

# Report of the Supervisory Board

## Cooperation between the Board of Managing Directors and the Supervisory Board

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

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

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

## Main focus in 2003

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

The following matters were the objects of especially intense discussions

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

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

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

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

### **Corporate Governance**

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

### **Approval of the financial statements and dependency report**

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

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

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

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

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

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

As part of this audit, the auditors also had to evaluate whether the management had implemented a surveillance system and had fulfilled the legal requirements concerning the early detection of risks that are likely to threaten the existence of the company. The auditor has confirmed that the risks as described in the management report are presented accurately and that the measures taken by the management according to Art. 91, (2) of the German Stock Corporation Act (AktG) are conducive to the early detection of developments that are likely to threaten the continued existence of the group.

### **Changes in personnel in the Board of Managing Directors**

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

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

Frankfurt, 4 March, 2004

The Supervisory Board



Martin Blessing,  
Chairman