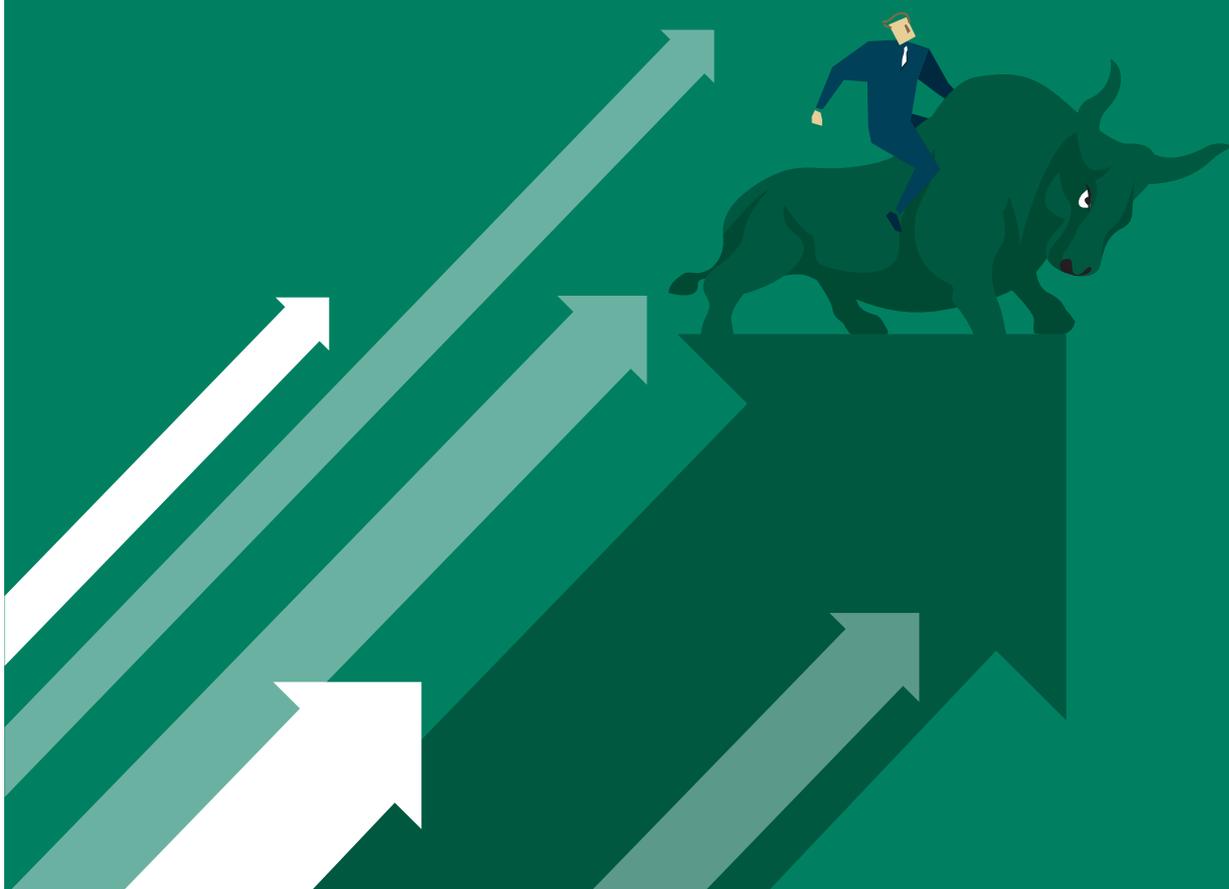




TRADEGATE AG

WERTPAPIERHANDELSBANK

ANNUAL REPORT 2016





"TRADEGATE® has evolved over the years from an off-exchange trading system to become Germany's favourite exchange for private investors to trade equities."





