



TRADEGATE AG

WERTPAPIERHANDELSBANK

Annual Report 2012





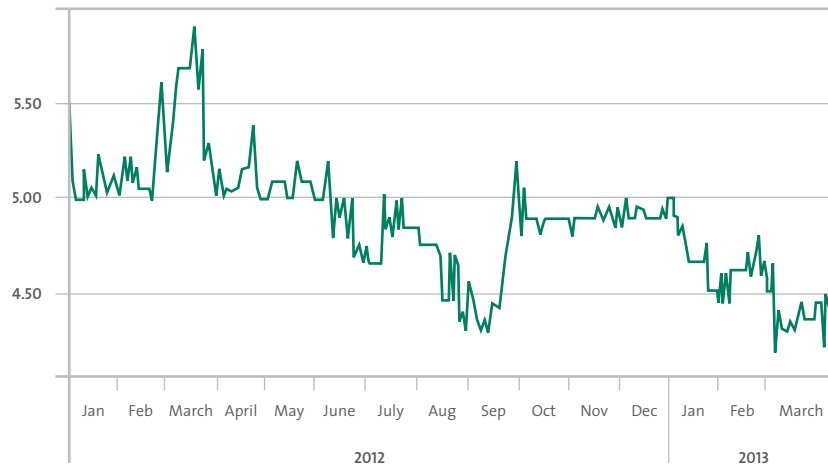
TRADEGATE AG

WERTPAPIERHANDELSBANK

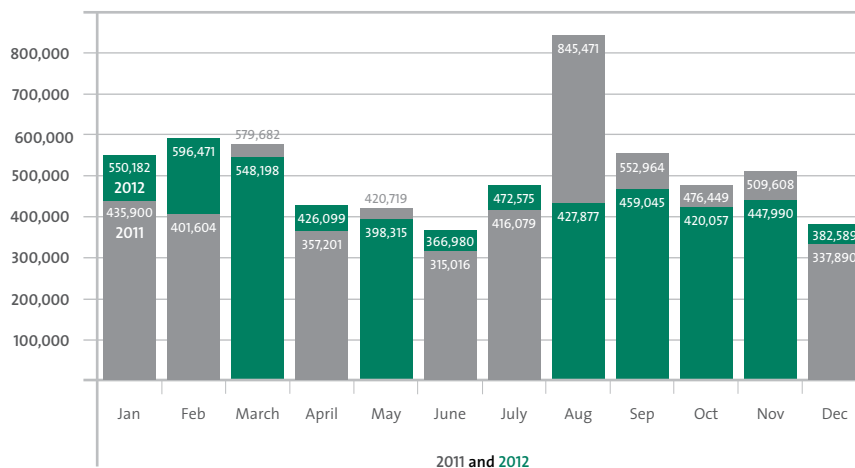
WKN 521 690, ISIN DE0005216907

(listed in the Entry Standard of the Frankfurt Stock Exchange)

SHARE PRICE DEVELOPMENT OF TRADEGATE AG WERTPAPIERHANDELSBANK January 2012 to March 2013



SECURITIES TRANSACTIONS (EQUITIES) PER MONTH ON TRADEGATE EXCHANGE January to December 2011/2012





SHAREHOLDERS' STRUCTURE AS AT 31 DECEMBER 2012

in %	
70.59	Berliner Effektengesellschaft AG
19.50	BNP Paribas
4.92	Deutsche Börse
4.99	Free Float

MANAGING BOARD

Holger Timm <small>Chairman</small>	Prof. Dr. Jörg Franke <small>Chairman</small>
Thorsten Commichau	Frank-Uwe Fricke
Jörg Hartmann	Karsten Haesen
Klaus-Gerd Kleversaat	Dr. Andor Koritz <small>Deputy Chairman</small>
Kerstin Timm	Marcus Lehmann
	Pamela Schmidt-Fischbach

SUPERVISORY BOARD

COMPANY DATA

AS AT 31 DECEMBER 2012

AS AT 31 DECEMBER 2011

Market capitalisation	116.9 M €	138.5 M €
Number of shares	24,554,304	24,554,304
Accounting	HGB	HGB
Balance sheet total	37,923,000 €	40,097,000 €
Number of employees	92	91

KEY DATA

AS AT 31 DECEMBER 2012

AS AT 31 DECEMBER 2011

Result per share	- 0.042 €	0.188 €
Dividend	0.00 €	0.08 €
Interest surplus/gross profit	0.9 %	1.15 %
Commission surplus/gross profit	- 0.5 %	2.37 %
Trading result/gross profit	99.6 %	96.48 %
Cost/income ratio	111.7 %	75.70 %
Equity ratio	87.1 %	80.09 %

CALENDAR OF EVENTS

Annual General Meeting in Berlin	20 June 2013	10 am
Shareholders' Forum in Berlin	6 December 2013	5 pm

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DEAR SHAREHOLDERS, BUSINESS PARTNERS AND FRIENDS OF SECURITIES TRADING,

Tradegate Exchange is now in its third year of existence and continues to build a successful track record. Although the reticence of private investors in Germany has led to a considerable drop in the number of exchange transactions overall, Tradegate Exchange once again set a new record. The volume of turnover was raised from 32.7 billion Euros in 2011 to 36 billion Euros in 2012, an increase of ca. 10 percent.

In view of the general development of transactions on other German stock exchanges this can be regarded as an above-average result. We have our long standing partners in the securities business to thank for this – they honour the company's high quality service as market specialist by increasing the number of orders they make on the Tradegate Exchange.

On the downside, in 2012 we again experienced a noticeable decline in the number of orders made in the context of our role as market specialist and order book manager on the Frankfurt and Berlin stock exchanges respectively. Coupled with the increasing costs for regulatory supervision carried out by the responsible authorities it is not surprising that a balanced overall result could not be achieved in the business year 2012.

A closer look, however, confirms that we have a solid business model. The earnings from our services as market specialist were affected by two negative components: the undesirable development of statutory costs for supervision, which are to be corrected in 2013, and the payments into the fund for general banking risks, which admittedly increase the company value but have a temporarily negative impact on earnings. Considering these factors and the current difficult market situation this year's result can be viewed as stable. The fact that we do not deal in high-risk transactions for own account may mean that we occasionally miss out on the resulting revenues, but we regard the future-proof development of Tradegate AG Wertpapierhandelsbank to be much more valuable and intend to adhere to our strategic focus of providing specialised services for private investors.

Even though the global political environment, European draft legislation (particularly the planned across-the-board financial transaction tax) and generally declining numbers of shareholders give little cause for optimism, we believe in the economic strength and development of our company at all times.

Naturally, we thank our customers, employees, shareholders and partners, whose support allows us to look to the future with confidence.

HOLGER TIMM

THORSTEN COMMICHAU

KERSTIN TIMM

KLAUS-GERD KLEVERSAAT

JÖRG HARTMANN

REPORT OF THE BOARD FOR THE YEAR 2012

The current political environment in the Euro zone is certainly not marked by security and stability. One crisis after another unsettles the member states, monopolises the attention of governments and leading economists and ties up the resources needed for a buoyant further development of the European Union.

At the same time politicians (not just in Brussels and Berlin) lapse into hurried activity designed to appeal to the general public. In the process the true causes of the financial crisis, which for the most part are rooted in badly managed state finances, are disguised and the whole financial industry is castigated indiscriminately.

In such a situation it is not surprising that the number of shareholders in Germany remains stagnant and the number of securities transactions made by private investors continues to decline. The fact that the turnover of shares we look after on the Tradegate Exchange could be increased from 30.1 billion Euros in 2011 to 33.5 billion Euros in 2012 shows that investors are happy with the quality of execution on our young stock exchange.

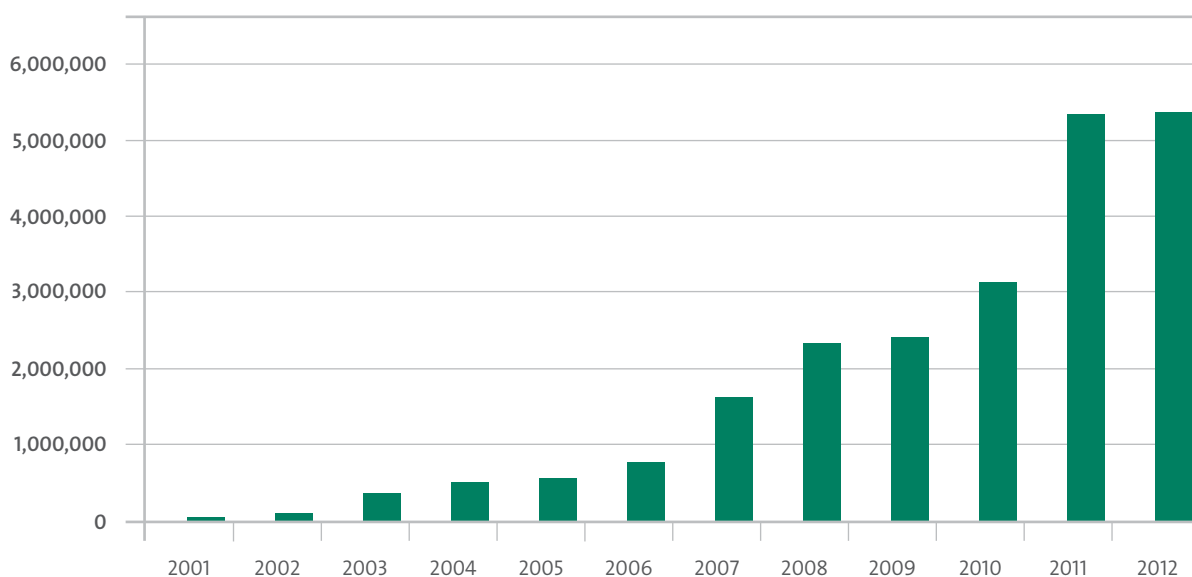
We can also report that investors who have already found their way to the Tradegate Exchange stay with us and prefer our exchange to other market places. The growth in trading volume in 2012 was due to the loyalty of already connected market participants rather than

the addition of new customers. In this respect there is growth potential, since several large German banks and online brokers do not yet provide their customers with access to Tradegate Exchange.

