



TRADEGATE AG

WERTPAPIERHANDELSBANK

Annual Report 2015





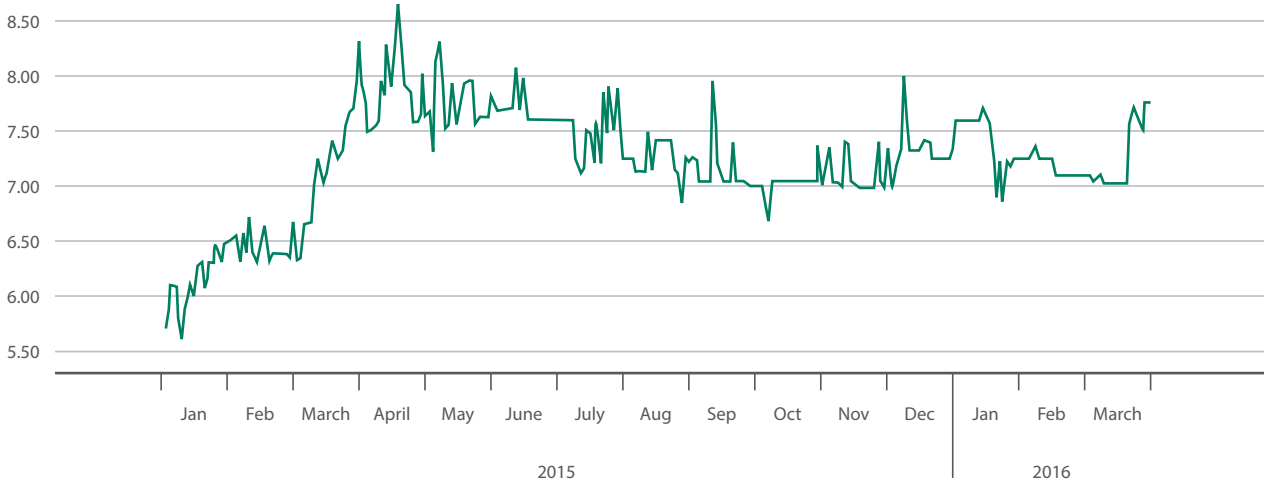
TRADEGATE AG

WERTPAPIERHANDELSBANK

WKN 521 690 · ISIN DE0005216907
(listed in the Entry Standard of the Frankfurt Stock Exchange)

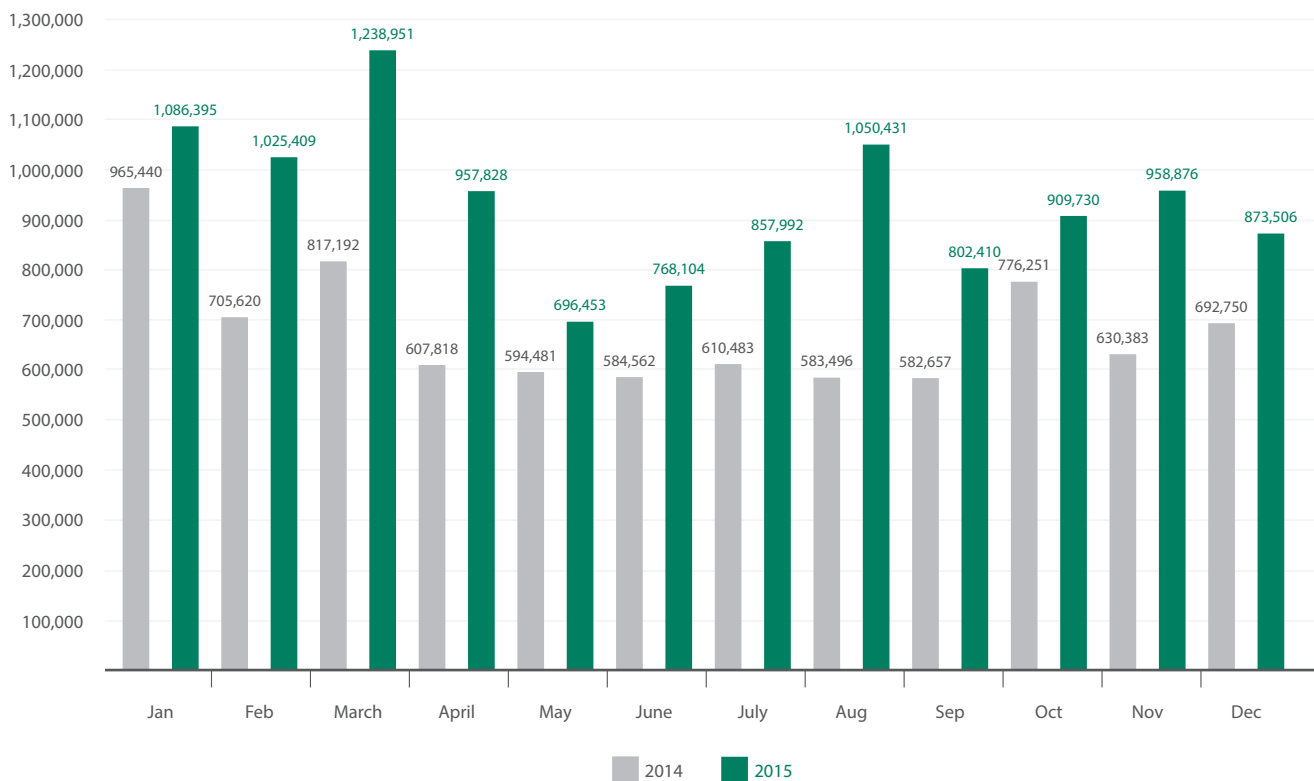
DEVELOPMENT OF SHARE PRICE

Tradegate AG Wertpapierhandelsbank
January 2015 to March 2016



SECURITIES TRANSACTIONS (EQUITIES)

Tradegate AG Wertpapierhandelsbank
January to December 2014/2015
Transactions per month on TRADEGATE EXCHANGE



SHAREHOLDERS' STRUCTURE

	in %
as at 31 December 2015	60.01 Berliner Effektengesellschaft AG
	19.62 BNP Paribas
	14.86 Deutsche Börse
	4.51 Free Float

MANAGING AND SUPERVISORY BOARD

MANAGING BOARD

SUPERVISORY BOARD

Holger Timm Chairman	Prof. Dr. Jörg Franke Chairman
Thorsten Commichau	Frank-Uwe Fricke
Jörg Hartmann	Karsten Haesen Deputy Chairman (from 11 June 2015)
Klaus-Gerd Kleversaat	Dr. Andor Koritz Deputy Chairman (until 20 March 2015)
Kerstin Timm	Marcus Lehmann
	Peter E. Schmidt-Eych (from 11 June 2015)
	Pamela Schmidt-Fischbach

COMPANY DATA

AS AT 31 DECEMBER 2014

AS AT 31 DECEMBER 2015

Market capitalisation	151.2 M €	185.3 M €
Number of shares	24,402,768	24,402,768
Accounting	HGB	HGB
Balance sheet total	56,542,000 €	87,704,000 €
Number of employees	96	104

KEY DATA

AS AT 31 DECEMBER 2014

AS AT 31 DECEMBER 2015

Result per share	0.359 €	0.520 €
Dividend	0.21 €	0.41 €
Interest surplus/gross profit	0.1 %	0.06 %
Commission surplus/gross profit	2.5 %	1.85 %
Trading result/gross profit	97.4 %	98.1 %
Cost/income ratio	66.4 %	62.5 %
Equity ratio*	83.9 %	62.4 %

CALENDAR OF EVENTS

Annual General Meeting in Berlin	9 June 2016 · 10 am
Shareholders' Forum in Berlin	2 December 2016 · 5 pm

* incl. fund for general banking risks



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DEAR SHAREHOLDERS, BUSINESS PARTNERS AND FRIENDS
OF SECURITIES TRADING,

This year we are delighted to be celebrating a special anniversary: our own electronic trading platform TRADEGATE®, developed and run here in Berlin, now has a track record of no less than fifteen successful years.