TRADEGATE AG

WERTPAPIERHANDELSBANK

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

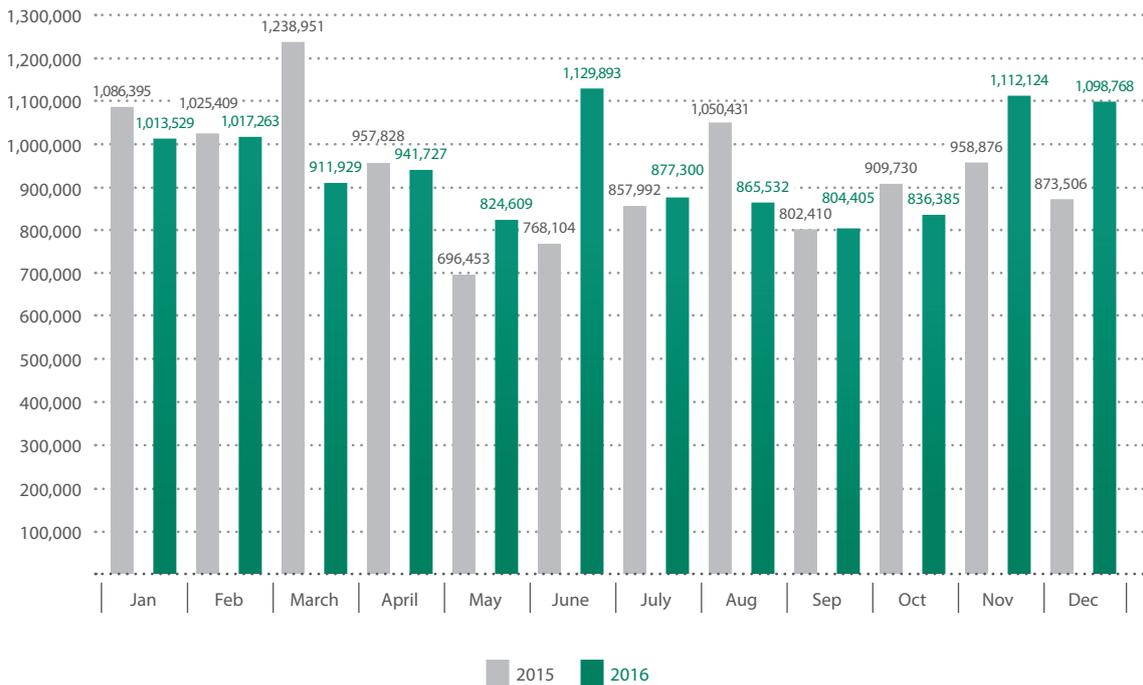
DEVELOPMENT OF SHARE PRICE

TradeGate AG Wertpapierhandelsbank
 January 2016 to March 2017



SECURITIES TRANSACTIONS (EQUITIES)

TradeGate AG Wertpapierhandelsbank
 January to December 2015/2016
 Transactions per month on TRADEGATE EXCHANGE



SHAREHOLDERS' STRUCTURE

in %

as at 31 December 2016

60.01	Berliner Effektengesellschaft AG
19.62	BNP Paribas
14.86	Deutsche Börse*
4.51	Free Float

* Deutsche Börse AG announced its intention to exercise its option rights to buy shares of Tradegate AG; the shares were transferred at the end of April 2017. As of 1st May 2017 the shareholding of Deutsche Börse AG rises to 19.82% and the shareholding of Berliner Effektengesellschaft AG falls to 56.06%.

MANAGING AND SUPERVISORY BOARD**MANAGING BOARD****SUPERVISORY BOARD**

Holger Timm <small>Chairman</small>	Prof. Dr. Jörg Franke <small>Chairman</small>
Thorsten Commichau	Frank-Uwe Fricke
Jörg Hartmann	Karsten Haesen <small>Deputy Chairman</small>
Klaus-Gerd Kleversaat	Marcus Lehmann <small>(until 29 September 2016)</small>
Kerstin Timm	Peter E. Schmidt-Eych
	Pamela Schmidt-Fischbach

COMPANY DATA

AS AT 31. DECEMBER 2015

AS AT 31. DECEMBER 2016

Market capitalisation	185.3 M €	214.0 M €
Number of shares	24,402,768	24,402,768
Accounting	HGB	HGB
Balance sheet total	87,704,000 €	133,575,000 €
Number of employees	104	117

KEY DATA

AS AT 31. DECEMBER 2015

AS AT 31. DECEMBER 2016

Result per share	0.520 €	0.627 €
Dividend	0.41 €	0.52 €
Interest surplus/gross profit	0.06 %	- 0.43 %
Commission surplus/gross profit	1.85 %	1.86 %
Trading result/gross profit	98.10 %	98.57 %
Cost/income ratio	62.5 %	59.8 %
Equity ratio*	62.4 %	45.0 %

CALENDAR OF EVENTS

Annual General Meeting in Berlin	15 June 2017 · 10 am
Shareholders' Forum in Berlin	1 December 2017 · 5 pm

* incl. fund for general banking risks



“Judging by the increasing number of customers the creation and continual development of a trading platform tailored to the needs of private investors is obviously a necessity.”



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DEAR SHAREHOLDERS, BUSINESS PARTNERS AND FRIENDS
OF SECURITIES TRADING,

The situation on the international financial markets gives little reason for encouragement at the moment. The continuing period of low interest rates in particular presents all financial institutions with an existential challenge, as the established business models they have relied on for decades and even centuries are now being seriously questioned. Up to now, no bank seems to have found an easy solution and in any case political support after the troubles of the financial crisis is not to be expected in our industry. We therefore find ourselves in an environment in which high performance from banks is not forthcoming.