While Tradegate Exchange managed to increase its order volume the remaining German stock exchanges all reported declining trade figures. As the lack of transparency makes it impossible to calculate how high the loss of customer orders in off-market securities trading is, there are nevertheless signs that despite efforts on a European level to strengthen regular markets over-the-counter trading still shows a significant volume. Even some of our long-standing customers ask us explicitly to provide OTC trading. Although we are convinced of the advantages of a regulated market we cannot ignore our partners' wishes and will provide our services in OTC trading – and of course with the same quality as on our exchange.

Unfortunately the practice of disproportionate allocation of costs for supervision by the Federal Financial Supervisory Authority (BaFin) continued to affect the business year 2012. Together with a payment of arrears for the year 2011 the reserves for 2012 now amount to a total of 2.23 million Euros just for the area of securities supervision. As a result of a change in the law, the share of costs for our company will fall drastically as of 2013. The legal action we have taken against the notices of payment for previous years is still open.

NUMBER OF SECURITIES TRANSACTIONS (EQUITIES) ON TRADEGATE EXCHANGE
Comparison 2001 – 2012



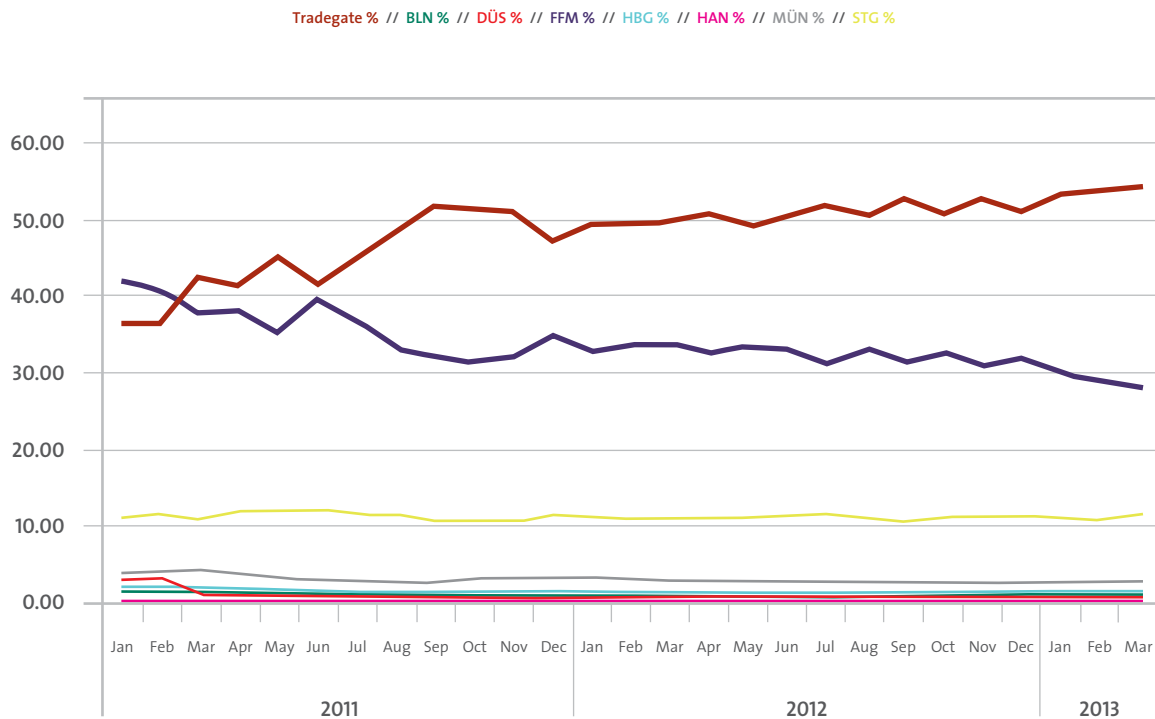


In 2012 our company once again contributed to the fund for general banking risks, a sum which along with the aforementioned payments to the BaFin led to a negative result for the year of -2.712 million Euros. We regret that we are therefore not in a position to pay our existing and new shareholders a dividend for the year 2012.

In the business areas influenced by our employees, however, we continue to be proud of our solid earning position, even though the annual result for 2012 turned out to be negative. Without the above special factors our operative business would have achieved a profit of ca. one million Euros despite difficult circumstances. As our private banking business shows continued moderate growth, this result confirms the strength of our range of services based on long-term, stable and low-risk earnings.

In the light of turbulent markets and increasing competition we were still able to raise the number of securities transactions slightly and – notwithstanding the disproportionate, temporary extraordinary charges – can be satisfied with a positive operational result. This is due primarily to our customers, employees, shareholders and partners, whom we would like to thank warmly for their loyalty in difficult times.

MARKET SHARE IN EQUITIES
German Regional Stock Exchanges and TRADEGATE EXCHANGE





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BALANCE SHEET: ASSETS

Tradegate AG Wertpapierhandelsbank as at 31 December 2012

	in € 2012	in € 2012	in € 2011
1) Cash reserves			
a) cash balance	237.77		576.75
b) balance at Deutsche Bank	154,533.26	154,771.03	154,773.26
2) Receivables from banks			
a) due daily	29,738,744.29		27,770,203.39
b) other receivables	4,080,877.49	33,819,621.78	10,082,313.04
3) Receivables from customers		63,273.43	65,886.98
of which:			
financial services institutions		2,461.26	4,912.88
4) Securities held for trading		2,203,858.77	1,019,281.85
5) Investments		124,999.00	124,999.00
6) Intangible assets			
a) acquired concessions, industrial property rights and similar rights and assets, including licences for such rights and assets		213,443.00	184,979.00
7) Tangible fixed assets		285,884.00	154,246.06
8) Other current assets		1,021,294.84	475,743.66
9) Prepaid and deferred expenses		3,535.31	29,952.44
10) Deferred tax assets		31,832.35	34,358.22
Total assets		37,922,513.51	40,097,313.65



BALANCE SHEET: LIABILITIES AND EQUITY

Tradegate AG Wertpapierhandelsbank as at 31 December 2012

	in € 2012	in € 2012	in € 2012	in € 2011
1) Liabilities to banks				
a) due daily		510,468.44	510,468.44	429,657.55
2) Liabilities to customers				
a) other liabilities				
aa) due daily			758,552.49	412,349.39
of which:				
financial services institutions		8,074.81		11,741.31
3) Securities held for trading			997,415.95	258,492.20
4) Other liabilities			1,231,704.44	852,942.99
5) Prepaid and deferred expenses			-	71,754.53
6) Deferred tax liabilities			12,106.66	11,206.10
7) Provisions and accruals				
a) tax provisions		162,419.39		912,228.71
b) other provisions		1,224,573.73	1,386,993.12	786,898.47
8) Fund for general banking risks			5,919,573.93	4,248,658.29
of which: according to § 34e IV HGB	5,919,573.93			4,248,658.29
9) Equity capital				
a) subscribed stock	24,554,304.00			24,554,304.00
own shares	- 96,725.00	24,457,579.00		- 29,003.00
b) capital reserves		3,733,764.14		3,730,098.88
c) revenue reserves				
ca) statutory reserves		1,516,343.22		1,516,343.22
cb) reserves for shares in a controlling company		31,795.20		-
cc) other revenue reserves		-		86,064.61
d) net profit		- 2,633,783.08	27,105,698.48	2,255,317.71
Total liabilities and equity			37,922,513.51	40,097,313.65

INCOME STATEMENT

Tradegate AG Wertpapierhandelsbank from 1 January to 31 December 2012

	in € 2012	in € 2012	in € 2012	in € 2011
1. Interest earned from				
a) credit and financial market business		109,385.19		291,923.96
2. Interest paid		- 43.53	109,341.66	- 92.16
3. Current income from				
a) investments			36,812.21	-
4. Commissions received		1,065,867.26		2,383,441.87
5. Commissions paid		- 1,143,394.48	- 77,527.22	- 1,783,164.63
6. Net earnings from securities held for trading			16,709,156.37	24,435,305.22
7. Other operating profits			912,458.73	922,713.73
8. General administration expenses				
a) personnel expenses				
aa) wages and salaries	- 5,153,928.98			- 6,932,694.81
ab) social security payments and expenses for retirement provisions	- 827,333.08	- 5,981,262.06		- 884,422.04
of which: € 311.62 for retirement provisions				311.62
b) other administration expenses		- 12,568,395.69	- 18,549,657.75	- 11,145,743.24
9. Write-offs and value adjustments on intangible assets and tangible fixed assets			- 190,509.54	- 204,415.25



	in € 2012	in € 2012	in € 2012	in € 2011
10. Other operating expenses			- 7,934.14	- 25,238.83
11. Write-offs and value adjustments on receivables and certain securities and on allocations to provisions and accruals in the credit business		-	-	- 4,165.00
12. Write-offs and value adjustments on participatory investments, shares in affiliated companies and securities treated as assets		-	-	- 260,712.00
13. Result from ordinary activities			- 1,057,859.68	6,792,736.82
14. Allocation to fund for general banking risks			- 1,670,915.64	- 2,443,530.52
15. Taxes on income and profit			- 34,960.83	- 2,170,864.61
of which: - 3,426.43 € deferred tax expenses				- 2,414.14
16. Other taxes not shown under item 10.			51,885.49	-
17. Loss for the year			- 2,711,850.66	2,178,341.69
18. Profit brought forward			292,703.26	76,097.38
19. Withdrawals from revenue reserves				
a) from reserves for shares in a controlling company			-	878.64
20. Allocations to the revenue reserves				
a) to reserves for shares in a controlling company		- 31,795.20	- 31,795.20	-
21. Offsetting against the difference from acquisition of own shares			- 182,840.48	-
22. Net loss			- 2,633,783.08	2,255,317.71

A. GENERAL INFORMATION ON THE CLASSIFICATION OF THE FINANCIAL STATEMENTS AND ON ACCOUNTING AND VALUATION METHODS

Preparation of the financial statements

The financial statements of the Tradegate AG Wertpapierhandelsbank for the year ended 31 December 2012 were prepared in accordance with the provisions of the German Commercial Code (HGB), taking into consideration the regulations for banks and the Bank Accounting Directive (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute [RechKredV]) as last amended on 9 June 2011.