The German stock exchange scene has been undergoing a transformation for many years and changes continue to come thick and fast. Stock exchanges merge, come, go, and off-exchange markets exist alongside regulated markets. In addition national and international authorities are bringing in new rules in quick succession, so in our industry nothing is more consistent than change.

Today banks are also finding themselves in a situation they have never experienced before. Conventional financial institutions with their traditional business models face a major challenge because depositing cash at the European Central Bank is no longer a way of making money since negative interest was introduced. It is therefore only a matter of time until banks that are without alternative sources of income begin to charge their private and business customers higher prices for services that are currently free or low-priced. Private sector lending has become much more difficult due to new regulatory requirements and at the same time interest earnings resulting from such business is at an all-time low. In a nutshell institutions that only grant loans and invest cash deposits to yield interest have a problem. Banks are increasingly looking to prop up their business by giving generous real-estate credits, so especially in large cities house prices are already on the rise. What happens if this development continues, as it did at the beginning of this decade in the USA, is still fresh in our memories. The housing market crisis quickly became a bank crisis. Even though the financial industry and the supervisory authorities have learnt from those events, Germany still has no concept for tackling a long period of low interest.

Institutions that have already set the right course and developed a sustainable business model can call themselves fortunate. Our loyal shareholders who have been with us for a long time will remember the hard times, when it became clear that a typical broker in the securities trading business was looking at a permanent reduction in his earnings. The prosperity of financial intermediaries depended back then on the largest stock exchange of the time that was gradually taking over the complete investors' market for equities.

Around that time, at the start of the new century, our company decided to invest the declining earnings generated by the broker activity on several stock exchanges in the development of a new, ultra-modern, innovative and unique electronic trading platform. For a while, this decision carried with it a certain disadvantage for our shareholders because profits were not distributed in full, instead they were invested directly into the ongoing build-up of the platform. We are very grateful to our long-term shareholders for their support in this decision; at the same time we thank our employees and business partners for trusting us in this matter. Looking back, we have together begun an unbelievable success story that not only ensures the continuity of the company but also gives a reliable reward to our loyal shareholders for their leap of faith in the past.

A key component for this achievement was our employees. In every department of our company – not just in trading – we have real experts who have looked after and are still looking after our continued success. The top priority for us is to provide services of excellent quality for our business partners and private investors while avoiding all speculative trading business. However volatile the markets have been in the past, since we started our own trading platform in 2001 our company has come through all critical phases unscathed.

DAX

from 01.01.2001 to 14.03.2016



Another fact that has played a part in our success was that we built up and had faith in our own IT team. The IT department is now the second largest business area after the trading department and helps us not only to avoid external licensing and running costs but also to hold sovereignty over the direction, speed and quality of our own system development. At the same time we are aware of the criticality of this philosophy and are continually improving our risk and security procedures so that we can be a reliable partner for our participants at all times.

Our theory that modern information technology in the financial industry is eligible and helps to slim down established processes making them less prone to errors and more efficient to run has been confirmed by the recent flood of so called FinTech startups. The belief that automated processes can be designed so that financial transactions for private investors are made less complicated, quicker, more transparent and cheaper has become a certainty thanks to TRADEGATE®'s yearlong success.

Over the years the platform TRADEGATE® has evolved from the original off-exchange trading system via an MTF (Multilateral Trading Facility) to become Germany's favourite exchange for private investors trading equities. In 2010 it received the official status of a regulated market according to MiFID regulations – which means it is a fully fledged stock exchange.

It all began in 2001 with just one institute connected to the platform. This institute and the people responsible back then are still part of our lasting success and have witnessed the platform become one of the most efficient and most liquid trading places in Europe. TRADEGATE® currently processes an average of 40 million quotes per trading day, which leads to up to 175,000 trades every day. Last year private investors trusted us with an equivalent value of 81 billion Euros.

However, not all German banks provide their customers with direct access to Tradegate Exchange. Some institutes still choose stock exchanges that due to their exchange related fees, high post trading costs and short trading hours are not necessarily the first choice of private investors. Tradegate Exchange, and therefore our company, still has great potential as a leading market specialist to increase its turnover and profit and gain further market share. Continuous new regulatory requirements, dwindling liquidity on established markets and a younger group of investors all offer opportunities and bring challenges that we are happy to face and act upon.



The success story of Tradegate AG Wertpapierhandelsbank has only just begun. We are indebted to all those who have accompanied us thus far and thank our partners who continue to actively support us now and in the future. We will make sure that with professional commitment and high personal motivation and determination Tradegate remains a unique, reliable and special model of success.

Holger Timm

Thorsten Commichau

Kerstin Timm

Klaus-Gerd Kleversaat

Jörg Hartmann



REPORT OF THE BOARD FOR THE YEAR 2015

The business year 2015 began with sharp rises in stock prices on the most important share indexes. Associated with this there was increased trading activity by private investors in the first quarter which gave way to general uncertainty and reservation in April. In the third quarter trading slowed down, counting for only 17 percent of the transactions of the whole year. Despite the irregular order volume we are still able to report another above average increase in the number of transactions on Tradegate Exchange.

Regarding the securities looked after on the Berlin and Frankfurt stock exchanges we were able to achieve an increase in the number of transactions of 2.5 percent compared with last year. This is especially positive news considering the continuous decline in transaction volume of previous years. Whether this is a trend and has anything to do with the number of shareholders in Germany, which has risen slightly for the first time in ages, remains to be seen. The worldwide

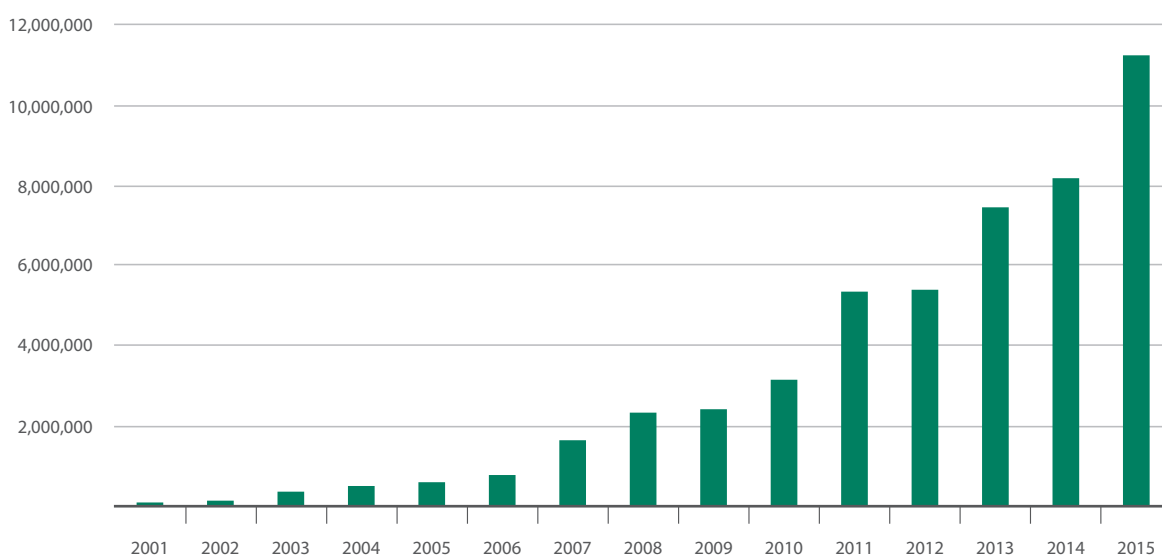
stock markets made the worst ever start at the beginning of 2016 putting investors in a cheerless mood.

Over the past five years our company has made the necessary payments to achieve the minimum amount required in the fund for general banking risks. 2015 is the first year that the amount paid into the fund is based on our actual business development. Due to the company's positive results it was necessary to make a further contribution to the fund. As expected the amount was comparatively moderate, so we are now able to return to a continuous and appropriate dividend pay-out.