At the same time the upwards trend on the stock markets remains undiminished, despite the many crash scenarios prophesied by so-called market gurus. The DAX, Dow Jones and others are relentlessly chasing new records and even political upheavals only slow them down for a short time. One might presume, therefore, that the situation for securities services companies is a favourable one and the industry should in general be making positive headlines. Yet if one looks at the press releases of many brokerage firms, it appears that here, too, the results are influenced by the cheerless mood currently prevailing on the market.

These contradictory statements are now joined by news of the highly positive business results achieved by our company last year. The only reasonable explanation for this must be that our company is not a typical bank in the traditional sense, neither is it a typical brokerage

firm – although both activities represent the core business of our company. By combining both private banking and market making under one roof we have definitely created something exceptional.

Perhaps the reason for our continuing above average success lies here: in everything we do the measure of our success is how satisfied our customers and partners are with our services. We see the results clearly in the number of orders sent to us, especially in the market making business. This key figure has risen once again on Tradegate Exchange and a new record was reached in the market share in equity transactions compared with other German regional exchanges. This is surely the best approval of our long term focused business strategy. We consistently forego short term gains if they are linked with incalculable risks and prefer to work towards the goal of providing permanent and reliable support for our shareholders, business partners, customers and employees.

Considering the widespread difficulties currently being experienced by banks and securities services companies in general, the annual report for 2016 shows that our company is in a very advantageous position. The dedication, experience, know-how and enthusiasm of our employees and the loyalty of our business partners are the basis for our resilient business strategy which, even in unsettled times, provides for good results in the interests of all involved. We thank all those who have contributed!



Holger Timm



Thorsten Commichau



Kerstin Timm



Klaus-Gerd Kleversaat



Jörg Hartmann



REPORT OF THE BOARD

REPORT OF THE BOARD FOR THE YEAR 2016

The business trend in 2016 was marked by widespread restraint in trading on the international markets. The number of orders and their respective volume went into overall decline compared with the year before. The still small number of shareholders in Germany only became extremely active on two occasions last year: after the vote in Great Britain to exit the EU and on the election of Donald Trump as the 45th president of the United States. These two events even made for a slight overall increase in the number of transactions of our company in the business area of market making, which again benefited from another record year on Tradegate Exchange. In contrast, the number of trades completed in the securities looked after on the stock exchanges in Frankfurt and Berlin fell by almost 9 percent.

Along with the small increase in the number of securities orders it was also possible to improve the company's economic income: the result from ordinary business activities rose from € 18.2 million in 2015 to € 21.8 million in 2016. The above average increase in income is due mainly to a shift in day-to-day trading to higher margin stocks and the continued improvement in efficiency in processing transactions. Since

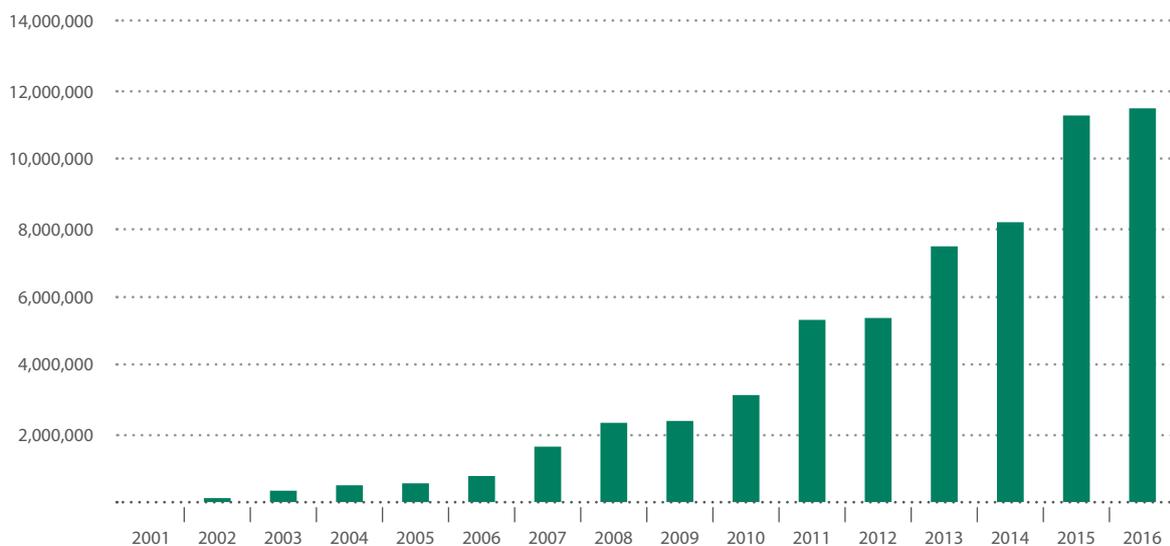
our main trading venue, Tradegate Exchange, will provide further cost-cutting services in 2017 it is likely that appreciable savings are possible with a continuity which no other German exchange can offer.