The classification of the financial statements is made in accordance with the RechKredV; the step-down report was chosen for the profit and loss statement.

The financial statements were prepared in €.

In accordance with the principles of the German Commercial Code, Tradegate AG Wertpapierhandelsbank is included in the group consolidated financial statements of its parent company, the Berliner Effektengesellschaft AG. The group financial statements are published in the Federal Gazette.

Accounting and valuation principles

Receivables from banks and customers are shown at their nominal value. Securities are shown in the balance sheet under the items "fixed-interest securities and government ledger bonds", "equities and other non fixed-interest securities" and "securities held for trading". When stating profits/expenses, in the case of securities we distinguish between stocks for trading, stocks in the liquidity reserve (securities which are treated neither as fixed assets nor as part of the trading stock), and securities that are treated as fixed assets.

Securities held for trading are valued at the fair value minus a deduction for risk. The fair value is equivalent to the market price. If there is no active market by which a market price can be identified then the fair value is determined using generally accepted valuation methods. If the fair value cannot be determined either on an active market or by accepted valuation methods then the acquisition or production costs are used. The company has valued the securities with the help of market prices. In some categories market prices from active markets are not available. On the reporting date this is usually accompanied by a fair value of nil, so these securities can be written off completely. Accepted valuation methods were not applied. The deduction for risk is calculated according to the amount of unrealised reserves at the balance sheet date. Thus the deduction made for risk allows for the probability of default in realisable profits.

Securities that are treated as fixed assets and securities in the liquidity reserve are not included in the balance sheet.

With the coming into effect of the Accounting Law Modernisation Act own shares are no longer shown under assets in the balance sheet but must be deducted from the equity capital. The acquisition costs are deducted from the subscribed capital to the amount of the invoicing value. The difference between the invoicing value and the acquisition costs of own shares must be deducted from the free reserves available. The proceeds from the sale are added to the subscribed capital up to the amount of the invoicing value. Any amount exceeding the invoicing value is added to the free reserves up to the amount of the sum charged at the time of purchase. Any proceeds in excess of this are allocated to capital reserves.

Recognisable risks have been accounted for with value adjustments, provisions and accruals.

We have valued intangible assets and tangible fixed assets at acquisition or production costs and, where possible, allowed for book depreciation on a straight-line basis. Up until the end of 2007 and as of business year 2010, low-value fixed assets were written off in full in the year of acquisition and booked out. The low-value assets acquired in 2008 and 2009 were written off over five years according to tax rules, starting in the year of acquisition.

Deferred tax assets and liabilities result from different valuations of a balance sheet asset or liability and its respective taxable value. This results in probable income tax reliefs or expenses (temporary differences) in the future. These were valued at the income tax rate expected to apply in the period in which they are realised and which is valid at the reporting date. The average income tax rate for the Tradegate AG Wertpapierhandelsbank is 30.39 %.

Liabilities, as far as they are interest bearing, are stated at their repayment amount. Amounts payable from uncovered short sales of securities are shown under the new item "securities held for trading" at fair value plus a risk premium. The risk premium is generated along the same lines as the deduction for risk for trading assets.

We have formed provisions and accruals for taxes, contingent liabilities and anticipated losses from pending transactions on the basis of reasonable commercial judgement to the amount of their probable utilisation. Provisions were also made for anticipated name-to-follow transactions. Provisions with a maturity of more than one year are discounted at the average market rate of the last seven years corresponding to the remaining term.

Proportionate interest determined at the balance sheet date is shown under the underlying receivables or liabilities.



Currency exchange

The valuation of assets and debts denominated in foreign currency has been made in accordance with the provisions of § 340h in conjunction with § 256a HGB. A variance occurs for those stocks quoted on a stock exchange in € and whose nominal value or computed nominal value (for example individual shares) is denominated in a foreign currency. These might be stocks of US-American companies whose capital is denominated in US-\$. We have recorded these securities at their closing price in € on a German stock exchange as at 31 December 2012. In the case of securities held in the liquidity reserve the principle of lower of cost or market was applied.

All other assets and debts denominated in foreign currencies were converted at reference rates of the European Central Bank or, in cases where no reference rates were available, at the average rates applicable on the foreign exchange market at the balance sheet date.

B. NOTES TO THE BALANCE SHEET

Classification of remaining terms

The classification of remaining terms is as follows:

	in € 2012	in € 2011
Other receivables from banks		
a) up to three months	4,080,877.49	10,082,313.04
	4,080,877.49	10,082,313.04
Receivables from customers		
a) indefinite time period	63,273.43	65,886.98
	63,273.43	65,886.98
Liabilities to customers		
a) due daily	758,552.49	412,349.39
	758,552.49	412,349.39

Receivables from and liabilities to affiliated companies

	in '000€ 2012	in '000€ 2011
Classification according to balance sheet item		
Receivables:		
other current assets	52	3
Total	52	3
Liabilities:		
other liabilities	145	240
Total	145	240

Total amount of all assets and debts denominated in foreign currency

The amounts represent the sums of the equivalents in € of different currencies. The difference does not indicate any exposed foreign currency positions.

	in '000€ 2012	in '000€ 2011
Assets	1,146	825
Debts	584	222

Securities marketable on the stock exchange

	in '000€ 2012	in '000€ 2011
Listed on a stock exchange		
Securities held for trading	2,103	934
Not listed on a stock exchange		
Securities held for trading	0	7

With the exception of shares to the book value of € 101,000 (last year € 78,000), all securities held are marketable on the stock exchange.

Securities held for trading (assets 4)

On the assets side of the balance sheet at the reporting date, the item securities held for trading contains only shares and exchange traded products. The deduction for risk for the securities held for trading shown under assets was made to the amount of € 37,000 (last year € 34,000.)



Development of capital assets

	Acquisition costs	Additions in the business year	Disposals in the business year	Rebookings	Write-offs in total	Write-offs in the business year	Residual book value at 31.12.2012	Residual book value last year
in €								
Financial assets								
Investments	635,709.00	-	-	-	510,710.00	-	124,999.00	124,999.00
Total financial assets	635,709.00	-	-	-	510,710.00	-	124,999.00	124,999.00
Intangible assets								
Software	1,845,020.10	141,795.36	-	-	1,773,372.46	113,331.36	213,443.00	184,979.00
Total intangible assets	1,845,020.10	141,795.36	-	-	1,773,372.46	113,331.36	213,443.00	184,979.00
Tangible fixed assets								
Business and office equipment	3,935,542.17	208,414.69	55,517.30	728.49	3,803,284.05	77,178.18	285,884.00	153,919.00
Prepayments on assets and assets under development	327.06	401.43	-	-728.49	-	-	-	327.06
Total tangible fixed assets	3,935,869.23	208,816.12	55,517.30	-	3,803,284.05	77,178.18	285,884.00	154,246.06
Total assets	6,416,598.33	350,611.48	55,517.30	-	6,087,366.51	190,509.54	624,326.00	464,224.06

Other current assets

Other current assets contain those items which cannot be subsumed under other balance sheet items on the assets side. They relate mainly to receivables of € 783,000 (last year € 207,000) from the tax authorities for corporate tax credits. Also included here is the amount of € 52,000 for receivables from purchase tax cost allocations, € 14,000 for receivables from invoices submitted (last year € 34,000) plus a further € 173,000 in deferred income from services performed but not yet charged (last year € 231,000).

Deferred tax assets

The deferred tax assets were formed on the difference between the higher valuations of fixed assets in the tax statement and the balance sheet.

Liabilities to banks

This balance sheet item primarily contains liabilities from amounts payable for the use of settlement services of a bank for € 363,000 (last year € 365,000).

Securities held for trading (liabilities 3)

At the reporting date, on the liabilities side of the balance sheet the item securities held for trading shows only liabilities arising from short selling of securities and other non fixed-interest securities. Tradegate AG Wertpapierhandelsbank engaged in short selling securities in its role as order book manager and specialist. The deduction for risk on the securities held for trading under liabilities amounts to € 10,000 (last year € 5,000).

Other liabilities

Other liabilities contain those items which cannot be subsumed under other balance sheet items on the liabilities side. Of the € 1,232,000 (last year € 853,000), € 995,000 (last year € 536,000) relate to liabilities and accruals and deferrals based on deliveries and services, € 89,000 (last year € 85,000) to income tax not yet paid and € 145,000 (last year € 232,000) to sales tax to be paid to the parent company.

Deferred tax liabilities

The deferred tax liabilities were formed on the difference between the higher valuations of provisions in the balance sheet and the tax statement.

Provisions and accruals

Items under provisions and accruals which do not yet have a fixed amount or date of maturity belong in the income statement for the business year or earlier. The classification of the other provisions and accruals can be seen in the following table:

	in '000€ 31 · 12 · 2012	in '000€ 31 · 12 · 2011
Provisions and accruals for		
Cost allocation for bank supervision	605	0
Personnel costs	136	154
Rebuilding costs	118	128
Cost of annual financial statements	106	110
Securities settlement services	104	195
Anticipated losses from settlement agreement	37	37
Additional rental expenses, electricity	34	26
Contributions to associations	15	15
Advisory and auditing services	6	28
Anticipated losses from pending transactions	3	0
Other expenses	61	94
Total	1,225	787

Fund for general banking risks

According to § 340e IV HGB, the company is obliged to put ten percent of the net earnings from the securities held for trading into the fund for general banking risks. The position may be closed in order to balance net losses of the securities held for trading or if it exceeds fifty percent of the average net earnings of the last five years.

In line with this regulation, on 31 December 2012 an amount of € 1,670,915.64 (last year € 2,443,530.52) was allocated to the fund.

Capital stock / subscribed stock

As at 31 December 2012 the subscribed stock amounted to a total of € 24,554,304 before deduction of own shares. The capital stock of the corporation is thus divided into 24,554,304 nominal shares. The largest shareholder and parent company in terms of § 290 HGB is the Berliner Effektengesellschaft AG, which is also the highest-level parent company in the group.