Fortunately, but not surprisingly, competitors that have tried to copy our business model were not able to detract from the success of Tradegate Exchange. The number of transactions in securities we look after on the exchange rose by an above average 37.7 percent

NUMBER OF SECURITIES TRANSACTIONS (EQUITIES AND ETPs) ON TRADEGATE EXCHANGE

Comparison 2001 – 2015



compared with last year and reached 11.2 million completed trades. The corresponding turnover for the same reference period increased by over 50 percent to reach almost € 80 billion and was due to an increase of ca. € 500 in the average order volume which currently lies at ca. € 7,000. Meanwhile, the stock exchange we run together with the Deutsche Börse AG has a market share in equity trading of up to 67 percent of the market which is shared with the seven other comparable stock markets in Germany. The multitude of attractive offers for connected institutes and consequently their private customers is an essential and unique feature of our exchange. TRADEGATE® may be copied but is certainly difficult to replicate in its entirety.

In 2015 Tradegate AG Wertpapierhandelsbank reported a result from ordinary business activities of € 18.2 million (last year: € 12.6 million). This result demonstrates once again that our company can achieve

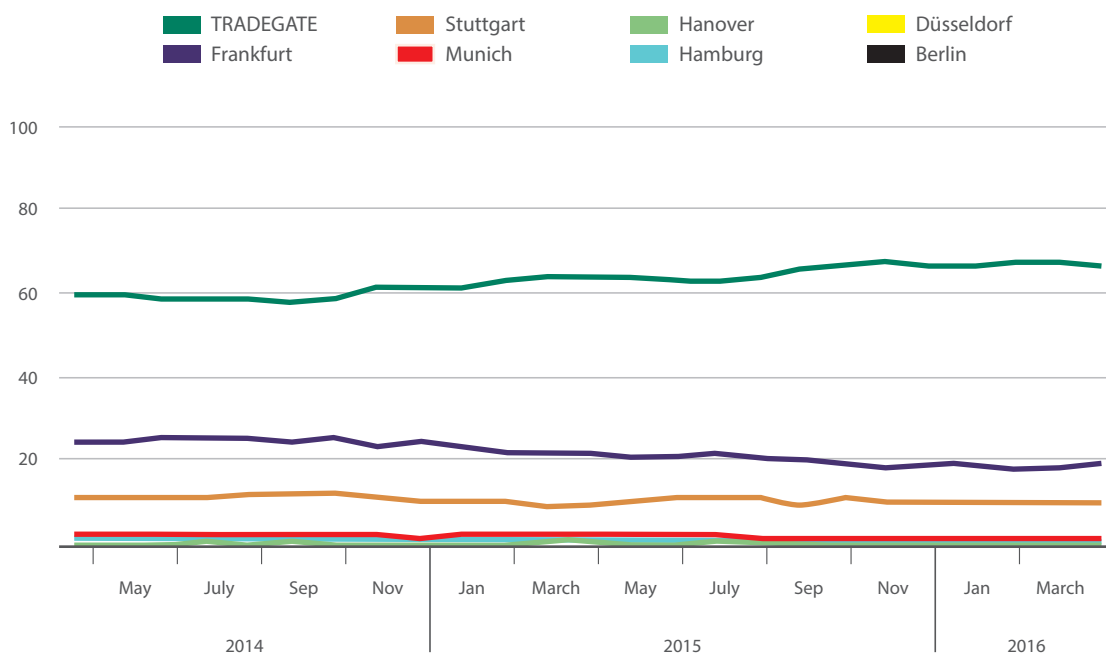
sustained profitability. The long-standing and continuing investments in new business areas such as the expansion of private banking, which progressed considerably at the end of the year, and our modern IT infrastructure, have proven to be correct.

We would like to thank our customers, business partners, shareholders and employees for their part in the excellent result of the business year 2015 and for their unfailing support. Together we justify the trust put in all of us that is necessary to play a major role in the ongoing reorganisation of the German stock markets. In view of regulatory, global economic and political uncertainties the tasks before us are immense but thanks to our lasting and steady development we are convinced that we are well prepared for the upcoming challenges.

Berlin, April 2016

MARKET SHARE IN EQUITIES

German Regional Stock Exchanges and TRADEGATE EXCHANGE





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BALANCE SHEET AS AT 31 DECEMBER 2015

BALANCE SHEET: ASSETS

Tradegate AG Wertpapierhandelsbank as at 31 December 2015

	in € 2015	in € 2015	in € 2014
1) Cash reserves			
a) cash balance	200,361.67		323.55
b) balance at Deutsche Bank	10,128,050.25	10,328,411.92	5,147,786.12
2) Receivables from banks			
a) due daily	65,106,717.11		42,016,407.65
b) other receivables	2,070,000.00	67,176,717.11	2,070,143.75
3) Receivables from customers		854,152.61	89,022.25
of which:			
from financial services institutions		1,754.09	25,960.64
4) Securities held for trading		7,129,023.94	4,092,891.11
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		435,876.00	409,734.00
7) Tangible fixed assets		915,760.00	382,179.00
8) Other current assets		624,032.32	2,167,053.95
9) Prepaid and deferred expenses		44,979.27	14,547.04
10) Deferred tax assets		70,095.33	26,780.61
Total assets		87,704,047.50	56,541,868.03



BALANCE SHEET: LIABILITIES AND EQUITY

Tradegate AG Wertpapierhandelsbank as at 31 December 2015

	in € 2015	in € 2015	in € 2015	in € 2014
1) Liabilities to banks				
a) due daily		1,430,567.33	1,430,567.33	309,020.73
2) Liabilities to customers				
a) other liabilities				
aa) due daily		11,538,355.35		1,767,430.86
ab) other		10,431,525.03	21,969,880.38	-
of which:				
to financial services institutions		8,441.61		18,333.15
3) Securities held for trading			1,978,756.23	1,410,244.18
4) Other liabilities			3,007,922.67	1,922,899.88
5) Deferred tax liabilities			-	39,318.74
6) Provisions and accruals				
a) tax provisions		1,757,224.30		1,321,974.95
b) other provisions		2,867,879.58	4,625,103.88	2,472,642.16
7) Fund for general banking risks			14,763,796.42	12,191,242.14
of which: according to § 34e IV HGB		14,763,796.42		12,191,242.14
8) Equity capital				
a) subscribed stock	24,402,768.00			24,402,768.00
own shares	- 37,456.00	24,365,312.00		- 7,763.00
b) capital reserves		3,768,701.46		3,744,287.53
c) revenue reserves				
ca) statutory reserves		1,516,343.22		1,516,343.22
cb) reserves for shares in a controlling company		87,393.67		54,152.47
d) net profit		10,190,270.24	39,928,020.59	5,397,306.17
Total liabilities and equity			87,704,047.50	56,541,868.03

INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015

INCOME STATEMENT Tradegate AG Wertpapierhandelsbank from 1 January to 31 December 2015	in € 2015	in € 2015	in € 2015	in € 2014
1. Interest earnings				
a) credit and financial market business	4,006.27			7,143.97
less negative interest from money market transactions	- 36,229.92	- 32,223.65		
2. Interest expenses		- 17,798.52	- 50,022.17	- 7,223.80
3. Current income from				
a) investments			74,999.40	49,999.60
4. Commission earnings		1,032,447.41		1,031,046.25
5. Commission expenses		- 205,480.23	826,967.18	- 178,036.99
6. Net earnings from securities held for trading			43,776,820.41	33,538,235.84
7. Other operating profits			1,619,609.58	1,097,084.92
8. General administrative expenses				
a) personnel expenses				
aa) wages and salaries	- 11,809,149.65			- 9,726,136.33
ab) social security payments and expenses for retirement provisions	- 1,212,419.72	- 13,021,569.37		- 1,072,962.42
of which: € 247.51 for retirement provisions				133.57
b) other administration expenses		- 14,579,143.81	- 27,600,713.18	- 11,836,890.98
9. Write-offs and value adjustments on intangible assets and tangible fixed assets			- 299,429.50	- 217,626.30



	in € 2015	in € 2015	in € 2015	in € 2014
10. Other operating expenses			- 46,056.05	- 24,146.26
11. Write-offs and value adjustments on receivables and certain securities plus allocations to provisions for lending business		-	- 31,700.00	-
12. Result from ordinary business activities			18,270,475.67	12,660,487.50
13. Allocation to fund for general banking risks			- 2,572,554.28	- 3,353,823.58
14. Taxes on income and profit			- 5,513,851.10	- 3,888,964.40
of which: € 82,633.46 deferred tax expenses				
15. Other taxes not shown under 10			- 72,923.04	- 22,016.35
16. Net income for the year			10,111,147.25	5,395,683.17
17. Profit brought forward			278,407.49	94,468.49
18. Allocations to the revenue reserves				
a) to reserves for shares in a controlling company		- 33,241.20	- 33,241.20	- 53,141.21
19. Offset against the difference from acquisition of own shares			- 166,043.30	- 39,704.28
20. Net profit			10,190,270.24	5,397,306.17

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 ending 31 December 2015 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 17 July 2015.