As a result of the increase in earnings it was necessary to put a slightly higher amount into the fund for general banking risks. Following € 2.5 million in 2015 a payment of € 2.6 million was made to the fund in 2016. A significant cost factor is the ongoing investment in the latest IT infrastructure and IT security. The operation of our securities services business is to a large extent automatic and must be made secure and reliable; this is also the guarantee for a highly efficient and competitive development of business with a comparably small number of employees.

Looking back on the business year 2016 it can be ascertained that our business model has proved to be extremely stable, even during periods of constant low market activity. Our company is not dependent on short term, unusual events but if such incidents do happen it remains reliable and resilient.

NUMER OF SECURITIES TRANSACTIONS (EQUITIES AND ETPS) ON TRADEGATE EXCHANGE

Comparison 2001 – 2016



As usual we do not make any detailed projections for the general market situation. The underlying unpredictability of events was recently confirmed unequivocally by the so called "Brexit" vote in Great Britain and the US presidential election – the projections made across the board by leading polling agencies on these events also proved to be unreliable.

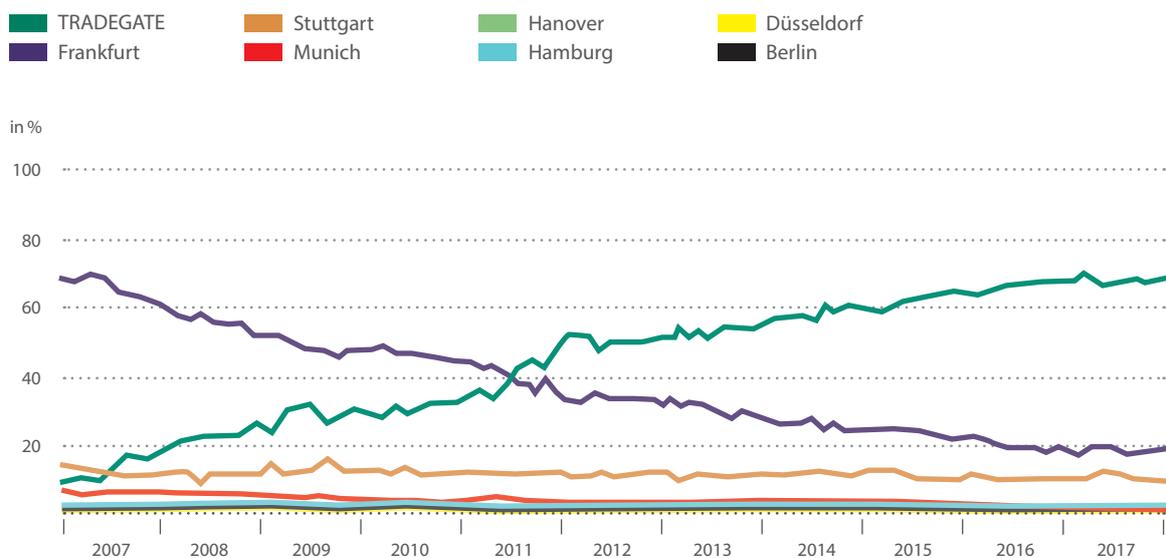
However, as Tradegate Exchange's successful business model is being copied more frequently, it appears that the focus on private investors is a very promising business area. All attempts to imitate us to this effect have not yet led to any appreciable change in the behaviour of investors; Tradegate Exchange has rather increased its market share in equity trading, at times to 68 percent. In fact the already small number of exchange trades made by private investors in Germany could be affected by new platforms because they take away liquidity from established ones. And since liquidity is a significant quality feature of exchanges it can be assumed that today's most successful and largest platforms are particularly stable. We have established such a trading platform and invested in it for many years and this, thankfully, has proved to be a far-sighted strategic benefit.

Outside of our immediate sphere of influence it can be assumed in the medium term that as a result of the enduring and noticeable effects of the financial crisis the (over) regulation initiated by national and EU supervisory authorities will cause enormous costs in IT-supported monitoring and reporting processes. Especially the preparation and later implementation of the MiFID II regulations will reduce the level of efficiency of all banks and securities services firms significantly. As our company is active in both these business areas it will certainly be affected to a large extent. However, in this area we can draw on excellently trained staff and our own IT infrastructure, so we believe we are in a good position to deal with this challenge and our competitors. Strengthened by our success despite a fundamentally negative market environment, we see ourselves as well prepared for the upcoming tasks and look to the future with confidence.

Berlin, April 2017

MARKET SHARE IN EQUITIES

German Regional Stock Exchanges and TRADEGATE EXCHANGE





"The measure of our success is how satisfied our customers and partners are with our services. We see the results clearly in the number of orders sent to us, especially in the market making business."