During the year no shares were issued for the purpose of subscription to shares in the stock option programme. At the reporting date the Tradegate AG Wertpapierhandelsbank holds 96,725 own shares with an accounting value of € 96,725.



Approved capital

On the basis of the resolution of the shareholders' meeting on 16 June 2011, the managing board, with the consent of the supervisory board, was authorised to increase the capital stock of the company until 15 June 2016, once or more than once, by issuing individual stocks against cash or non-cash contribution up to the amount of € 12,141,177.00, thereby setting an alternative date for the beginning of profit sharing from that set down by law. This authorisation was not used during the business year.

Contingent capital

The contingent capital is intended for the issue of option rights, warrants without bonds, convertible bonds or subscription rights without bonds.

Following the resolution of the shareholders' meeting on 31 March 2006, the managing board, with the consent of the supervisory board, was authorised until 30 June 2008 to issue or grant, once or more than once, interest-bearing convertible bonds and/or option rights issued to the bondholder or bearer with a maximum duration of five years and a conversion privilege or option on up to 2,300,000 new bearer shares of the company. At the shareholders' meeting on 20 June 2008 the existing authorisation was cancelled insofar as it exceeds the amount of € 991,000.00. Claims resulting from option rights issued to employees in 2007 and 2008 can be expected until March 2012 and 2013 respectively.

Following the resolution of the shareholders' meeting on 20 June 2008, the managing board, with the consent of the supervisory board, is authorised until 19 June 2013 to issue or grant, once or more than once, interest-bearing convertible bonds issued to the bondholder or bearer and/or subscription rights without issue of bonds (hereafter, "employee stock options") with a maximum duration of five years and a conversion privilege or option right on up to 1,424,000 new bearer shares of the company according to the requirements of the bond terms or terms of subscription. The legal subscription right of the shareholders is excluded. The employee stock options shall be offered to the beneficiaries for the realisation of the company's employee share plan.

From 2007 through to 2011 the Tradegate AG Wertpapierhandelsbank issued stock options for the employees of Tradegate AG Wertpapierhandelsbank. In 2012 no option rights were issued.

Under the terms of the above authorisations the following option rights existed at the balance sheet date:

	in € 2007	in € 2008	in € 2009	in € 2010	in € 2011
Year of assignment					
Contingent capital	2006	2006	2008	2008	2008
Exercise period	15.2.9 - 14.2.12	1.3.10 - 31.3.13	4.3.11 - 4.3.14	19.3.12 - 19.3.15	8.3.13 - 7.3.16
Strike price	5.20€	4.70€	4.58€	6.00€	6.00€
Exercise hurdle	5.19€	4.69€	4.60€	6.00€	6.00€
Options offered	496,500	500,00	500,000	483,000	400,000
Options accepted	496,500	500,00	497,000	483,000	400,000
Value of option right upon issue	0.77€	0.11€	0.12€	0.33€	0.20€
Stock at 1 · 1 · 2012	406,600	288,596	348,500	481,000	397,600
newly issued options	-	-	-	-	-
forfeited options	-	-	-	-	-
exercised options	-	-	-	-	-
expired options	406,600	-	-	-	-
Stock at 31 · 12 · 2012	-	288,596	348,500	481,000	397,600
of which exercisable	-	-	-	-	-

The strike price of the options increases by 6 % per year of the validity period.

Capital reserves

The proceeds from the sale of own shares exceeded the acquisition costs by € 3,665.26 and this amount was added to the capital reserves. At the reporting date the capital reserves totalled € 3,733,764.14.

Reserves for shares in a controlling or majority-holding company

Reserves for shares in the controlling or majority-holding company, the Berliner Effektengesellschaft AG, are to be reported in the balance sheet to the book value of the shares of that parent company. 6,624 shares in the Berliner Effektengesellschaft AG were thus reported in the assets at the balance sheet date. The reserve for shares in a controlling or majority-holding company totals € 31,795.20.

Revenue reserves

Trading in own shares resulted last year in a reduction of other revenue reserves of € 86,064.61.

The capital reserves and the statutory reserves make up more than 10 % of the subscribed stock in line with the requirements of § 150 II Companies Act. Therefore an allocation to statutory reserves is not necessary.

Providing the managing board and the supervisory board approve the annual financial statements, an amount exceeding half of the year's profit can be allocated to the other revenue reserves until half the amount of capital stock is reached.

Own shares

In accordance with § 71 I Nr. 7 of the Companies Act, the company was authorised by resolution of the shareholders' meeting on 17 June 2010 to purchase company shares for the purpose of trading in own shares.

The authorisation is limited to the purchase of own shares up to a percentage of the share capital totalling five in one hundred and is valid until 16 June 2015. Trading may take place at prices that do not fall more than 20 % above or below the preceding day's closing price of the Tradegate AG Wertpapierhandelsbank share in floor trading at the Frankfurt Stock Exchange.

In 2012 the authorisation to purchase own shares for the purpose of trading was utilised. The number of traded shares for each calendar month is shown in the table below. The shares were bought on the Tradegate Exchange. In 2012, 100,752 shares of Tradegate AG Wertpapierhandelsbank were purchased for the sum of € 505,321.10. 33,030 shares were sold resulting in revenue of € 171,480.63.



		Shares purchased	Shares sold	Percentage of share capital
Month				
Opening stock		29,003		0.12
January	2012	6,795	- 5,257	0.03
February	2012	8,579	- 10,358	0.04
March	2012	8,889	- 5,144	0.04
April	2012	407	- 1,569	0.00
May	2012	3,705	- 3,530	0.02
June	2012	7,275	- 2,700	0.03
July	2012	905	-	0.00
August	2012	1,439	- 600	0.01
September	2012	12,510	- 2,672	0.05
October	2012	5,716	- 200	0.02
November	2012	44,232	- 1,000	0.18
December	2012	300	-	0.00
Total		100,752	- 33,030	0.41

C. EXPLANATIONS TO THE INCOME STATEMENT

Commission earnings and expenses

The commission earnings and expenses contain earnings and expenses that are invoiced during business operations for the use of financial services. The largest entries are the Specialist Service Fee and the broker's fees and costs from the exchange brokerage business (net € 742,000, last year € 1,401,000). Broker's fees and costs are booked pre-tax each trading day.

Net profit from securities held for trading

The profits and expenses from securities held for trading are earnings or losses from the purchase and sale of financial instruments, especially securities, which arise as a result of market price fluctuations. Write-offs on trading stocks are dealt with separately. Differences on name-to-follow transactions are also shown here. No futures were traded during the business year 2012. In 2011 a profit of € 16,000 was made from futures transactions. The results from foreign exchange positions arising in connection with trading stocks in securities are also included.

	in '000€ 2012	in '000€ 2011
Net result from securities trading	21,813	29,695
Net difference from name-to-follow transactions	3	1,304
Other net results	- 257	- 332
Profits from securities held for trading	155	256
Commission expenses from securities trading	- 5,005	- 6,488
Total	16,709	24,435

Other operating profits

The position other operating profits contains items which are not related directly to the actual business. The most important positions are shown in the following table.

	in '000€ 2012	in '000€ 2011
Item		
Cost allocation other companies	474	448
Proceeds from transfer of rights	165	222
Cost allocation affiliated companies	150	142
Release of provisions	77	6
Accrued interest on corporate tax credit	4	12
Refund of contributions	0	0
Damages	0	0
Other	42	93
Total	912	923

€ 109,000 of the other operating profits belong to other accounting periods (last year € 31,000).

Expenses in other accounting periods

The position other administration expenses contains € 605,000 from other accounting periods for contributions made towards banking supervision (last year € 43,000).

Taxes

The income and profit taxes pertain to taxes for previous years arising from normal business activities, plus estimated taxes and provisions for 2012. Allocations and reversal of deferred taxes are included here, too. Due to this year's loss additions to provisions for anticipated tax prepayments are not necessary for the 2012 reporting period (last year € 868,000). Back taxes of € 35,000 (last year € 6,000) for other reporting periods was accounted for in the income statement.

D. OTHER INFORMATION

Shareholdings

Unless otherwise stated, the following information refers to 31 December 2012 and the business year 2012.

	in %	in €
Tradegate Exchange GmbH, Berlin		
Nominal capital		500,000.00
Shareholding	25.0	124,999.00
Equity capital		913,352.41
Profit for the year		229,949.00



Other financial obligations

Obligations of € 2,583,000 (last year € 1,345,000) exist for rental, leasing and servicing contracts. They relate mainly to rental contracts for office premises valid until 31 December 2015.

The Tradegate AG Wertpapierhandelsbank has taken guaranteed credits with the quirin bank AG and the Delbrück Bethmann Maffei AG. The total amount stands at € 2,946,000 (last year € 2,946,000). The guaranteed credits serve mainly as security required by the Stock Exchange Act for risks from the settlement of name-to-follow transactions and foreign exchange differences. Assets and securities have been mortgaged for the amount corresponding to the guaranteed credits.

Employees

The number of employees developed as follows:

	Female	Male	Total	Total last year
Average of the year				
Board members	1.0	4.0	5.0	5.0
Traders	4.8	41.8	46.6	43.8
Other employees	15.9	21.1	37.0	36.3
Maternity/parental leave	1.8	-	1.8	1.8
Trainees	-	-	-	-
Student trainees	-	2.3	2.3	3.0
Total	23.5	69.2	92.7	89.9
of which part-time employees (headcount)	7.5	6.5	14.0	14.5
of which part-time employees (in terms of full-time positions)	5.6	4.0	9.6	9.9
As at 31 December 2012				
Board members	1	4	5	5
Traders	5	39	44	44
Other employees	16	24	40	37
Maternity/parental leave	2	-	2	2
Trainees	-	-	-	-
Student trainees	-	1	1	3
Total	24	68	92	91
of which part-time employees (headcount)	7	6	13	14
of which part-time employees (in terms of full-time positions)	5.4	3.6	9.0	9.4

Corporate bodies of the Tradegate AG Wertpapierhandelsbank

Listed below, in accordance with § 285 X HGB, are the members of the managing board and the supervisory board as at 31 December 2012.

