

Report of the Supervisory Board

Cooperation between the Board of Managing Directors and the Supervisory Board

The Supervisory Board worked in close partnership with the Board of Managing Directors of comdirect bank AG in financial year 2004, providing regular advice and monitoring the management of the company. We have also complied with the legal framework conditions and the bank's Articles of Association and have used the German Corporate Governance Code as a guideline. We have comprehensively carried out all of the duties specified by these rules and regulations.

The Board of Managing Directors has agreed the continued strategic development of comdirect bank with us, based on the bank's "one-to-one-bank for the modern investor" approach. The Board of Managing Directors has discussed the process of implementation with us at regular intervals. We were directly involved in all company decisions of vital importance, including all measures which may significantly affect comdirect bank's situation regarding assets and liabilities, financial position or earnings.

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

In addition, the Chairman of the Supervisory Board was continuously given detailed information on all 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 frequent 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 addressed by the Supervisory Board committees.

Main focus in 2004

The Supervisory Board met at five regularly convened meetings in the 2004 financial year: on 4 March, 28 April (before and after the annual general meeting held on the same day), 30 July and 29 October. The Supervisory Board also concluded addressed changes to the composition of the Board of Managing Directors at an extraordinary meeting on 9 November. Every member of the Supervisory Board took part in at least half of the meetings.

Strategic decisions of crucial importance included the sale of the London subsidiary, comdirect Ltd, in June 2004 and the debate regarding the growth programme for 2005. Both measures were unanimously resolved after intensive scrutiny of all options and careful consideration of opportunities and risks.

We also focused on the following issues in our discussions:

- the profit-and-loss transfer agreement of comdirect bank AG with comdirect private finance AG in preparation of the agenda for the 2004 annual general meeting;
- the overall risk strategy of comdirect bank; in particular, the further development of credit risk strategy in line with the minimum requirements for the lending business of financial institutions (MaK) and the bank's risk management system were discussed in detail;
- the new pricing model for comdirect bank AG and its impact on the business model and income statement.

Efficiency of Supervisory Board activities

Where necessary under the law and the Articles of Association, the Supervisory Board approved the transactions submitted to it. To increase the efficiency of Supervisory Board activities and how complex matters are dealt with, we referred some matters to be dealt with by us to committees as in the previous year. On 4 March, the Audit Committee of the Supervisory Board dealt with the preliminary examination of the financial statements and dependency report as well as the independence of the commissioned auditors for the company and the group accounts. At its meeting on 12 March 2004, the Presiding Committee concerned itself with the issue of compensation of members of the Board of Managing Directors. A detailed report of activities of the committees was provided at the Supervisory Board meetings.

The Supervisory Board reached decisions by means of written circulars, including those regarding the amendments to Rules of Procedure of the Board of Managing Directors and the Audit Committee and amendments to the Articles of Association necessary due to the change in share capital and conditional capital following the exercising of stock options.

In line with Section 5.6 of the German Corporate Governance Code, the first efficiency audit of the Supervisory Board was carried out at the beginning of the financial year. At the meeting on 4 March, the Chairman of the Supervisory Board informed members of the findings of the questionnaire previously completed by them. Full details are provided in the joint Corporate Governance report by the Board of Managing Directors and the Supervisory Board in accordance with Section 3.10 of the Code (see page 23ff.). At the same meeting, the new version of the Declaration of Compliance in accordance with Art. 161 of the German Stock Corporation Act (AktG) was approved.

As in the previous years, there were no conflicts of interest among Supervisory Board Members as defined by Section 5.5 of the Corporate Governance Code during financial year 2004. The Supervisory Board commissioned the auditors elected by the annual general meeting on 28 April 2004, BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, to conduct the audit for financial year 2004. We have obtained a certificate of independence from the auditors.

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 the book-keeping for financial year 2004, have been examined by the auditors and issued with an unqualified certification. The financial statements documentation and the auditors' reports were made available to the members of the Supervisory Board in good time. 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 key findings of the audit and answered questions. The result of the audit was thoroughly discussed with the Audit Committee. The Audit Committee then proposed to the Supervisory Board that the financial statements be approved. The Supervisory Board has acknowledged the results of the audit. Within the scope of the legal provisions, it has examined the financial statements and management report, the consolidated financial statements and group management report and the proposal of the Board of Managing Directors for appropriation of the distributable profit and raised no 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 distributable profit. Furthermore, the report of the Board of Managing Directors on the bank's relationship with affiliated companies was also submitted to the Supervisory Board, together with the associated auditors' report. The Supervisory Board examined the report of the Board of Managing Directors and found it to concur with its own findings and those of the auditors' 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 certificate:

"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 legal 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 the relationship with affiliated companies.

As part of their audit, the auditors also assess whether the Board of Managing Directors has implemented a monitoring system and has fulfilled the legal requirements concerning the early detection of risks that are likely to threaten the existence of the company. The auditors have confirmed that the risks described in the management report are presented accurately and that the measures taken by the Board of Managing Directors according to Section 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 company.

Board of Managing Directors – changes

Due to the appointment of Dr. Achim Kassow, former CEO at comdirect bank AG, to the Board of Managing Directors at Commerzbank AG, the Supervisory Board immediately convened an extraordinary meeting of the Supervisory Board to resolve the new division of tasks within the Board of Managing Directors. On the recommendation of the Presiding Committee, we unanimously elected Dr. Andre Carls CEO effective from 10 November 2004. Also unanimously, we appointed Karin Katerbau as member of the Board of Managing Directors for a period of three years. On 2 December 2004, the German financial supervisory authority (BaFin) confirmed that it took Karin Katerbau's directorship as given. Dr. Achim Kassow continued to carry out the duties of a member of the Board of Managing Directors until the legal requirements for the appointment of Karin Katerbau were fulfilled. As soon as Karin Katerbau could take up office, Dr. Kassow left the Board of Managing Directors of comdirect bank AG. We would like to take this opportunity to thank him for his excellent work and his strong commitment to comdirect bank and its shareholders.

Election of the Supervisory Board

At the annual general meeting on 28 April 2004, the shareholders' representatives on the Supervisory Board were re-elected by large majority for a further five-year term. On 2 March 2004, the employee representatives were elected. Mitja Sack has been newly appointed to replace Maria Xiromeriti in the Supervisory Board role with effect from 28 April 2004. The Supervisory Board wishes to thank Maria Xiromeriti for her commitment to the company. In the constituent meeting following the annual general meeting, Martin Blessing was elected Chairman and Klaus Müller-Gebel, Deputy Chairman.

Thanks for excellent performance

We would like to thank the members of the Board of Managing Directors and all employees of comdirect bank for their excellent performance throughout 2004. It is because of their commitment and expertise that comdirect bank has been able to develop so positively despite some adverse circumstances. We would also like to thank the staff council for their committed and constructive cooperation in the interest of comdirect bank AG.

Frankfurt, 4 March 2005

The Supervisory Board



Martin Blessing
Chairman