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

The financial statements were prepared in €.

Tradegate AG Wertpapierhandelsbank is included in the group consolidated financial statements of the Berliner Effektengesellschaft Group, which according to the principles of the German Commercial Code is the parent company. The group financial statements are published in the Federal Gazette.

Publication takes place according to § 26a I clause 2 of the German Banking Act (KWG) within the group financial statements of the parent company.

Accounting and valuation principles

Receivables from banks and customers are shown at their nominal value. The company distinguishes between securities held for trading, securities in the liquidity reserve (securities which are treated neither as fixed assets nor as part of the stocks held for trading), and securities that are treated as fixed assets.

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

The securities held for trading are shown on the respective side of the balance sheet under "securities held for trading".

Securities held for trading are valued at their 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.

Own shares which the company has in its portfolio are to be shown as adjustment items under 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 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 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.

We comply with the IDW (Institute of Public Auditors in Germany) Statement RS BFA 3 for the loss-free evaluation of interest-related transactions. The statement of comprehensive income was applied as standard.

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 2015.

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 € 2015	in € 2014
Other receivables from banks		
a) up to three months	2,070,000.00	2,070,143.75
	2,070,000.00	2,070,143.75
Receivables from customers		
a) indefinite term	854,152.61	89,022.25
	854,152.61	89,022.25
Liabilities to customers		
a) due daily	11,538,355.30	1,767,430.86
with agreed term or term of notice		
a) up to three months	10,103,117.04	-
b) more than three months and up to one year	328,407.99	-
	21,969,880.33	1,767,430.86

Receivables from and liabilities to affiliated companies

	in '000€ 2015	in '000€ 2014
Classification according to balance sheet item		
Liabilities:		
liabilities to customers	4,824	-
provisions and accruals	-	85
other liabilities	320	209
Total	5,144	294



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€ 2015	in '000€ 2014
Assets	4,866	3,403
Debts	1,859	1,115

Securities marketable on the stock exchange

	in '000€ 2015	in '000€ 2014
Listed on a stock exchange		
Securities held for trading	5,182	4,005

With the exception of shares to the book value of € 1,947,000 (last year € 88,000), all securities held are marketable on the stock exchange.

Securities held for trading (assets 4)

On the assets side of the balance sheet the item securities held for trading contains fixed-interest securities, shares and exchange traded products at the reporting date. The deduction for risk for the securities held for trading shown under assets was made to the amount of € 134,000 (last year € 153,000).



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 31.12.2015	Residual book value last year
in €								
Financial assets								
Investments	124,999.00	-	-	-	-	-	124,999.00	124,999.00
Total financial assets	124,999.00	-	-	-	-	-	124,999.00	124,999.00
Intangible assets								
Software	2,385,771.72	180,670.80	-	-	2,130,566.52	154,528.80	435,876.00	409,734.00
Total intangible assets	2,385,771.72	180,670.80	-	-	2,130,566.52	154,528.80	435,876.00	409,734.00
Tangible fixed assets								
Business and office equipment	4,111,816.19	678,481.70	218,007.97	-	3,656,529.92	144,900.70	915,760.00	382,179.00
Prepayments on assets and assets under development	-	-	-	-	-	-	-	-
Total tangible fixed assets	4,111,816.19	678,481.70	218,007.97	-	3,656,529.92	144,900.70	915,760.00	382,179.00
Total assets	6,622,586.91	859,152.50	218,007.97	-	5,787,096.44	299,429.50	1,476,635.00	916,912.00

Other current assets

Other current assets contain those items which cannot be subsumed under other balance sheet items on the assets side. The largest positions relate to deferred income for services performed but not yet billed (€ 477,000, last year € 270,000), receivables from the tax authorities for corporate tax credits (€70,000, last year € 105,000) and deposits (€ 50,000, last year € 0). The receivables mentioned last year regarding the reimbursement of fees charged by the Federal Financial Supervisory Authority have been received in full (€ 1,783,000).

Liabilities to banks

This balance sheet item primarily contains liabilities from amounts payable for the use of settlement services of several banks for € 723,000 (last year € 304,000).

Securities held for trading (liabilities 3)

At the reporting date the liabilities side of the balance sheet has the item securities held for trading showing only those liabilities arising from the short selling of securities and other non fixed-interest securities. Tradegate AG Wertpapierhandelsbank engaged in the short selling of securities in its role as order book manager and specialist. The deduction for risk on the securities held for trading under liabilities amounts to € 31,000 (last year € 26,000).

Other liabilities

Other liabilities contain those items which cannot be subsumed under other balance sheet items on the liabilities side. Of the € 3,008,000 (last year € 1,923,000), € 2,307,000 (last year € 1,355,000) relate to liabilities and accruals and deferrals based on deliveries and services, € 377,000 (last year € 357,000) to income tax not yet paid and € 320,000 (last year € 209,000) to sales tax to be paid to the parent company.

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 · 2015	in '000€ 31 · 12 · 2014
Provisions and accruals for		
Personnel costs	1,983	1,212
Securities settlement services	354	245
Cost of annual financial statements	120	106
Rebuilding costs	117	129
Contributions to associations	97	47
Additional rental expenses, electricity	43	51
Pending losses	32	0
Advisory and auditing services	21	23
Cost allocation for banking supervision	20	0
Commission/marketing fees	0	539
Other expenses	81	121
Total	2,868	2,473

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 an annual shortfall or a loss carried forward, or if it exceeds fifty percent of the average net earnings of the last five years.

In line with this regulation, on 31 December 2015 an amount of € 2,572,554.28 (last year € 3,353,823.58) was allocated to the fund.

Capital stock · subscribed stock

At 31 December 2015 the subscribed stock amounted to a total of € 24,402,768 before the deduction of own shares. The capital stock of the corporation is thus divided into 24,402,768 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 37,456 own shares with an accounting value of € 37,456.



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 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. Claims resulting from option rights issued to employees in 2007 and 2008 can no longer be made.

Following the resolution of the shareholders' meeting on 20 June 2008, the managing board, with the consent of the supervisory board, was 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 Tradedate AG Wertpapierhandelsbank issued stock options for the employees of Tradedate AG Wertpapierhandelsbank. No option rights have been issued since 2012.

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

	in € 2010	in € 2011
Year of assignment		
Contingent capital	2008	2008
Exercise period	19.3.12 – 19.3.15	8.3.13 – 7.3.16
Strike price	6.00 €	6.00 €
Exercise hurdle	6.00 €	6.00 €
Options offered	483,000	400,000
Options accepted	483,000	400,000
Value of option right upon issue	0.33 €	0.20 €
Stock at 01.01.2015	468,000	391,200
newly issued options	-	-
forfeited options	-	-
exercised options	-	-
expired options	468,000	20,400
Stock at 31.12.2015	-	370,800
of which exercisable	-	370,800

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 € 24,413.93 (last year € 5,271.49) and this amount was added to the capital reserves. At the reporting date the capital reserves totalled € 3,768,701.46 (last year € 3,744,287.53).

Reserves for shares in a controlling or majority-holding company

Reserves to the book value of the shares of the parent company, the Berliner Effektengesellschaft AG, are to be reported in the balance sheet as reserves for shares in a controlling or majority-holding company. 12,467 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 € 87,393.67 (last year € 54,152.47).

Revenue reserves

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 No. 7 of the Companies Act, the company was authorised by resolution of the shareholders' meeting on 12 June 2014 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 12 June 2019. 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 accordance with § 71 I No. 8 of the Companies Act, the company was authorised by resolution of the shareholders' meeting on 20 June 2013 to purchase company shares. The authorisation may not be used 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 ten in one hundred and is valid until 20 June 2018. At no time may the purchased shares, together with all possible own shares purchased for other reasons that are owned by or attributable to the company according to §§ 71 a ff of the Companies Act, exceed ten in one hundred of the share capital of the company. The managing board may choose to purchase the shares on the stock exchange or via a public tender or by an invitation to bid.