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BALANCE SHEET AS AT 31 DECEMBER 2016

BALANCE SHEET: ASSETS	in €	in €	in €
Tradegate AG Wertpapierhandelsbank as at 31 December 2016	2016	2016	2015
1) Cash reserves			
a) cash balance	218,052.47		200,361.67
b) balance at Deutsche Bank	20,224,183.90	20,442,236.37	10,128,050.25
2) Receivables from banks			
a) due daily	98,829,207.38		65,106,717.11
b) other receivables	-	98,829,207.38	2,070,000.00
3) Receivables from customers		2,867,005.67	854,152.61
of which:			
from financial services institutions		2,997.55	1,754.09
4) Securities held for trading		7,634,225.95	7,129,023.94
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		1,658,899.00	435,876.00
7) Tangible fixed assets		1,023,130.00	915,760.00
8) Other current assets		806,888.17	624,032.32
9) Deferred expenses and accrued income		56,950.59	44,979.27
10) Deferred tax assets		130,965.60	70,095.33
Total assets		133,574,507.73	87,704,047.50

BALANCE SHEET: LIABILITIES AND EQUITY

Tradegate AG Wertpapierhandelsbank as at 31 December 2016

	in € 2016	in € 2016	in € 2016	in € 2015
1) Liabilities to banks				
a) due daily		1,072,862.76	1,072,862.76	1,430,567.33
2) Liabilities to customers				
a) other liabilities				
aa) due daily		40,408,795.01		11,538,355.35
ab) other		21,327,196.49	61,735,991.50	10,431,525.03
of which:				
to financial services institutions			7,367.86	8,441.61
3) Securities held for trading			2,319,258.12	1,978,756.23
4) Other liabilities			3,292,328.37	3,007,922.67
5) Deferred income and accrued expenses			977.40	-
6) Provisions and accruals				
a) tax provisions		1,141,200.00		1,757,224.30
b) other provisions		3,963,337.53	5,104,537.53	2,867,879.58
7) Fund for general banking risks			17,411,783.99	14,763,796.42
of which: according to § 340e (4) HGB		17,411,783.99		14,763,796.42
8) Equity capital				
a) subscribed stock	24,402,768.00			24,402,768.00
own shares	- 29,754.00	24,373,014.00		- 37,456.00
b) capital reserves		3,791,155.72		3,768,701.46
c) revenue reserves				
ca) statutory reserves		1,516,343.22		1,516,343.22
cb) reserves for shares in a controlling company		46,955.10		87,393.67
cc) other reserves		40,188.25		-
d) net profit		12,869,111.77	42,636,768.06	10,190,270.24
Total liabilities and equity			133,574,507.73	87,704,047.50



INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016

INCOME STATEMENT Tradegate AG Wertpapierhandelsbank from 1 January to 31 December 2016	in € 2016	in € 2016	in € 2016	in € 2015
1. Interest earnings				
a) credit and financial market business	31,966.61			4,006.27
less negative interest from money market transactions	- 226,420.02	- 194,453.41		- 36,229.92
2. Interest expenses		- 127,722.19	- 322,175.60	- 17,798.52
3. Current income from				
a) investments			99,999.20	74,999.40
4. Commission earnings		1,163,338.42		1,032,447.41
5. Commission expenses		- 200,147.56	963,190.86	- 205,480.23
6. Net earnings from securities held for trading			50,915,180.85	43,776,820.41
7. Other operating profits			1,501,584.62	1,619,609.58
8. General administrative expenses				
a) personnel expenses				
aa) wages and salaries	- 13,563,705.57			- 11,809,149.65
ab) social security payments and expenses for retirement provisions	- 1,390,411.52	- 14,954,117.09		- 1,212,419.72
of which: € 0.00 for retirement provisions (last year € 247.51)				
b) other administration expenses		- 15,437,931.06	- 30,392,048.15	- 14,579,143.81
9. Write-offs and value adjustments on intangible assets and tangible fixed assets			- 502,747.32	- 299,429.50

	in € 2016	in € 2016	in € 2016	in € 2015
10. Other operating expenses			- 230,903.47	- 46,056.05
11. Write-offs and value adjustments on receivables and certain securities plus allocations to provisions for lending business		- 158,174.28	- 158,174.28	- 31,700.00
12. Result from ordinary business activities			21,873,906.71	18,270,475.67
13. Allocation to fund for general banking risks			- 2,647,987.57	- 2,572,554.28
14. Taxes on income and profit			- 6,532,378.38	- 5,513,851.10
of which: € 60,870.27 deferred tax expenses (last year € 82,633.46)				
15. Other taxes not shown under 10			- 49,446.81	- 72,923.04
16. Net income for the year			12,644,093.95	10,111,147.25
17. Profit brought forward			184,579.25	278,407.49
18. Withdrawals from the revenue reserves				
a) from reserves for shares in a controlling company		40,438.57	40,438.57	-
19. Allocations to the revenue reserves				
a) to reserves for shares in a controlling company			-	- 33,241.20
20. Offset against the difference from acquisition of own shares			-	- 166,043.30
21. Net profit			12,869,111.77	10,190,270.24



NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2016

TRADEGATE AG WERTPAPIERHANDELSBANK

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 2016 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 €.

