report of flatexDEGIRO AG for the financial year from 1 January 2020 to 31 December 2020. In accordance with German legal requirements we have not audited the content of those parts of the Group management report listed in the appendix.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January 2020 to 31 December 2020, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the content of the parts of the Group management report listed in the appendix.

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

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group management report" section of our auditor's report.

We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our [audit] opinions on the consolidated financial statements and on the Group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We have identified the following matters as key audit matters:

Acquisition of the shares in DeGiro B.V. and purchase price allocation

Situation

In 2020, flatexDEGIRO AG acquired 90.6% of the shares in DeGiro B.V. following approval by the relevant regulatory authority, thereby increasing its stake in the company to 100%.

The shares in DeGiro B.V. were acquired by exchange with a cash consideration. In 2020, purchase price payments of kEUR 68,877 were made in cash. In addition, a contingent purchase price payment of kEUR 13,000 was agreed for 2021. In addition, flatexDEGIRO AG issued 7.5 million new shares. These were created through a capital increase; the subscription rights of existing shareholders were excluded.

Including the fair value of the share in DeGiro B.V. acquired in December 2019, the acquisition costs for the acquisition amounted to kEUR 321,317.

The determination of the acquisition costs in relation to non-cash and contingent purchase price components is complex and subject to judgment in relation to the assumptions to be made in the valuation. In the present case, this results in particular from the fact that the new shares cannot be traded for a certain period of time after they were issued and therefore a discount had to be applied to the stock market price of the shares of flatexDEGIRO AG.

Furthermore, the purchase price must be allocated to the acquired assets and liabilities as part of the acquisition. For this purpose, individual assets and liabilities must be identified as part of the purchase price allocation and, with the exception of deferred taxes, measured at fair value at the acquisition date. In particular, acquired customer relationships amounting to kEUR 120,511 were identified as part of the purchase price allocation. Furthermore, the DeGiro brand was recognized at kEUR 30,836. Taking into account the net assets acquired in the amount of kEUR 175,000, this results in a goodwill of kEUR 146,806. The purchase price allocation is preliminary with regard to the individual assets identified and their useful lives as well as the contingent purchase price payments.

Both the determination of the purchase price and the subsequent allocation to the acquired assets and liabilities are complex and subject to judgment. Therefore, the initial accounting for the acquisition of DeGiro B.V. was of particular importance in the context of our audit.

The disclosures by flatexDEGIRO AG on the acquisition of the shares in DeGiro B.V. are included in Note 7 to the financial statements.

Audit conclusion

As part of our audit, we inspected and understood the contractual agreements for the acquisition of the shares of DeGiro B.V. and reconciled the purchase price components with the contractual bases and the payments made. Furthermore, we satisfied ourselves of the appropriateness of the determination of the fair value of the contingent consideration and verified the plausibility of the necessary assumptions.

In order to ensure that the fair value of the shares issued was correctly determined, we examined the valuation of the newly issued shares. For this, we verified the technical appropriateness of the purchase price calculation, including the measurement of the fungibility discount, and performed our own valuation of the shares.

Subsequently, with the involvement of our internal corporate finance specialists, we performed evidence-based audit procedures on the valuation of the shares of DeGiro B.V. already acquired in December 2019. We assessed the appropriateness of the valuation model used for the valuation of the shares in DeGiro B.V. as well as the material valuation parameters and assumptions, and tested their mathematical accuracy. We used a peer group and the current business development of DeGiro B.V. to assess the plausibility of the business planning of DeGiro B.V. on which the forecast of future cash surpluses is based. We critically reviewed the discount rate used on the basis of the average cost of capital of a peer group.