If the shares are purchased on the stock exchange, the price per share paid by the company (excluding ancillary costs) may not fall more than 10 % above or below the day's opening share price of the Tradegate AG Wertpapierhandelsbank in the Entry Standard of the Frankfurt Stock Exchange.

If the shares are purchased via a public tender or by an invitation to bid, the purchase price or the threshold values of the purchase price per share (excluding ancillary costs) may not fall more than 15 % above or below the average share price in the Entry Standard of the Frankfurt Stock Exchange on the last three exchange trading days preceding the publication of an offer or an invitation to bid. If, after the publication of the offer to buy or the invitation to bid, the price differs significantly from the share price offered, then the offer or invitation to bid can be adjusted. In this case the price is adjusted based on the average price of the last three exchange trading days preceding the publication. The offer to buy or the invitation to bid can allow for further conditions. If the offer to buy is oversubscribed or if a number of equivalent bids are placed but not all are accepted, then offers must be accepted according to quotas. It may be stipulated that smaller amounts of up to 50 shares for the purchase of the offered shares of the company per shareholder have preferred acceptance.

The managing board is authorised to use the company's shares that have been purchased on the basis of this or earlier authorisations to the extent permitted by law and in particular for the following:

- (aa) The shares may be withdrawn without the need for a further resolution of the shareholders' meeting to authorise the withdrawal or to determine its method. The withdrawal may be restricted to a part of the purchased shares; the authorisation may also be used several times. The withdrawal leads to a reduction of the share capital. The shares may, however, be withdrawn using the simplified method without a reduction of share capital by adjusting the proportionate value of the remaining shares of the capital stock. In this case the managing board is authorised to change the number of shares in the articles of incorporation.
- (bb) The shares may also be sold in alternative ways other than on the stock exchange or by means of an offer to the shareholders excluding shareholders' subscription rights if, at the time of sale, the shares are sold for cash at a price that does not fall substantially below the average stock exchange price of the company's shares of the same class.
- (cc) The shares may be sold against contributions in kind, and may be used especially as (part) consideration in the context of company mergers, company acquisitions, investments in companies or parts thereof.
- (dd) The shares may be used to fulfil conversion rights of convertible bonds issued by the company or a company belonging to the group.
- (ee) The shares may be issued to company employees and employees of associated companies as well as to members of the managing board of associated companies, and may be used to fulfil the rights to buy company shares that have been granted to company employees and employees of associated companies as well as to members of the managing board of associated companies.



In 2015 the authorisation to purchase own shares according to § 71 I Nos. 7 and 8 of the Companies Act was utilised. The purchases were made on the TRADEGATE EXCHANGE. In 2015 89,279 shares of Tradegate AG Wertpapierhandelsbank were acquired for the sum of € 643,353.22. 84,586 shares were sold for the sum of € 622,030.85. The sum of € 166,043.30 (last year € 39,704.28) resulting from last year's trading in own shares were offset against the net profit.

Net profit

A sum of € 278,407.49 (last year € 94,468.49) profit brought forward is reported in the net profit.

In the deferred taxes an amount of € 70,095.33 is subject to a legal dividend payment constraint according to § 268 subsection 8 of the German Commercial Code.

Contingent liabilities

Contingent liabilities arising from guarantees and indemnity agreements are subject to the risk identification and risk control procedures that apply for all banks. These procedures allow for the timely detection of risks. There were no acute risks of claims at the balance sheet date. The risks were evaluated in the course of an individual assessment of the credit-worthiness of each customer. The amounts reported do not show the actual payment flows to be expected from these agreements in the future because in our opinion these will expire without claims being made.

C EXPLANATIONS TO THE INCOME STATEMENT

Interest earnings and expenses

A negative interest amount of € 36,000 is included in the position interest earnings. This was charged for deposits at the German Central Bank and other banks.

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 € 827,000, last year € 853,000). 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 made up of realised income plus the interest, dividends and commission expenses pertaining to the assessment of financial assets at fair value and securities held for trading. The realised income is generated from the market price fluctuations during the purchase and sale of financial instruments.

	in '000€ 2015	in '000€ 2014
Net result from securities held for trading	53,869	41,595
Net difference from name-to-follow transactions	158	32
Other net results	- 193	- 191
Earnings from securities held for trading	176	145
Commission expenses from securities trading	- 10,233	- 8,043
Total	43,777	33,538



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€ 2015	in '000€ 2014
Item		
Release of provisions	624	135
Proceeds from transfer of rights	401	258
Cost allocation other companies	311	331
Cost allocation affiliated companies	126	146
Damages	45	170
Refund of contributions	13	55
Accrued interest on corporate tax credit	0	1
Other	100	1
Total	1,620	1,097

€ 54,000 of the other operating profits belong to other accounting periods (last year € 55,000).

Expenses in other accounting periods

The position other administration expenses contains € 24,000 from other accounting periods for securities settlement services (last year € 0), € 8,000 for auditing expenses in connection with the year-end accounts 2014 (last year € 0) plus a further € 9,000 for other matters (last year € 2,000).

Taxes

The income and profit taxes concern taxes for previous years arising from normal business activities, plus tax prepayments and tax provisions for 2015. Allocations and reversal of deferred taxes are included here, too. Due to this year's result it is necessary to make provisions for tax payments for the assessment period 2015. Back taxes of € 132,000 (last year € 22,000) for other reporting periods were accounted for in the income statement.

D OTHER INFORMATION

Derivatives transactions

Futures transactions with a nominal value of € 291,000 which were not yet due at the balance sheet date result from customer contracts with miscellaneous price risks that are allocated to the banking book, and from currency swaps used to hedge currency positions in the customer business. The risk positions in the customer business are offset with transactions at other banks. As a matter of principle micro-hedges are used so that underlying transactions and hedging transactions can be consolidated to valuation units according to § 254 of the German Commercial Code and allocated to the banking book.



Shareholdings

The following information refers to 31 December 2015 and the business year 2015 unless otherwise stated.

	in %	in €
Tradegate Exchange GmbH, Berlin		
Nominal capital		500,000.00
Shareholding	25.0	124,999.00
Equity capital		1,411,482.45
Profit for the year		574,099.83

Other financial obligations

Obligations of € 5,238,000 (last year € 2,879,000) exist for rental, leasing and servicing contracts. They relate mainly to rental contracts for office premises valid until 31 December 2020 and contracts for service and system costs valid until 31 December 2017.

The Tradegate AG Wertpapierhandelsbank has guaranteed credits with the quirin bank AG and the Delbrück Bethmann Maffei AG. The total amount stands at € 1,146,000 (last year € 1,446,000). 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	5.0	44.8	49.8	47.0
Other employees	13.2	27.5	40.7	37.3
Maternity	0.3	-	0.3	0.3
Parental leave	1.8	-	1.8	2.3
Trainees	-	-	-	-
Student trainees	-	4.2	4.2	3.0
Total	21.3	80.5	101.8	94.8
of which part-time employees (headcount)	9.8	9.5	19.3	17.0
of which part-time employees (in terms of full-time positions)	7.9	5.4	13.3	11.0
As at 31 December 2015				
Board members	1	4	5	5
Traders	5	45	50	47
Other employees	15	28	43	38
Maternity	-	-	-	1
Parental leave	1	-	1	1
Trainees	-	-	-	-
Student trainees	-	5	5	4
Total	22	82	104	96
of which part-time employees (headcount)	11	10	21	19
of which part-time employees (in terms of full-time positions)	8.0	5.5	13.5	12.6

Corporate bodies of the Tradedate AG Wertpapierhandelsbank

Listed below, in accordance with § 285 No. 10 HGB, are the members of the managing board and the supervisory board as at 31 December 2015.