The company is registered under the number HRB 71506 in the commercial register of the district court of Berlin-Charlottenburg. It 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 (1) 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 measured 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.

Investments are measured at acquisition cost, less any necessary impairment to a lower fair value.

We have measured intangible assets at acquisition cost and, where depreciable, allowed for book depreciation on a straight-line basis according to custom and usage. Other intangible assets were assumed to have a useful life of ten years pursuant to § 253 (3) HGB.

We have measured tangible fixed assets at acquisition or production cost and, where depreciable, allowed for book depreciation on a straight-line basis according to custom and usage. 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 2016.

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 € 2016	in € 2015
Other receivables from banks		
a) up to three months	-	2,070,000.00
	-	2,070,000.00
Receivables from customers		
a) indefinite term	2,867,005.67	854,152.61
	2,867,005.67	854,152.61
Liabilities to customers		
a) due daily	40,408,795.01	11,538,355.30
with agreed term or term of notice		
a) up to three months	20,900,097.90	10,103,117.04
b) more than three months and up to one year	427,098.59	328,407.99
	61,735,991.50	21,969,880.33

Receivables from and liabilities to affiliated companies

	in '000€ 2016	in '000€ 2015
Classification according to balance sheet item		
Receivables:	14	-
other current assets	14	-
Liabilities:		
liabilities to customers	5,599	4,824
other liabilities	291	320
Total	5,890	5,144

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€ 2016	in '000€ 2015
Assets	5,895	4,866
Debts	2,859	1,859

Securities marketable on the stock exchange

	in '000€ 2016	in '000€ 2015
Listed on a stock exchange		
Securities held for trading	7,526	5,182

With the exception of shares to the book value of € 118,000 (last year € 1,947,000), 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 € 130,000 (last year € 134,000).

Development of capital assets

	Acquisition Costs			Write-offs		
	As at 31 · 12 · 2015	Additions in the business year	Disposals in the business year	As at 31 · 12 · 2016	As at 31 · 12 · 2015	Additions in the business year
in €						
Financial assets						
Investments	124,999.00	-	-	124,999.00	-	-
Total financial assets	124,999.00	-	-	124,999.00	-	-
Intangible assets						
Software	2,566,442.52	43,348.55	-	2,609,791.07	2,130,566.52	170,325.55
Other intangible assets	-	1,500,000.00	-	1,500,000.00	-	150,000.00
Total intangible assets	2,566,442.52	1,543,348.55	-	4,109,791.07	2,130,566.52	320,325.55
Tangible fixed assets						
Business and office equipment	4,572,289.92	291,204.04	52,435.57	4,811,058.39	3,656,529.92	182,421.77
Total tangible fixed assets	4,572,289.92	291,204.04	52,435.57	4,811,058.39	3,656,529.92	182,421.77
Total assets	7,263,731.44	1,834,552.59	52,435.57	9,045,848.46	5,787,096.44	502,747.32

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 are shown in the table below:

	in '000€ 2016	in '000€ 2015
Receivables on deliveries and services	608	477
Invoiced deliveries and services	101	77
Flat rate tax receivable from tax authorities	63	-
Corporate tax receivable from tax authorities	35	70
Total	807	624

Liabilities to banks

This balance sheet item primarily contains margin liabilities arising from the private banking business (€ 538,000, last year € 263,000) and amounts payable for the use of settlement services of several banks for € 133,000 (last year € 723,000).

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 € 71,000 (last year € 31,000).

Write-offs			
Disposals in the business year	As at 31 · 12 · 2016	Residual book value at 31 · 12 · 2016	Residual book value at previous year
-	-	124,999.00	124,999.00
-	-	124,999.00	124,999.00
-	2,300,892.07	308,899.00	435,876.00
-	150,000.00	1,350,000.00	-
-	2,450,892.07	1,658,899.00	435,876.00
51,023.30	3,787,928.39	1,023,130.00	915,760.00
51,023.30	3,787,928.39	1,023,130.00	915,760.00
51,023.30	6,238,820.46	2,807,028.00	1,476,635.00

Other liabilities

Other liabilities contain those items which cannot be subsumed under other balance sheet items on the liabilities side:

	in '000€ 2016	in '000€ 2015
Liabilities from deliveries and services	2,684	2,307
Sales tax payable to parent company	281	320
Tax on wages, church tax	315	377
Other	12	4
Total	3,292	3,008

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 · 2016	in '000€ 31 · 12 · 2015
Provisions and accruals for		
Personnel costs	2,773	1,983
Securities settlement services	509	354
Pending losses	186	32
Cost of annual financial statements	125	120
Rebuilding costs	124	117
Contributions to associations	75	97
Advisory and auditing services	42	21
Commission/marketing fees	36	0
Cost allocation for banking supervision	17	20
Additional rental expenses, electricity	11	43
Other expenses	65	81
Total	3,963	2,868

Fund for general banking risks

According to § 340e (4) 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 2016 an amount of € 2,647,987.57 (last year € 2,572,554.28) was allocated to the fund.