Subsequently, with the involvement of our internal corporate finance specialists, we performed evidence-based audit procedures on the purchase price allocation. We verified the completeness of the assets and liabilities identified in the purchase price allocation. In addition, with the assistance of our corporate finance specialists, we assessed the selection and application of the methods, significant assumptions and data used in the valuation of the assets and liabilities recognized in the purchase price allocation and verified the determination of the respective fair values. In doing so, we satisfied ourselves of the appropriateness of the assumptions, methods and data on which the valuation was based, assessed the parameters used, including expected cash inflows and outflows, the capitalization rate used, and checked the plausibility of the necessary assumptions. We also verified the mathematical accuracy of the valuation model and satisfied ourselves as to the appropriateness of the useful life assumed for the customer base and the indefinite useful life of the brand.

OTHER INFORMATION

The management is responsible for the other information. Other information includes:

- the non-financial statement included in section 1.11 of the Group management report.
- the Group statement on corporate governance included in section 1.3 of the Group management report.
- the remaining parts of the annual report, with the exception of the audited financial statements and management report and our audit 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 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 that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express [audit] opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR THE PURPOSE OF DISCLOSURE IN ACCORDANCE WITH § 317 (3b) HGB

Audit Opinion

In accordance with § 317 (3b) HGB, we have performed a reasonable assurance audit to determine whether the reproductions of the consolidated financial statements and the Group management report (hereinafter also referred to as "ESEF documents") contained in the attached file [flatexDEGIRO_KA20_ESEF.zip: 1098f159b8284951c10ee3d14fc5d796c674cbc61734e6f3634adb64587ef550] and prepared for disclosure purposes comply in all material respects with the requirements of § 328 (1) HGB regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information in the consolidated financial statements and the Group management report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the Group management report contained in the aforementioned attached file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of § 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying Group management report for the fiscal year from 1 January 2020 to 31 December 2020 included in the preceding "REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT

REPORT", we do not express any audit opinion on the information contained in these reproductions or on the other information included in the above-mentioned file.

Basis for the audit opinions

We conducted our audit of the reproductions of the consolidated financial statements and the Group management report contained in the above-mentioned attached file in accordance with § 317 (3b) HGB and in compliance with the draft IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purposes of Disclosure pursuant to § 317 (3b) HGB (IDW EPS 410) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility thereafter is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1) applied.

Responsibility of the Legal Representative and the Supervisory Board for the ESEF Documents

The company's management is responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the Group management report in accordance with § 328 (1) sentence 4 no. 1 HGB and for the award of the consolidated financial statements in accordance with § 328 (1) sentence 4 no. 2 HGB.

Furthermore, the legal representatives are responsible for the internal control features that they have determined to be necessary to facilitate the preparation of the ESEF documents that are free from infringements of the requirements of § 328 (1) HGB regarding the electronic reporting format, whether due to fraud or error.

The legal representatives of the company are also responsible for submitting the ESEF documents together with the auditor's report and the accompanying audited consolidated financial statements and audited Group management report as well as other disclosable documents to the operator of the Bundesanzeiger.

The Supervisory Board is responsible for monitoring the preparation of the ESEF documents as part of the financial reporting process.

Auditor's Responsibility for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material infringements, whether due to fraud or error, with the requirements of § 328 (1) HGB. During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- we identify and assess the risks of material infringements with the requirements of § 328 (1) HGB, whether due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- we obtain an understanding of internal controls relevant to the audit of the ESEF documents 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 those controls.
- we assess the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documentation complies with the requirements of Delegated Regulation (EU) 2019/815, as amended at the reporting date, regarding the technical specification for that file.
- we assess whether the ESEF documentation provides a consistent XHTML representation of the audited consolidated financial statements and the audited Group management report.
- we assess whether the markup of ESEF documents with inline XBRL technology (iXBRL) provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDITED REGULATION

We were elected as group auditor by the annual general meeting on 20 October 2020. We were engaged by the supervisory board on 27 October 2020. We have been the group auditor of the flatexDEGIRO AG without interruption since the financial year 2015.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Timothy Jonas Hebel.

Frankfurt am Main, 30. March 2021

BDO AG
Wirtschaftsprüfungsgesellschaft

Otte	Hebel
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)