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, EuroChange Wechselstuben AG
Karsten Haesen, Berlin (Deputy Chairman since 11 June 2015) · Member of the Board, Ventegis Capital AG
Dr. Andor Koritz, Berlin (Deputy Chairman until 20 March 2015) · Lawyer
Marcus Lehmann, Frankfurt am Main · Director, Head of Strategic Finance, Deutsche Börse AG
Peter E. Schmidt-Eych, Berlin (since 11 June 2015) · Lawyer
Pamela Schmidt-Fischbach, Nürnberg · Director of Legal & CSR, Consorsbank, Head of Branch Office and Member of the Board
BNP Paribas S.A., German Branch

Remuneration of board members

The members of the managing board received remuneration of € 2,520,000 from Tradegate AG Wertpapierhandelsbank of which € 400 was for benefits from group accident insurance. The supervisory board received remuneration of € 43,000 including value-added tax.

Loans of board members

The members of the managing board have taken out loans to the amount of € 71,000.

Fees paid to Dohm Schmidt Janka Revision und Treuhand AG Wirtschaftsprüfungsgesellschaft (accounting firm) according to § 285 No. 17 HGB

For the last business year 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	79	85
For other accounting and evaluation services	31	31
Total	110	116

The previous year's payments and expenses were as follows:

	in '000€ Payments	in '000€ Expenses
For the annual audit	71	71
For other accounting and evaluation services	31	31
Total	102	102

Proposed appropriation of net profit

At the shareholders' meeting the managing board will propose to use the net profit of the year 2015 to pay a dividend of € 0.41 per share in circulation on the day of the shareholders' meeting. The part of the net profit not needed to pay the dividend shall be carried forward to new account.

Berlin, 9 March 2016

Tradegate AG Wertpapierhandelsbank

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



MANAGEMENT REPORT

OF THE TRADEGATE AG WERTPAPIERHANDELSBANK

MANAGEMENT REPORT OF THE TRADEGATE AG
WERTPAPIERHANDELSBANK FOR THE YEAR ENDED 31 DECEMBER 2015

1 BASIC PRINCIPLES

1.1 Preamble

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 20.

1.2 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 (§ 1 subsection 1 clause 2 No. 2 KWG [German Banking Act])
lending business (§ 1 subsection 1 clause 2 No. 1 KWG)
financial commission business (§ 1 subsection 1 clause 2 No. 4 KWG)
custody business (§ 1 subsection 1 clause 2 No. 5 KWG)
investment banking (§ 1 subsection 1 clause 2 No. 10 KWG)
investment brokerage (§ 1 subsection 1 clause 2 No. 1 KWG)
investment advice (§ 1 subsection 2a clause 2 No. 1a KWG)
own-account trading (§ 32 subsection 1a KWG)
own-account trading for others (§ 1 subsection 1a clause 2 No. 4 KWG)
guarantee business (§ 1 subsection 1 clause 2 No. 8 KWG)

The company's main business area consists of market specialist activities and market making. Private banking is also conducted on a very small scale, but it is planned to expand this business in future through the purchase of the brand "Berliner Effektenbank" along with its customers and employees. 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 an order book manager on the Berlin Stock Exchange. It has further admissions to listing on the stock exchanges in Munich, Stuttgart, Hamburg, Hanover 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 [Exchange Traded Products]) 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 a share of just under 25 %. 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 7,400 categories of security, mainly in shares. Insofar as the company carries out its function as order book manager on the Berlin Stock Exchange it receives a fee for its trade volume, known as the broker's commission. On the Frankfurt Stock Exchange the company acts as a Market Specialist. For this service it receives a performance-based fee which at least partly replaces the abolished broker's commission. A significant source of earnings for the company is the financial result which arises from the calculated difference in the bid-ask spread. On electronic exchanges or markets such as XETRA®, TRADEGATE EXCHANGE and the Frankfurt Stock Exchange, no broker's commission is charged and earnings are determined by the financial/trading result arising from transactions. 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 equipped branch office with personnel to serve its 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 also a director of the Tradegate Exchange GmbH. The business area banking is the responsibility of a further board member. The chairman 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 money laundering, and accounting including controlling and regulatory reporting.

1.3 Competitive position

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 over 97 % of all transactions and more than 94 % of earnings result from trading as a specialist for shares and ETPs 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 a moderate growth rate of 9.76 % in the number of equity trades completed on the TRADEGATE EXCHANGE in 2014, a renewed growth spurt of 37.72 % with 11,226,085 single transactions was reported in 2015. All other relevant competitors, i.e. the seven German regional exchanges, reported significantly smaller growth in turnover for 2015, so TRADEGATE EXCHANGE'S market share in equity trading continued to grow, at times reaching up to 67 %. With regard to the market segment equity trading, TRADEGATE EXCHANGE has not only strengthened but also expanded its position as the leading trading platform for private investors in Germany.

In 2015 TRADEGATE EXCHANGE gained two new customers who started trading for their clientele during the year. For the most part, however, this year's increase in turnover and growth in market share once again resulted 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 an order book manager on the Berlin Stock Exchange and as a Market Specialist on the Frankfurt Stock Exchange. The company expects that the Frankfurt market model will continue to be modified and improved and will in future 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 among private investors. The market share of off-exchange trading cannot be clearly quantified but it may be assumed that considerable potential sales volume has been diverted away from the regulated markets. 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, but as a basic principle still advises private investors to trade on a regulated market such as the TRADEGATE EXCHANGE.

Over the next few years the company will gradually expand its scope of business but in the long term will continue to concentrate its core competence on securities trading in equities and ETPs. The positive trading volume on the TRADEGATE EXCHANGE and other 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.

1.4 Development of general market conditions

The general market conditions for securities trading companies, especially in trading with private investors, showed no sustained improvement in 2015. The number of shareholders in Germany remains very low. Last year private investors slightly increased their trading activity in equities but this was due mainly to a rapid rise in share prices in the first quarter. As of April private investors generally became more unsettled. As a result there is still increased pressure among the remaining securities trading firms and trading platforms/exchanges that are competing for a dwindling number of trades. This caused a slight downturn in the average gross margin per trade for 2015 following a modest increase in 2014. The urgently awaited market shakeout which would make long term profitable business possible for the remaining companies has yet to materialise. In fact the successful business model of the TRADEGATE EXCHANGE is now being widely copied by other stock exchanges with the aim of trying to regain lost market share. Up to now these new platforms have not been able to achieve any significant turnover.

2 ECONOMIC REPORT

2.1 Business development

In 2015 the company's business development was as follows: in previous years the monthly results during the business year have differed greatly and especially in summer, when turnover is usually low, losses were often made. This year the company has once again succeeded in making an even profit in all 12 months, whereby the first quarter of 2015 was particularly lucrative. The first quarter contributed over 34 % to the year's results. The third quarter including the summer

months July and August, normally the weakest in turnover, contributed only ca. 17 %. The year's average gross trading margins could be stabilised although a small decrease of ca. 4 % was reported. A further reduction in the variable costs per trade is not possible at the moment but they have been stabilised at the current level. Overall, the company was therefore able to increase the result of normal business activities by a very strong 44 % to € 18.27 million (2014: € 12.66 million).

In 2014 the number of contract notes coming from the activity as Market Specialist and order book manager on the Frankfurt and Berlin stock exchanges fell once again by 16.7 %, but in 2015 for the first time in years there was a slight increase of 2.5 % to 292,773 transactions. The obvious reason for this below average increase is that the traditional exchanges continue to lose market share to electronic exchanges or trading systems such as XETRA® or TRADEGATE EXCHANGE as well as to off-exchange trading venues.

In contrast, the number of transactions on the TRADEGATE EXCHANGE could be increased in 2015 for the fourteenth year running. In 2014 the growth in transactions of 9.8 % was relatively normal; in 2015 there was a surprising leap of 37.7 % to 11,226,085 transactions. The average trading volume per individual trade also increased in 2015 from € 6,488.00 to € 7,099.00, which was probably due to the price increase in major indices during the first quarter. Overall, in its role as specialist on the TRADEGATE EXCHANGE the company has increased its trading volume in shares and ETPs in 2015 by 50 % from ca. € 52.98 billion in 2014 to € 79.69 billion.