Capital stock · subscribed stock

At 31 December 2016 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 Effekten-gesellschaft 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 29,754 own shares with an accounting value of € 29,754.

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. The authorisation expired during 2016.

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 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 Tradegate AG Wertpapierhandelsbank issued stock options for the employees of Tradegate AG Wertpapierhandelsbank. No option rights have been issued since 2012 and claims resulting from option rights issued to employees are no longer valid.

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

	in € 2011
Year of assignment	
Contingent capital	2008
Exercise period	8.3.13 – 7.3.16
Strike price	6.00 €
Exercise hurdle	6.00 €
Options offered	400,000
Options accepted	400,000
Value of option right upon issue	0.20 €
Stock at 01.01.2016	370,800
newly issued options	-
forfeited options	-
exercised options	-
expired options	370,800
Stock at 31.12. 2016	-

Capital reserves

The proceeds from the sale of own shares exceeded the acquisition costs by € 22,454.26 (last year € 24,413.93) and this amount was added to the capital reserves. At the reporting date the capital reserves totalled € 3,791,155.72 (last year € 3,768,701.46).

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. 5,803 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 € 46,955.10 (last year € 87,393.67).

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 (2) Companies Act. Therefore an allocation to statutory reserves is not necessary.

As a result of trading in own shares € 40,188.25 was paid into other revenue reserves.

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 (1) 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 (1) 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 2016 the authorisation to purchase own shares according to § 71 (1) Nos. 7 and 8 of the Companies Act was utilised. The purchases were made on the TRADEGATE EXCHANGE. In 2016 67,930 shares of Tradegate AG Wertpapierhandelsbank were acquired for the sum of € 565,143.82. 75,632 shares were sold for the sum of € 635,488.33. From last year's trading in own shares no amount was offset against the net profit (last year € 166,043.30).

Net profit

A sum of € 184,579.25 (last year € 278,407.49) profit brought forward is reported in the net profit.

Of the deferred taxes an amount of € 130,965.60 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 € 226,000 (last year € 36,000) is included in the position interest earnings. This was charged for our 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 of commission earnings (net € 963,000, last year € 827,000) are the Specialist Service Fee and the broker's income and expenses from the exchange brokerage business. Broker's income and expenses are booked pre-tax each trading day. The commission earnings from private and business banking activities have increased compared with last year.

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€ 2016	in '000€ 2015
Net result from securities trading	62,787	53,869
Net difference from name-to-follow transactions	134	158
Other net results	- 193	- 193
Earnings from securities held for trading	239	176
Commission expenses from securities trading	- 12,052	- 10,233
Total	50,915	43,777

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.

Item	in '000€ 2016	in '000€ 2015
Proceeds from transfer of rights	375	401
Cost allocation other companies	364	311
Other foreign exchange gains	213	38
Refund of contributions	148	13
Release of provisions	144	624
Cost allocation affiliated companies	142	126
Damages	0	45
Other	117	62
Total	1,502	1,620

€ 262,000 of the other operating profits belong to other accounting periods (last year € 54,000).

Expenses in other accounting periods

The position other administration expenses contains € 33,000 from other accounting periods for securities settlement services (last year € 24,000) plus a further € 1,000 for other matters (last year € 17,000).

Taxes

The income and profit taxes concern taxes for previous years which result from normal business activities, plus tax prepayments and tax provisions for 2016. 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 2016. A tax refund of € 75,000 (last year € 132,000 tax expenses) for other reporting periods was accounted for in the income statement.

D OTHER INFORMATION

Derivatives transactions according to § 36 RechKredV

The futures transactions existing at the balance sheet date are currency swaps, options and futures. The options and futures result from customer contracts and are allocated to the banking book. The risk positions are offset by identical transactions with 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.

	in '000€ Maturity up to and incl. 1 year	in '000€ Nominal value	in '000€ Positive market value	in '000€ Negative market value
Share risk and other price risks	17,673	17,673	462	462
Interest risks	3,107	3,107	52	52
Total	20,780	20,780	514	514

Currency swaps are allocated to the trading book.

	in '000€ Maturity up to and incl. 1 year	in '000€ Nominal value	in '000€ Positive market value	in '000€ Negative market value
Currency risks	301	301	0	0
Total	301	301	0	0

The stated market values represent the fair value based on share prices at the balance sheet date, whereas transaction costs are not considered. The formation of provisions for risks from negative market values was not necessary. There is no evidence that the contractually agreed payment flows of these derivatives regarding amount, effective date or security are in any way impaired.