Members of the Managing Board

Thorsten Commichau, Board Member, IT, Berlin
 Jörg Hartmann, Board Member, Domestic Trading, Berlin
 Klaus-Gerd Kleversaat, Board Member, Private Banking, Berlin
 Holger Timm, Chairman of the Board, Berlin
 Kerstin Timm, Board Member, International Trading, Berlin

Members of the Supervisory Board

Prof. Dr. Jörg Franke, Frankfurt am Main (Chairman) / Member of several supervisory boards
 Frank-Uwe Fricke, Berlin / Member of the Board of EuroChange Wechselstuben AG
 Karsten Haesen, Berlin / Member of the Board, Ventegis Capital AG
 Dr. Andor Koritz, Berlin (Deputy Chairman) / Lawyer
 Rainer Riess, Frankfurt am Main (until 5 September 2012) / Managing Director Market Development, Deutsche Börse AG
 Marcus Lehmann, Frankfurt am Main (as of 28 September 2012) / Director, Head of Strategic Finance, Deutsche Börse AG
 Pamela Schmidt-Fischbach, Nürnberg / Director Legal Department, Cortal Consors S.A., German branch, Nürnberg

Remuneration of board members

The members of the managing board received remuneration of € 785,000 from Tradegate AG Wertpapierhandelsbank of which € 400 was for benefits from group accident insurance. The supervisory board received remuneration of € 47,000 including value-added tax.

Fees paid to Dohm Schmidt Janka Revision und Treuhand AG Wirtschaftsprüfungsgesellschaft (accounting firm) according to § 285 XVII HGB

In 2012 Tradegate AG Wertpapierhandelsbank made the following payments to Dohm Schmidt Janka Revision und Treuhand AG Wirtschaftsprüfungsgesellschaft, Berlin, and recorded the following expenses:

	in '000€ Payments	in '000€ Expenses
For the annual audit	71	71
For other accounting and evaluation services	25	25
Total	96	96

Last year's payments and expenses were as follows:

	in '000€ Payments	in '000€ Expenses
For the annual audit	70	70
For other accounting and evaluation services	28	33
Total	98	103



Proposed appropriation of net income

At the Annual General Meeting the managing board will propose to carry forward the net loss recorded for 2012 to new account.

Berlin, 28 February 2013

Tradegate AG Wertpapierhandelsbank

Thorsten Commichau Jörg Hartmann Klaus-Gerd Kleversaat Kerstin Timm Holger Timm

MANAGEMENT REPORT OF THE TRADEGATE AG WERTPAPIERHANDELSBANK FOR THE YEAR ENDED 31 DECEMBER 2012

1. FOREWORD

The structure of the management report follows primarily the rules adopted by the German Accounting Standards Committee e.V. which are recorded in the German Accounting Standard 15.

2. BUSINESS AND STRATEGY

2.1 Organisation and business areas

The company is authorised by the Federal Financial Supervisory Authority (BaFin) to practise banking and financial services businesses. The full extent of the licence can be seen on the Federal Financial Supervisory Authority's website. From the company's point of view the important elements of the licence are:

deposit banking (section 1 subsection 1 clause 2 No. 2 KWG [German Banking Act]),
lendings business (section 1 subsection 1 clause 2 No. 1 KWG),
financial commission business (section 1 subsection 1 clause 2 No. 4 KWG),
custody business (section 1 subsection 1 clause 2 No. 5 KWG),
investment banking (section 1 subsection 1 clause 2 No. 10 KWG),
investment brokerage (section 1 subsection 1a clause 2 No. 1 KWG),
investment advice (section 1 subsection 2a clause 2 No. 1a KWG),
own-account trading (section 32 subsection 1a KWG),
own-account trading for others (section 1 subsection 1a clause 2 No. 4 KWG).

In the course of its business the company acts as a Market Specialist on the TRADEGATE EXCHANGE and the Frankfurt Stock Exchange (XETRA 2), and as order book manager on the Berlin Stock Exchange. It has further admissions to listing on the stock exchanges in Munich, Stuttgart, Hamburg, Hannover and Düsseldorf and is a designated sponsor on XETRA®. To a limited extent the company also engages in off-exchange trading in addition to its activities on the stock exchanges. For several years the focus of trading activity has been on looking after financial instruments (shares and ETPs) as a Market Specialist on the TRADEGATE EXCHANGE. TRADEGATE EXCHANGE is operated by Tradegate Exchange GmbH, Berlin, of which at the balance sheet date the company holds just under 25 % of the shares. The operating company is run as a "joint venture" together with the majority shareholder, Deutsche Börse AG.

The company provides continuous bid and ask prices on several exchanges for over 6,000 categories of security, mainly in shares. Insofar as the company carries out its function as order book manager on the Berlin Stock Exchange it accrues a fee for turnover, known as the broker's commission. In May 2011 the market model of the Frankfurt Stock Exchange was changed; the former order book managers now operate as Market Specialists with the result that a broker's commission is no longer charged. As compensation the Market Specialists receive a performance-based fee which at least partly replaces the missing commission. A significant source of earnings for the company is the financial result which arises from the calculated spread between the purchase and selling of a position. On electronic exchanges or markets such as XETRA® or TRADEGATE EXCHANGE, and now also the Frankfurt Stock Exchange, no broker's commission is charged and earnings are determined by the financial/trading result arising from purchases and sales. Since the business is volume-driven, the company tries to reach as many customers as possible with its prices. Mid or long term risk positions in proprietary trading are not intended and are not part of the business concept. Long-term own holdings are, therefore, always and exclusively part of the liquidity management of the company and at the discretion of the managing board.

The management, all administrative areas and the main operative areas are based at the headquarters of the company in Berlin. In Frankfurt am Main the company maintains a technically and personnel equipped branch office to serve the locally based activity as Market Specialist on the Frankfurt Stock Exchange.

Because of the continually increasing importance of computer supported trading, a focal point of the company lies in the departments IT-Operations and IT-Development. The company is largely self-sufficient and attaches particular importance to the development of its own programmes for the areas of trading, trading settlement and risk control.

The management of the company comprises five board members, two of whom are responsible for the operative business areas including the management of the branch in Frankfurt. Another board member takes care of the areas IT-Development and IT-Operations and is the director of the Tradegate Exchange GmbH. The business area banking is the responsibility of a further board member. The speaker of the board is chiefly responsible for strategic planning and coordination as well as the administrative areas such as organisation, personnel, compliance and law, operative credit, auditing and prevention of money laundering, and accounting including controlling and regulatory reporting.

2.2 Competitive position, goals and strategy

The trading platform TRADEGATE®, developed and operated since 2000, was launched in Germany and Europe as a new stock exchange in 2010. The TRADEGATE EXCHANGE now stands in direct competition with comparable exchanges, in particular the seven German floor exchanges. TRADEGATE EXCHANGE'S continued success is important for the company because up to 94 % of all transactions and up to 86 %



of earnings result from trading as a Specialist for shares and ETFs on the TRADEGATE EXCHANGE. In order to secure and improve the lasting success and future growth of the TRADEGATE EXCHANGE, the operator, Tradegate Exchange GmbH, has been run as a joint venture together with the majority shareholder, the Deutsche Börse AG, since 2010. Following an increase in 2011 of ca. 77 % in the number of trades in equities on the TRADEGATE EXCHANGE, growth in 2012 was a much more moderate 0.38 % with 5.52 million single transactions. However, since all relevant competitors reported decreases in turnover of between 20 and 30 %, TRADEGATE EXCHANGE'S market share in equity trading compared with the seven other German regional exchanges continued to climb to up to 53 %. With regard to the market segment equity trading, TRADEGATE EXCHANGE has clearly positioned itself as the leading trading platform for private investors in Germany.

In 2012 TRADEGATE EXCHANGE did not gain any new customers who might have brought about a contribution to a larger increase in turnover. The small increase in turnover and growth in market share recorded in 2012 come from the continued improvement of potential sales volume with existing customers.

Besides its activity as a Specialist on the TRADEGATE EXCHANGE the company will continue to act as order book manager on the Berlin Stock Exchange and as Market Specialist on the Frankfurt Stock Exchange. The transfer in 2011 of the activity order book management for securities on the Frankfurt Stock Exchange to a different trading system (XETRA 2), plus a new trading model, caused difficulties at the beginning, which have probably led to initial financial losses for all former order book managers and today's Market Specialists. However, the company expects that the Frankfurt market model will continue to be modified and improved and that in future it will play an important part in the company's range of services. All things considered, the company's activities on the TRADEGATE EXCHANGE and the Frankfurt and Berlin stock exchanges complement one another very well, as all three exchanges have different strengths and weaknesses and are tailored to different customer needs.

A significant competitive factor for all exchanges is the continued increase in off-exchange trading also by private investors. The market share of off-exchange trading cannot be clearly quantified but the fall in turnover on most exchanges is certainly due to a large extent to the shift from exchange to off-exchange trading. So as not to lose market share in the future the company is also offering its services as Market Specialist to customers who wish to trade off-exchange.

Although the company has expanded its scope of business by beginning operations as a universal bank, it will continue to concentrate its core competence on securities trading in shares and ETFs. The expected increase in turnover on the TRADEGATE EXCHANGE and the continued activity as a Specialist and order book manager on the Frankfurt and Berlin stock exchanges should enable the company to secure the required number of transactions for a profitable business in the years to come.

2.3 Business development and general conditions

The general market conditions for securities trading companies, especially in trading with private investors, have continued to decline in 2012. The number of shareholders in Germany remains very low and private investors have reduced their trading activity, at least in equities. The increased competition for fewer trades among the remaining securities trading firms and trading platforms/exchanges led to a fall in the margin per trade and in the medium term will certainly allow only a few companies to achieve profitable business operations, so that a further market shakeout is to be expected.

In 2012 the company's business development was as follows: in the first quarter results were good, although they did not match the record first months of the previous year, but from April through to August losses in operative business had to be endured due to the fast falling trading margins. A stable result could only be achieved in the last four months of the year. The overall increased liquidity on the TRADEGATE EXCHANGE, a continued shift in the focus of private investors' trading activity towards very liquid leading equities such as the Commerzbank, and increased competition in exchange and off-exchange trading once again led to a substantial reduction in trading margins which could only be stabilised and slightly improved during the final quarter.