In the course of its intended cost efficiency and profitability increase the company has delisted all dormant or illiquid securities that it looked after in its role as Market Specialist or order book manager on the stock exchanges TRADEGATE EXCHANGE, Frankfurt and Berlin. In total, more securities were delisted than newly included in trading. The balance as at 31.12.2015 is as follows: the number of securities looked after on the TRADEGATE EXCHANGE is 5,168 (3 more than last year), on the Frankfurt Stock Exchange 708 (58 less than last year) and on the Berlin Stock Exchange 3,790 (217 less than last year).

The number of employees in the company rose slightly, with fourteen new-comers and six leavers. At the end of the year there were 104 people employed at the Tradegate AG Wertpapierhandelsbank. The age structure changed p.r.t. only slightly. The average age remained the same as last year at 41 with most people in the age group of up to 35. The average job tenure is 10.5 years (last year 10.7 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. € 11,809,000 of the total remuneration of € 6,068,000 was paid in the form of variable remuneration to all employees who were employed during the reporting period.



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.

2.2 Business outlook

2.2.1 Results of operations

Tradegate AG Wertpapierhandelsbank reported a financial result of € 10,111,000 for the year 2015 (2014: € 5,396,000). The results of operations of the Tradegate AG Wertpapierhandelsbank are influenced by the net earnings from securities held for trading, which includes the significant earnings coming from its activities as a specialist. The performance-based remuneration on the Frankfurt Stock Exchange is shown in the commission income. The earnings from the private banking business are as yet too small to affect the interest and commission income.

The table below shows the development of important positions of the profit and loss statements of the past three years.

	in '000€ 2013	in '000€ 2014	in '000€ 2015
Interest income	108	50	25
Commission income	787	853	827
Net earnings from securities held for trading	29,178	33,538	43,777
General administrative expenses	- 21,244	- 22,636	- 27,601
Result from ordinary business activities	9,705	12,660	18,270
Allocation to fund for general banking risks	- 2,918	- 3,354	- 2,573
Taxes on income and profit	- 2,661	- 3,889	- 5,514
Net income/loss for the year	4,127	5,396	10,111

The interest income is the balance from interest earnings and interest expenses including current income from securities and investments. This has fallen compared with last year due to the low interest rates. The private banking business made no appreciable contribution to the interest income. The commission income has improved a little as a result of the slight increase in commission earnings. A significant part of the commission income continues to come from the remuneration for broker and specialist activities. The commission expenses included in the net earnings from securities held for trading have risen from € 8,043,000 to € 10,233,000. This was due to increased turnover and the corresponding increase in commission. As last year's results have improved once again, an increase of 30.5 % was reported in the net earnings from securities held for trading despite higher commission expenses.

Since last year's results were very good the company was able to reward employees with a share in profits. These special payments and bonuses are the main reason for the € 2,223,000 increase in personnel expenses. The sharp increase in transactions was reflected in the volume-related expenses. In total, other administrative expenses rose by € 2,742,000.

The company pays into the fund for general banking risks according to § 340e IV Handelsgesetzbuch (German Commercial Code). In 2015 the result from trading securities was very good, so € 2,573,000 was paid into the fund.

Due to the positive results taxes on income and profit increased compared with last year.



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

- › A turnover equivalent, expressed as the sum of interest earnings, current income, commission earnings, net earnings from securities held for trading and other operating profits
- › 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 divided by the number of shares at the balance sheet date

	2013	2014	2015
Turnover equivalent	31,360,000 €	35,724,000 €	46,472,000 €
CIR	71.4 %	66.4 %	62.5 %
RoE	24.27 %	26.50 %	33.75 %
EpS	0.287 €	0.359 €	0.520 €

The positive environment on the stock markets and the company's relative strength compared with its competitors has led to a marked increase, especially in the net result from securities held for trading. To a small extent the general administrative expenses increased in line with the net result from securities held for trading. It was mainly the personnel costs that rose due to profit-related special payments. However, since the general administrative expenses did not increase as much as profits the cost income ratio improved to 62.5 %.

The results of operations have developed very positively during the last business year.

2.2.2 Financial position

The company is financed primarily from its net assets and the fund for general banking risks. Based on the company's business activity and the 2015 net result from securities held for trading, € 2,573,000 was paid into the fund. The fund now contains € 14,764,000. Due to the more concentrated activity in the business area private banking the liabilities to customers rose sharply. € 10,432,000 was taken in as fixed-term deposits with terms of up to 12 months.

In 2015 the company acquired more of its own shares within the scope of its trading activities. As a result of trading in own shares the equity capital decreased by € 171,000. Compared with last year the equity ratio fell from 62.1 % to 45.5 % (excluding fund for general banking risks). The decrease of the equity ratio is due inter alia to further payments into the fund for general banking risks and the additional customer deposits within the private banking business.

€ 859,000 was invested last year, primarily in several IT projects. Borrowed capital was not used for the investment.

The financial position of the company is in good order.



2.2.3 Liquidity

The liquidity position of the company is marked by a good equity base and the investment of capital in bank accounts which mature daily. The assets are held ready for the purpose of processing extensive business. A part of the assets serves as a guarantee for underlying risks arising from uncompleted trades. In the course of business activities securities held for trading are transacted short-term and are also therefore classed as liquidity. The very positive development of results has led to a corresponding accrual of liquidity.

In private banking customer deposits are invested with matching maturities or used for the lending business. The amounts are still too small for a maturity transformation. Details of the regulatory reference figures for liquidity may be found in the risk report.

In the past business year the company's ability to meet financial obligations was given at all times.

2.2.4 Net assets

This year the balance sheet total of the Tradegate AG Wertpapierhandelsbank improved by € 31,162,000 compared with last year. On the assets side of the balance sheet the credit balance at the Bundesbank and other banks increased. The credit balance at the Bundesbank was raised by a further € 4,980,000 to control the Liquidity Coverage Ratio. Owing to the very positive development of results and an increase in customer deposits the credit balance at banks increased by € 23,090,000. The reduction in the amount of other current assets is due to the receipt of a reimbursement of fees charged by the BaFin.

On the passive side of the balance sheet the liabilities to customers increased by € 20,202,000. The reason is the expansion of the private banking business. The provisions come to € 4,625,000 compared with € 3,795,000 last year. The explanation of the fund for general banking risks may be found in the paragraph on results of operations (2.2.1). The increase in equity capital comes from the net income for the year. However, as a consequence of a dividend payment the increase in equity capital fell below the amount of net income.

The company's net assets are in good order.

3 SUPPLEMENTARY REPORT

No significant events were reported after the balance sheet date.

4 OUTLOOK, OPPORTUNITIES, RISK REPORT

4.1 Risk report

The risk report is geared towards internal risk controlling and based on the information that is submitted regularly for the attention of the managing board and the supervisory board.

4.1.1 Organisation of risk management

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 controlling.

The highest level of risk management is the whole managing board whose members regularly discuss the general business conditions and the company's development. The operative business areas have freedom of action and leeway in decision-making based on the guidelines and risk strategy decided by the whole managing board. The risk control department reports to the chairman of the board and monitors the risk situation and supports risk management, in particular with information on assumed risks. Risk control is also largely responsible for the further development of the risk management system. The basis for the limit system is the expected 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 limit loss was decided for 2015 which remained unchanged for the whole year.

4.1.2 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 the calculations for the Liquidity Regulation are prepared monthly; calculations for solvency, debt, liquidity 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 8 of the directive (EU) 575/2013 of the European Parliament dated 26 June 2013, also known as the Capital Requirement Regulation (CRR), certain information 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 CRR which govern consolidated monthly reports. It must also observe the regulations on submitting information on financials and risk bearing ability according to the German Banking Act. 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 the HGB (German Commercial Code) 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 HGB 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 CRR Regulations the reference figures for the company always fulfilled minimum requirements without any problem. The total key reference figures of the CRR lay between 43.68 % and 48.25 %. For current business activities the CRR 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 capital resources is to be reserved for the future operation of the lending business. The company uses the standard financial risk approach, the standard approach for market risk positions and the basic indicator approach for operational risks. As at 31 December 2015 the risk positions and capital resources were follows:

	in '000€ Amount
Risk positions	
Counterparty default risks	15,702
Market price risks	17,956
Operational risks	52,476
Risk of a credit valuation adjustment	34
Total	86,168

	in '000€ Amount
Description	
Paid-in capital	24,403
Capital reserves	3,769
Own shares	- 240
Retained earnings	1,885
Special item for general banking risks	12,191
Intangible assets	- 436
Core capital	41,572



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 2015 the risk positions and capital resources were as follows:

	in '000€ Amount
Capital requirements for	
Counterparty default risks	21,601
Market price risks	17,956
Operational risks	53,585
Risk of a credit valuation adjustment	34
Total	93,176

	in '000€ Amount
Description	
Paid-in capital	13,872
Capital reserves	31,606
Own shares	- 896
Retained earnings	- 2,196
Special item for general banking risks	7,453
Minority interests	1,507
Transitional provision for minority interests	16,157
Goodwill	- 218
Intangible assets	- 436
Other adjustments	- 1,476
Core capital	65,373

The report for the financial holding group Berliner Effektengesellschaft AG is made according to the CRR. Between January and December 2015 the total key reference figures of the Solvency Regulation at group level lay between 61.12 and 70.16.

4.1.3 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 €. 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 2015 and the capital resources, an absolute upper loss limit for all transactions was set by the company's managing board. One part of this upper loss limit was divided as a control limit between the individual trading areas. 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 2015 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 2015 no adjustment was made to the controlling limit.

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 managing board is informed immediately and then decides on the further handling of the securities in the liquidity reserve.

A further controlling limit exists for non-€ receivables and liabilities from 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.

4.1.4 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 CRR.

4.1.5 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 relations are with the quirin bank AG and the BNP Paribas S.A. Group. Because of its associated relationship to the group the quirin bank AG is integrated into the monthly reports and Mr. Timm is a member of the supervisory board of the bank, so sufficient realtime information on the economic situation is always available. 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 managing board. 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 5.18 and 9.30, the minimum figure being 1. Financial institutions also have to fulfil a liquidity coverage ratio (LCR) and provide for a stable funding ratio. Within the requirements of the liquidity coverage ratio banks are required to hold liquid assets at least to an amount which covers the total value of liquidity outflow defined in the liquidity coverage ratio, less the inflow of liquidity under stress conditions also defined therein. The ratio of liquid assets to the net liquidity outflow was between 2.49 and 3.93 throughout the whole business year. The corresponding figure for the Group moved between 2.68 and 5.87. The purpose of the stable funding ratio is to make sure that the long term liabilities of financial institutions are backed appropriately by stable funding. Due to the business structure and its



available own assets the company's long term funding was guaranteed at all times. 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.

4.1.6 Reporting

The whole managing board 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 managing board 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.

4.2 Outlook and opportunities

The company expects 2016 to be a solid business year in securities trading with private investors. However, the sudden drop in share prices at the beginning of the year and unsolved political problems (refugee crisis, Brexit etc.) have contributed to an ongoing uncertainty among investors.

In view of the surprisingly large increase in turnover, which was far above what was planned, and the current incertitude of the capital markets it is expected that no further increase will be achievable in 2016. A fall in turnover is possible and cannot be ruled out but the company is confident that it can at least compensate for this by

connecting new market participants to TRADEGATE EXCHANGE. How far our new competitors whose services on and off exchange increasingly resemble those of TRADEGATE EXCHANGE can establish themselves in the coming year remains to be seen.

In January and February a slight drop in turnover of 6 % compared with last year was reported. However, the first quarter of 2015 was marked by a price rally in the DAX with corresponding record turnovers whereas at the beginning of 2016 the international capital markets collapsed dramatically at times. Taking this into account the company has only suffered a small setback and succeeded in making a satisfactory start to the new business year.

At the turn of the year 2015/2016 the long awaited migration of the complete banking system (private banking business) to Avaloq Sourcing Deutschland AG was finally completed. The transfer of the Berliner Effektenbank which the company has bought from the quirin bank AG together with its brand name, customers and employees is now possible and should be completed by the end of the year at the latest.

The aim medium term is to position and develop the business area private banking under the brand name Berliner Effektenbank more effectively. In the business year 2016 no significant negative or positive effects for company earnings are to be expected. The necessary investments and depreciations on the purchase price should be covered in the short term by a corresponding increase in the commission income.

With respect to costs, the company expects a moderate increase in the general administrative expenses (excluding profit-related special payments) as a result of the large increase in business volume. At the moment there appears to be no significant potential for cutting fixed costs or variable costs per trade.

The company's expectations regarding an urgently needed market shakeout within the financial services industry have not yet been realised. It is likely, therefore, that for the next 1–2 years the company will see no improvement in the still unsatisfactory trading margins. The company will continue its active and innovative progress by endeavouring to maintain its excellent position as market leader in retail equity trading and, where possible, expanding further at the accustomed high level.



One of the biggest challenges in the history of the company is the possible tax on financial transactions which is still under discussion. Depending on its precise form, this may have considerable negative but also positive effects on the company's total revenue and business model. On the strength of the current discussions in the EU it seems there is still no final agreement regarding the concrete formulation of such a tax, so its implementation seems more and more unlikely.

5 DECLARATION ACCORDING TO § 312 OF THE COMPANIES ACT

According to § 312 of the Companies Act the managing board of the Tradegate AG Wertpapierhandelsbank must deliver a report on the relations with affiliated companies for the business year 2015. 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 managing board 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."

Berlin, 9 March 2016

Tradegate AG Wertpapierhandelsbank

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

AUDITORS' REPORT

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 Trade-gate AG Wertpapierhandelsbank.



LADIES AND GENTLEMEN,

In 2015 the supervisory board dutifully performed the tasks incumbent upon it by the law and the company's articles of incorporation. 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 and meetings

In 2015 the supervisory board convened for a total of four planned supervisory board meetings in March, June, September and December at which the members of the managing board were also present. Three resolutions were passed by circulation in April, July and September.

During their meetings the supervisory board as usual addressed the trading volume and the development of earnings, the current risk situation of the company and, taking into account the current market share, the organisational and strategic development of the business. Large projects such as the software migration in securities settlement and banking were also main topics of discussion along with the expansion of the private banking business.

To all knowledge of the supervisory board the managing board has taken appropriate measures to identify at an early stage any developments which might endanger the continued existence of the company (§ 91 II Companies Act). This is achieved via an effective electronic control system.

The company has an efficient controlling system at its disposal and produces conclusive monthly reports.

The monitoring of risks was further improved. The managing board informed the supervisory board of the results of the internal audit report. In each meeting the supervisory board members received a quarterly report made by the Internal Revision Department according to § 25c Companies Act. 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 4 December 2015 the supervisory board discussed the yearly compliance report. There were no objections.

Dohm Schmidt Janka Revision und Treuhand AG Wirtschaftsprüfungsgesellschaft, Berlin, carried out the audit for 2015 according to § 36 I 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 III 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 9 March 2016:



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 2015

The annual financial statements compiled by the managing board for the business year 2015, including the accounting and management reports, were examined by the auditors Dohm Schmidt Janka Revision und Treuhand AG Wirtschaftsprüfungsgesellschaft, 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 18 March 2016. The supervisory board examined the financial statements and the report of the managing board. Based on this assessment, the supervisory board agreed 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 for the appropriation of the net profit of € 10,190,270.24. At the Annual General Meeting the managing board will suggest using the net profit

of the year 2015 to pay a dividend of € 0.41 per share in circulation on the day of the shareholders' meeting. The remaining amount from the net profit not needed to pay the dividend shall be carried forward to new account.

Personnel matters

In March of the business year Dr. Andor Koritz, Deputy Chairman of the Supervisory Board, resigned from the board for health reasons. His successor, Mr. Karsten Haesen, was elected as Deputy Chairman of the Supervisory Board in the supervisory board meeting on 11 June 2015. A new member of the supervisory board, Mr. Peter E. Schmidt-Eych was elected at the Annual General Meeting on 11 June 2015. There were no changes to the managing board during 2015.

The supervisory board would like to thank the managing board and all employees for their great personal commitment and hard work during the year 2015.

Berlin, 18 March 2016



Professor Dr. Jörg Franke
Chairman of the Supervisory Board



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Impressum

Idea/text: Catherine Hughes
Design/production: HGD/KDPS
Date of printing: May 2016

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