Following a decline in 2011 of 8 % in the number of contract notes resulting from the activity as Market Specialist and order book management on the Frankfurt and Berlin stock exchanges, there was a further drop in 2012 of about 8 % to 376,420 transactions. Obviously, the traditional exchanges' continued loss of market share to electronic exchanges or trading systems such as XETRA® or TRADEGATE EXCHANGE along with the general reticence of private investors in equity trading is the reason for this decline.

In contrast, the number of transactions on the TRADEGATE EXCHANGE could be increased in 2012 for the eleventh year running. The increase was admittedly only very small because of the miserable market environment. In trading with shares and ETFs the company achieved an increase of 0.38 % to reach 5,522,834 transactions. The rise in the average trading volume per individual trade was more distinct increasing from € 5,761.00 to € 6,333.00. Overall, in its role as Specialist on the TRADEGATE EXCHANGE the company increased its 2012 trading volume for shares and ETFs by 10.3 % from € 31.7 billion in 2011 to almost € 35 billion.

The continued transfer of business interest onto the TRADEGATE EXCHANGE has proved to be the right decision for the company, insofar as dormant or unprofitable securities on the Frankfurt or Berlin stock exchanges were dropped or delisted and further securities were added to the list of shares quoted on the TRADEGATE EXCHANGE. The number of securities the company looks after in its role as order book manager on the Berlin Stock Exchange fell from 4,826 to 4,503. In the course of the market conversion on the Frankfurt exchange the number of securities looked after there as Market Specialist also fell from 948 to 859. On the other hand, the number of securities looked after on the TRADEGATE EXCHANGE increased slightly from 6,001 to 6,050 (shares and ETFs).

There was a small increase in the number of employees in the company with three new-comers and two leavers. At the end of the year there were 92 people employed at the Tradegate AG Wertpapierhandelsbank. The age structure changed only slightly p.r.t.. The average age is about 40.7 (last year 39.3) with most people in the age group from 31 to 40. The average job tenure is 9.6 years (last year 8.7 years). More than half the employees have been with the company for ten years or more. The company attaches great importance to retaining well-trained and qualified employees even during less profitable times. The flexible increase or reduction of personnel according to the amount of business, e.g. by using temporary employees, is difficult in the industry and not desired by the company. Through flexible remuneration models the company prefers to ensure that on the one hand no unacceptably high fixed salaries endanger the company in difficult economic situations, and on the other that during successful periods the employees have a suitable share in the company's success. Apart from their fixed monthly salary, the employees and board members of the company receive variable remuneration. The total volume of the variable remuneration depends on the company's profit reported under commercial law and is determined on a quarterly basis. The amount received by each employee or board member is calculated by means of several criteria, for example position in the company, length of service, special tasks etc. € 293,000 of the total remuneration of € 5,138,000 was paid in the form of variable remuneration to 86 of 92 employees.

In the past business year new investments were made, particularly to improve the clearing systems for existing customers and to extend or renew established IT-systems. Software is usually developed and maintained by company employees. The personnel costs involved are not such that they can be capitalised. Occasionally individual contracts for work are outsourced and, depending on size, can be capitalised. In the areas of networks, data banks, word processing, etc. standard software from large providers is used.

The portion of costs incurred for administration and maintenance just to comply with all stock market and legal regulations is very high. These costs rose even further with the start of operations as a universal bank in 2009. This becomes particularly clear when one looks at the sharp increase in the fees paid to the Federal Financial Supervisory Authority (BaFin) for the supervision of securities trading. Apart from its considerable fees, which have increased largely due to the financial crisis (2008: € 82 million, 2013 estimated € 170 million), the Supervisory Authority has in our opinion inappropriately transferred the company to a different fee schedule due to the extension of our licence to include the universal bank business, and this has led to an extreme cost burden. As a securities trading bank the yearly costs for the supervision of securities trading lay between € 30,000 and € 50,000. These costs have now developed as follows: 2008: € 312,000, 2009: € 473,500, 2010: € 712,275, 2011: € 1,365,000 (incl. back pay in 2012), 2012: notice of advance payment for € 972,362 plus reserves of € 605,000. This means that in 2011 the company was burdened with 5.58 % of all the fees charged to over 2000 banks for the supervision of securities trading, even though the increased supervisory costs have been caused primarily by stricter requirements for consultation records etc. and not by order book managers or Specialists. The business year 2012 has been heavily impacted by an unexpected supplementary payment for 2011, plus corresponding reserves for 2012 amounting to a total of € 2.23 million for the BaFin's supervision of securities trading. The company has therefore filed an objection against all the BaFin's final assessment notices and at the moment is in the middle of administrative court proceedings for 2008. As of 2013 a change in the Act Establishing the Federal Financial Supervisory Authority (FinDAG) comes into effect, whereby in future the costs will not be based on the number of security transactions but on the net commission income or the trading profit. This should reduce the costs for the company from ca. € 1.6 million to € 30,000 per annum.

Following a satisfactory year in 2011, the difficult market environment with its falling trading margins and the above-mentioned costs of € 2.23 million paid to the BaFin have meant that normal business activities resulted in a loss of € -1.058 million. In line with § 340e IV HGB (Commercial Code) the company has now for the third year allocated 10 % of its net earnings from securities held for trading to the fund for general banking risks. This allocation of at least 10 % of the net earnings from securities held for trading must be made until 50 % of the average trading result of the last five years has been reached. In 2012 this reserve allocation amounted to € 1.671 million, in 2011 € 2.444 million. Following the allocation to the fund for general banking risks the net income fell from € 2.178 million profit to € 2.729 million loss. Despite this disappointing result it must be noted that without the two special factors mentioned above, the company managed an operative profit of over € 1 million even under extremely difficult circumstances. Compared with our competitors this is a sign of stability.

3. DEVELOPMENT OF ASSETS, FINANCIAL POSITION AND RESULTS

The net assets position of the Tradegate AG Wertpapierhandelsbank remains marked by relatively high liquidity and good equity base. Alongside securities held for trading the receivables from banks represent the largest position on the assets side. Under investments the company shows a holding of 25 % minus one share in the Tradegate Exchange GmbH.

In the credit business, which is operated solely on the basis of Lombard loans, there have not yet been any loan agreements or use of loans. At the balance sheet date private customer deposits had risen compared with last year, so that at 31 December 2012 the receivables from customers came to € 759,000 compared with € 412,000 last year. Customer deposits from private banking account for € 750,000 (last year € 400,000) of this. These deposits are invested as deposits of an equivalent term at domestic banks or the German Federal Bank.



The development of assets during the last three years is shown in the following table.

	in '000€ 31 · 12 · 2010	in '000€ 31 · 12 · 2011	in '000€ 31 · 12 · 2012
Assets			
Cash reserve	648	155	155
Receivables from banks	33,555	37,853	33,820
Receivables from customers	189	66	63
Securities held for trading	3,113	1,019	2,204
Investments	386	125	125
Shares in affiliated companies	-	-	-
Intangible assets	301	185	213
Tangible fixed assets	134	154	286
Other current assets	380	476	1,021
Prepaid and deferred expenses	90	30	4
Deferred tax assets	37	34	32
Total assets	38,833	40,097	37,923

The liabilities of the company continue to be relatively low. The liabilities to banks include € 365,000 (last year € 365,000) for the utilisation of settlement services. On the liabilities side of the balance sheet the reported securities held for trading arise from short selling within the company's activity as Specialist and order book manager. As at the reporting date they have increased compared with last year. The other liabilities contain liabilities in the form of deliveries and services from the area of business operations, and liabilities for banking supervision. They have increased compared with last year. The largest entries are the liabilities from services used and additional payments for banking supervision. Especially the supplementary payment of € 653,000 demanded by the BaFin for the year 2011 contributed to the increase. Due to the negative result the share of tax provisions in the total amount of provisions and accruals has dropped (from € 912,000 last year to € 162,000). The largest item is now the reserves made for banking supervision which reached € 605,000 as at 31 December 2012. The disclosed reserves held for contingencies in securities held for trading, which are shown under "fund for general banking risks", amount to € 5,919,000 (last year € 4,249,000). For banking supervision purposes, this fund is added to the core capital. The equity ratio fell slightly from 80 % to 72 %. This is due mainly to the loss for the year and the higher customer deposits and trading liabilities. The net assets together with the fund for general banking risks make for 87 % of the balance sheet total (last year 91 %).

	in '000€ 31 · 12 · 2010	in '000€ 31 · 12 · 2011	in '000€ 31 · 12 · 2012
Liabilities			
Liabilities to banks	1,358	430	510
Liabilities to customers	689	412	759
Securities held for trading	1,952	259	997
Other liabilities	1,103	853	1,232
Prepaid and deferred expenses	10	72	-
Deferred tax	11	11	12
Provisions and accruals	1,769	1,699	1,387
Fund for general banking risks	1,805	4,249	5,920
Equity capital	30,136	32,113	27,106
Total liabilities	38,833	40,097	37,923

The liquidity position of the company is marked by high equity and its liquid investment. All liabilities due within one month stand against much higher amounts, also due in one month, deposited with banks. Customer deposits from private banking are due daily. Corresponding amounts of funds are held at domestic banks or the German Federal Bank. The Tradegate AG Wertpapierhandelsbank can call on additional liquid funds from Lombard loans held at the banks that clear its securities transactions.

The important positions in the financial statement are the commission income and the net result from securities held for trading. The development of these components is the main deciding factor for the development of results. Last year the commission income fell once again from € 600,000 to - € 78,000. The net earnings from securities trading activities are made up of the brokerage fee and the commission charged for the services as a Specialist on the Frankfurt Stock Exchange. They account for a significant part of the commission income and fell from € 1,401,000 to € 742,000. The most important factors influencing the net earnings of the securities held for trading are the results from the activity as Specialist, the net balance from name-to-follow transactions from order book management and costs for the settlement of transactions. Of lesser importance are the valuation result and the current earnings (dividends, interest) from those securities.

In detail the most important factors in the net earnings from securities held for trading developed as follows: since the conversion of the trading model on the Frankfurt Stock Exchange from order book management to specialist trading the net differences from name-to-follow transactions have become redundant. The net earnings from securities trading and the balance from realised gains and losses fell by € 7,912,000, 27 % (last year + € 8,504,000, 40 %). The costs for clearing and settlement of trades could be notably reduced. These costs climbed to € 6,487,000 last year but fell in 2012 to € 5,005,000.

General administration expenses fell by 2 %. Savings were made in personnel costs because almost no bonuses were paid out, but these savings were counteracted by considerable costs for banking supervision. For 2012 no tax provisions were made (last year € 868,000).



	in '000€ 2010	in '000€ 2011	in '000€ 2012
Income Statement			
Interest earned	172	292	109
Interest paid	-	- 0	-
Current profits	-	-	37
Commissions received	3,330	2,383	1,066
Commissions paid	- 1,862	- 1,783	- 1,143
Net earnings from securities held for trading	18,051	24,435	16,709
Other operating profits	856	923	913
General administrative expenses	- 16,024	- 18,963	- 18,550
Write-offs and value adjustments on intangible assets and tangible fixed assets	- 267	- 204	- 191
Other operating expenses	- 28	- 25	- 8
Write-offs and value adjustments on receivables and certain securities	- 10	- 4	-
Write-offs and value adjustments on participatory investments, shares in affiliated companies and securities treated as fixed assets	-	- 261	-
Result from ordinary business activities	4,218	6,793	- 1,058
Allocation to fund for general banking risks	- 1,805	- 2,444	- 1,671
Income and profit taxes	- 1,275	- 2,171	- 35
Other taxes not shown under other operating expenses	-	-	52
Net profit/loss	1,138	2,178	- 2,712

From the development of results the following operating figures can be derived:

- > Cost income ratio (CIR), expressed as a percentage: the sum of general administrative expenses and write-offs on intangible and tangible assets divided by gross earnings
- > Return on equity (ROE), expressed as a percentage: net profit for the year plus the amount allocated to the fund for general banking risks divided by equity capital
- > Earnings per share (EpS), expressed as a percentage: net profit for the year plus the amount allocated to the fund for general banking risks and the number of shares at the balance sheet dated divided by the number of shares

	2010	2011	2012
CIR	82.7%	75.7%	111.7%
RoE	9.77%	14.83%	- 3.52%
EpS	0.121€	0.188€	- 0.042€

The sharp increase in the cost income ratio is explained by low earnings along with a barely noticeable reduction in administration costs. The annual loss for 2012 results in a correspondingly negative return on equity.

To summarise, it can be said that although the development in the last business year was disappointing, the company remains in a satisfactory position.

4. SUPPLEMENTARY REPORT

No significant events were reported after the balance sheet date.

5. RISK REPORT

5.1 Institutional supervision

Due to the permit which allows the company to provide banking and financial services, the Tradegate AG Wertpapierhandelsbank is subject to supervision by the Federal Financial Supervisory Authority. Accordingly, an interim return and calculations for the Liquidity Regulation are prepared monthly, calculations for the Solvency Regulation and reports on any large loans and loans in millions are submitted quarterly. If any unusual events occur, they are to be reported separately. By virtue of its authorisation to carry out certain types of banking business, the company is duty bound to support an internal audit according to the minimum requirements for risk management.

In accordance with part 5 of the Solvency Regulation certain information on the risk management system and the Solvency Regulation must be disclosed. The Tradegate AG Wertpapierhandelsbank fulfils this disclosure requirement in a separate report.

The financial holding group Berliner Effektengesellschaft AG must adhere to the group-level regulations of the Solvency Regulation which govern consolidated monthly reports and large loans from institutional groups. The Tradegate AG Wertpapierhandelsbank is by law the highest-level company in the financial holding group. The regulatory group basically comprises all companies that are included in the group financial statements according to commercial law. In accordance with the German Banking Act, only group companies that fall under the category "other companies" and separate assets should not be incorporated in the reports. In the case of the financial holding group Berliner Effektengesellschaft AG, the company Ex-tra Sportwetten AG, Vienna, is included in its group accounts within the scope of a full consolidation and therefore not included in the report. No regulatory deduction of the book value is made in the report. The quirin bank AG and its subsidiaries are, according to commercial law, included in the IFRS group accounts at equity. For the purpose of regulatory reporting the bank only represents a shareholding of the Berliner Effektengesellschaft AG. The quirin bank AG is an independent group and itself subject to reporting rules.

With regard to the Solvency and Liquidity Regulations the reference figures for the company always fulfilled minimum requirements without any problem. The total key reference figures of the Solvency Regulation lay between 51.32 and 64.37. For current business activities the Solvency Regulation reference figure is not the decisive element for the provision of own capital. Here, the requirements of the stock markets play a more important role, so, in relation to the underlying risk assets, the company is well equipped with capital resources. In accordance with the business plan, part of the resources is to be reserved for the future operation of the lendings business. The company uses the standard financial risk approach, the standard approach for market risk positions and the basic indicator approach for operational risks.



The capital resources of the financial holding group are made up of the subscribed stock of the Berliner Effektengesellschaft AG, its capital reserves and other reserves, insofar as they are not reduced within the scope of a capital consolidation. Own shares, debit differences from the capital consolidation and intangible assets are deducted from this. The item intangible assets includes software and acquired assets. The group's capital resources consist exclusively of core capital. As at 31 December 2012 the capital resources were as follows:

	in '000 € Amount
Description	
Paid-in capital	13,872
Own shares	- 252
Capital reserves	31,556
Other reserves	9,656
Minority interests	9,056
Special item for general banking risks	4,249
Debit difference	- 8,550
Intangible assets	- 327
Core capital	59,260

The report for the financial holding group Berliner Effektengesellschaft AG is made according to the Solvency Regulation. Between January and December 2012 the total key reference figures of the Solvency Regulation at group level lay between 76.00 and 97.60.

5.2 Risk management policy and strategy

Tradegate AG Wertpapierhandelsbank is active in a field that is subject both to dramatic fluctuations regarding the amount of business and to changes in general conditions. In this environment it is necessary to continuously develop the means to manage, monitor and control the relevant risks. With the minimum requirements for risk management (MaRisk) a strict legal framework for monitoring and control mechanisms and their documentation is in place. In principle, risk is understood to be the negative difference between actual incidents and expected incidents. Damage is then the occurrence of a risk with negative consequences. As the company sees itself as a liquidity provider or, as the case may be, a market specialist it is not company strategy to build up and assume securities positions in anticipation of a positive market price development. Rather the business activity is geared towards enabling as many dealings in securities as possible. In doing so, during the course of a day the company assumes an interim position as buyer or seller with the aim largely of continuing to trade these positions up to the close of trading. The number of positions that are held until the start of trading on the next day is small compared with the trading volume. If any one position worthy of note is held open, then this happens strictly within the scope of investments in liquid assets. The development on the German and European stock exchanges is an important influencing factor for business activity and the connected technical development and surrounding conditions. Trends are monitored at an early stage for any possible impact on the company's field of business and for technical necessities. Above all, wrong decisions can lead to high costs, loss of earnings and delays.

The basis of the risk management system is the classification of risks into market price risk, operational risk, counterparty default risk and liquidity risk. The risk management system differentiates between the areas most exposed to risk, risk management in the narrower sense and risk control which monitors the risk situation and supports risk management, in particular with information on assumed risks. The controlling department is also largely responsible for the further development of the risk management system. The basis of the limit system is the anticipated result of the business year, taking into account the current total amount of capital and reserves and the effective result of the business year. An upper loss limit was decided for 2012 which was then adjusted in the fourth quarter because of the slow development of results.

5.3 Market price risks

Market price risks are understood to be the negative differences of the expected market price development. Market prices are interest rates, stock prices and foreign exchange rates. Any change brings about changes in the value of the financial instruments within the portfolio, such as stocks, bonds or bank balances in foreign currency which in turn can lead to write-offs affecting results. Since one focal point of business activities lies in the trading and relaying of transactions of shares in foreign companies, especially US-American stocks, an indirect foreign currency risk also has an effect. For example, in an ideal market, changes in the US- $\text{\$}$ exchange rate bring about corresponding changes in the stock price in $\text{\text{€}}$. In the context of the risk management system of securities trading, the risk arising from securities transactions is considered to be implicit in the share price risk.

Last year the controlling limits were monitored in line with supervision requirements. On the basis of the expected results for 2012 and the capital resources, an absolute upper loss limit for all transactions was set by the company's management board. One part of this upper loss limit was divided as a control limit between the trading areas overseas, domestic and Frankfurt am Main. Using these control limits, pending losses from open positions were limited. The pending losses are calculated from the value of the open position and the current value on the basis of a reference price. This reference price is determined on an ongoing basis and entered into the control system. In 2012 the limit was mostly only marginally used and exceeded occasionally for a short period of time. In nearly all cases, the reason for exceeding the limit was that the monitoring system was provided with incorrect reference prices. If risk control notifies a limit exceedance, the cause is investigated and the board member responsible for controlling is informed accordingly. The board member responsible for controlling discusses the steps to be taken with the board member responsible for trading, and informs risk control of the result. If losses are actually incurred which exceed a certain threshold value, the limit concerned is lowered automatically. In a subsequent comparison of the actual and planned result of the company, a decision is made on the retention or change of the limit alignment. In 2012 an adjustment was made following the negative development of earnings.

Since no option or future contracts were traded on EUREX in 2012 the company lowered the risk limit for these contracts.

In addition, a limit is set especially for the risks coming from potential assets in the liquidity reserve. The assessment of the amount of risk is handled analogue to the observation of trade securities. If the limit is exceeded, the board is informed immediately and then decides on the further handling of the securities in the liquidity reserve.

A further controlling limit exists for receivables and liabilities which are not in $\text{\text{€}}$ against banks, customers and suppliers. The risks at domestic banks from deposits in US dollars are to be noted in particular. No limits were exceeded here. If limits are exceeded during the business year the board members responsible for controlling and trading are informed. They then decide on any further steps to be taken. Currency swaps for the management of currency risk were not used last year.

5.4 Operational risks

Operational risks are understood to be such risks arising out of inappropriate or faulty company operations or those caused by employees, systems or external occurrences, legal risks included.

The existing risk matrix was reassessed for risks, early warning indicators and possible counter measures. If there were any new values the early warning indicators in the risk matrix were renewed or adjusted. In order to create an overview of any damages occurring, employees were required to report to risk control the cases of damages that exceeded a defined minimum limit. The damages arising were due to an increased amount of work and rated as minimal. Additionally, in the area of IT-operations a list of system changes, faults and failures is kept. Last year there were no significant faults which caused definable or noteworthy damages.

The management of operational risks is the responsibility of each department head. They monitor the work processes and, if necessary, make interventions or adjustments. Part of the upper loss limit was reserved for operational risks based on the capital requirements according to the Solvency Regulation.



5.5 Other risks

The other risks include counterparty default risks and liquidity risks. The counterparty default risk is the danger that liabilities are fulfilled too late, incompletely or not at all. The Tradegate AG Wertpapierhandelsbank has predominantly receivables from banks. The most important bank connection, where a large part of the investments in liquidity funds are made, is with the quirin bank AG. Since, within the scope of its associated relation to the group, the quirin bank AG is still integrated into the monthly reports, and because Mr. Timm is a member of the supervisory board of the bank, sufficient realtime information on the economic situation is always available. Further accounts exist at other domestic banks and at one foreign bank. Apart from these bank accounts, which are used for payment transactions and cash deposits, the company has receivables from tax repayments and receivables from other brokers for securities transactions. The risks here are considered to be low as they are regulated by the stock exchange systems and the market participants are subject to supervision by the stock exchanges and the Federal Financial Supervisory Authority.

In order to minimise counterparty default, all transactions with addresses which do not have admission to a German, West European or American stock exchange are subject to separate supervision directly by the board of management. This applies mostly to East European trading addresses.

Liquidity risk is understood to be the danger that payment obligations might be made not at all, too late or incompletely, or that due to illiquid markets assets cannot be sold, or sold at the expected price. Control of solvency occurs within a plan of payments received and payments outgoing over the following twelve months. The first quarter is reported on a monthly basis, thereafter reports are made on a quarterly basis. If there are any shortfalls, reports are made more often than usual. In the last year there were no shortfalls of these self-imposed limits. Additionally, the Tradegate AG Wertpapierhandelsbank is subject to the terms of the Liquidity Regulation, which sets certain minimum requirements with relation to capital and financial liabilities. Last year's reference numbers moved between 5.12 and 12.09, the minimum figure being 1. The market liquidity risk is controlled and monitored through the choice of where to trade, consideration of the current market situation when completing transactions and the limitation of open positions.

5.6 Reporting

The whole board of management receives a daily risk report which contains the realised results of the last day of trading, the current month and the current year, as well as information on limit adjustments and special issues, such as significant exceedance of limits and unusual transactions as regards business partners, volume or conditions. Information on other significant risks to the company is also included in the report. Data on cases of damage from operational risks, specific incidents and steps undertaken are recorded in particular. This risk report complements the economic development report supplied to the managing board each month. Apart from the balance sheet and profit and loss statement, the latter contains employee statistics, the development of securities transactions and some key business figures. At the moment the board of management receives a detailed quarterly summary of the company's payment reserves. In order to increase the transparency of general administration expenses the managing board and department heads are provided with a report on the costs allocated to each area. Any questions and necessary measures are discussed in meetings. Besides increased transparency, the aim is to encourage the awareness of those responsible.

6. DECLARATION ACCORDING TO § 312 OF THE COMPANIES ACT

According to § 312 of the Companies Act the board of management of the Tradegate AG Wertpapierhandelsbank must deliver a report on the relations with affiliated companies for the business year 2012. The closing statement of this report reads:

“Beyond the aforementioned legal transactions and measures, no other legal transactions were made in the reporting period and no measures are known of for which a report must be submitted.

According to § 312 of the Companies Act the board of management of the Tradegate AG Wertpapierhandelsbank, Berlin, declares that for all transactions with the prevailing corporation and its affiliated businesses the company has received appropriate service in return.”

7. OUTLOOK

The company expects 2013 to be another solid business year for securities trading with private investors. Once again, it is possible that those share markets that are particularly important for our company might even benefit from unattractive interest rates and the uncertainties surrounding the government bonds of various debtor countries.

In 2013 the company will continue to explore every opportunity to connect new market participants to the TRADEGATE EXCHANGE and so gain further market share. The possible growth rate should at least be better than in the difficult year 2012. The company expects growth of about 10 % for 2013. In January the growth rate was ca. 23 % compared with the previous year.

Through its increased market share the company intends to implement further cost reductions in general administration in several business areas (e.g. data purchase, trade settlement). However, in other cost centres a moderate increase is to be expected. From mid-2013 onwards the company aims to achieve a further reduction of up to 10 % of the variable costs per trade in clearing and settlement.

In the financial services industry the market shakeout will continue for the next two years and only those few securities trading banks will remain that have reached the necessary critical mass with regard to equity capital and timely diversification of their business activities. Only when the urgently needed consolidation of the industry is completed will the current pressure on margins ease off. The chance of new competitors entering into the company's business field is considered to be unlikely because the build up of comparable structures requires many years of prior investment and does not promise quick profits for financial investors. In 2013 the company expects that trading margins will not improve greatly, but they should remain stable.

One of the biggest challenges in the history of the company will be the tax on financial transactions being discussed at the moment. Depending on its precise form, this may have considerable negative but also positive effects on the company's total revenue and business model. The company does not expect the financial transaction tax to come into effect before the end of 2014, so the business year 2013 should not be affected.

Berlin, 28 February 2013

Tradegate AG Wertpapierhandelsbank

Thorsten Commichau Jörg Hartmann Klaus-Gerd Kleversaat Kerstin Timm Holger Timm



In the German version of the annual report the auditors' report is printed here. This report confirms the unreserved validation by the Dohm Schmidt Janka Revision und Treuhand AG Wirtschaftsprüfungsgesellschaft (accounting firm), Berlin, of the annual financial statements of the Tradegate AG Wertpapierhandelsbank.

LADIES AND GENTLEMEN,

In 2012 the supervisory board dutifully performed the tasks incumbent upon it by the law and the company's statutes. It acted as advisor to the managing board of the company in directing the business and supervised the execution of its business dealings. Moreover, besides attending the supervisory board meetings, the chairman of the supervisory board was in regular contact with the managing board.

All matters requiring authorisation were examined in detail by the supervisory board and then approved. The supervisory board, comprising six members, did not form any other supervisory board committees.

Supervisory board tasks / meetings

In 2012 the supervisory board convened for a total of four supervisory board meetings. One circular resolution was passed.

During the meetings the supervisory board addressed in particular the trading volume and development of earnings, the current risk situation of the company, and the organisational and strategic development of the business. It also discussed the many recently introduced or planned regulations affecting the financial industry, including the financial transaction tax and its impact on the strategic development of the company. The extended regulations of the Minimum Requirements for Risk Management (MaRisk) and their influence on the company's risk strategy were also studied in detail.

According to the knowledge of the supervisory board the managing board of the company has taken appropriate measures and maintains a monitoring system to identify at an early stage any developments which might endanger the continued existence of the company (§ 91 para 2 Companies Act). The company has an efficient controlling system at its disposal and produces conclusive monthly reports.

The monitoring of risks, in particular the risks arising from the change in share prices was further improved. The managing board informed the supervisory board of the results of the internal audit report. According to this report no particular risks or complaints arose. In the opinion of the supervisory board the existing risk control system fulfils legal requirements and is qualified to enable the real-time monitoring of the company.

In the meeting on 7 December 2012 the supervisory board discussed the yearly compliance report with the compliance officer. There were no objections, so the supervisory board confirmed its agreement with the contents of the compliance report.

Dohm Schmidt Janka Revision und Treuhand AG Wirtschaftsprüfungsgesellschaft, Berlin, carried out the audit for 2012 according to § 36 para 1 of the Securities Trade Act. The audit report was given to the members of the supervisory board.

In accordance with § 312 of the Companies Act the managing board composed an additional report on business relations with affiliated companies. This report was submitted to the supervisory board together with the audit report compiled by the auditor. The auditor examined the report and awarded it the following auditor's certificate:

"We have received from the managing board the report on business relations with affiliated companies (dependant company report) compiled in accordance with § 312 of the Companies Act. We have examined this report according to § 313 Abs. 3 of the Companies Act and recorded our results in writing in a separate report.



As there were no objections to the report of the managing board we have, in accordance with § 313, issued the following certificate dated 28 February 2012:

Having conducted a proper audit we hereby confirm that

- 1. the facts set out in the report are correct,*
- 2. payments made by the company in connection with the legal transactions referred to in the report were not inappropriately high.”*

In the course of its own examination of this report the supervisory board found that no objections were to be made and concurred with the auditor's conclusion.

Annual financial statements 2012

The annual financial statements compiled by the managing board for the business year 2012, including the accounting and management reports, were examined by the auditors Dohm Schmidt Janka Revision und Treuhand AG Wirtschafts-prüfungsgesellschaft, Berlin, and were certified without reservation.

The supervisory board members received a copy of the report and discussed it at length with the responsible auditors in the meeting on 20 March 2013. The supervisory board examined the financial statements, the report of the managing board and its proposal to carry forward the net loss to new account. Based on this assessment, the supervisory board concurred with the auditor's conclusion and approved the annual financial statements, which are thus adopted.

The supervisory board concurs with the managing board's proposal to carry forward the net loss of € 2,633,783.08 to new account.

Personnel matters

During the business year the following changes were made in the composition of the supervisory board: on 5 September 2012 Mr. Rainer Riess resigned from the supervisory board; Mr. Marcus Lehmann took his place on the supervisory board and his election was confirmed by the local district court on 28 September 2012.

The supervisory board would like to thank the managing board and all employees for their great personal commitment and hard work during the year 2012.

Berlin, 20 March 2013

Professor Dr. Jörg Franke
Chairman of the Supervisory Board



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