Shareholdings

The following information refers to 31 December 2016 and the business year 2016 unless otherwise stated.

	in %	in €
Tradegate Exchange GmbH, Berlin		
Nominal capital		500,000.00
Shareholding	25.0	124,999.00
Equity capital		1,537,499.78
Profit for the year		526,017.33

Other financial obligations

Obligations of € 4,967,000 (last year € 5,238,000) 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 € 1,146,000). 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	6.0	46.0	52.0	49.8
Other employees	18.7	32.7	51.4	40.7
Maternity	-	-	-	0.3
Parental leave	0.3	-	0.3	1.8
Trainees	-	-	-	-
Student trainees	-	4.8	4.8	4.2
Total	26.0	87.5	113.5	101.8
of which part-time employees (headcount)	15.0	10.3	25.3	19.3
of which part-time employees (in terms of full-time positions)	11.3	5.3	16.6	13.3
As at 31 December 2016				
Board members	1	4	5	5
Traders	6	46	52	50
Other employees	19	36	55	43
Maternity	-	-	-	-
Parental leave	-	2	2	1
Trainees	-	-	-	-
Student trainees	-	3	3	5
Total	26	91	117	104
of which part-time employees (headcount)	15	10	25	21
of which part-time employees (in terms of full-time positions)	11.7	5.5	17.2	13.5

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 2016.

Members of the Managing Board

Thorsten Commichau, Board Member, IT, Schönwalde-Glien
Jörg Hartmann, Board Member, Domestic Trading, Berlin
Klaus-Gerd Kleversaat, Board Member, Private Banking, Mittenwalde
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) · Member of the Board, Ventegis Capital AG
Marcus Lehmann, Frankfurt am Main (until 29 September 2016) · Director, Head of Strategic Finance, Deutsche Börse AG
Peter E. Schmidt-Eych, Berlin · 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 € 2,883,000 from Tradegate AG Wertpapierhandelsbank of which € 400 was for benefits from group accident insurance. The supervisory board received remuneration of € 51,000 including value-added tax.

Company loans

The members of the managing board have taken out loans to the amount of € 132,000.

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	69	76
For other accounting and evaluation services	0	27
Total	69	103

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

	in '000€ Payments	in '000€ Expenses
For the annual audit	79	85
For other accounting and evaluation services	31	31
Total	110	116

Supplementary Report

No significant events were reported after the balance sheet date.

Proposed appropriation of net profit

At the shareholders' meeting the managing board will propose to use the net profit of the year 2016 to pay a dividend of € 0.52 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, 13 March 2017

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 2016

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 1a 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 and business banking is also conducted on a small scale. 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. The notable increase of 37.72 % in the number of equity trades completed on the TRADEGATE EXCHANGE in 2015 was difficult to follow but the company nevertheless achieved a small growth rate of 1.84 % with 11,433,464 single transactions in 2016. All other relevant competitors, i.e. the seven German regional exchanges, reported less growth in turnover for 2016 or even suffered a decrease in trades of up to 13 %, so TRADEGATE EXCHANGE'S market share in equity trading grew slightly to 68 %. With regard to the market segment equity trading, TRADEGATE EXCHANGE has held and consolidated its position as the leading trading platform for private investors in Germany.

Due to the already wide market coverage no new banks were connected to the TRADEGATE EXCHANGE in 2016, however the potential sales volume of existing customers was further optimised.

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 quantified exactly 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 it still advises private investors to trade on a regulated market such as 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 2016. The number of shareholders in Germany remains very low. Last year the trading activity of private investors took a downturn at times; on the other hand there were also days with record trading, for example following the Brexit vote and the American presidential election. There is still great pressure among the remaining securities trading firms and trading platforms/exchanges to compete for a dwindling number of trades. Happily, the average gross margin per trade for 2016 rose unexpectedly. This was probably due in part to the very volatile share markets and a shift in customers' interest to high-margin foreign securities. 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 three 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. The wide range of services offered by the TRADEGATE EXCHANGE with its many advantages for both banks and private investors is still on the whole unique and holds numerous competitive advantages with a secure future.

2 ECONOMIC REPORT

2.1 Business development

In 2016 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 very different results were achieved in each month and quarter. Turnover declined in the six months January to April, August and October but increased in the remaining six months of the year. The final quarter contributed over 32.3 % to the year's results, the third quarter, including the summer months July and August, had as usual the weakest turnover and only contributed ca. 15.5 %. The months June and November were the most

noticeably positive, contributing 16.7 % and 14.7 % respectively to the year's results. The weakest month was July generating just 2.3 %. The average gross trading margin for the year could be increased by 17.2 %, although this was due primarily to the excellent months of June and November. A noteworthy reduction in the variable costs per trade was not possible in 2016 but at least they have been stabilised at the current level. Overall, the company was therefore able to increase the result of normal business activities by a strong 19.7 % to € 21.87 million (2015: € 18.27 million).

Following a slight 2.5 % increase in 2015 in the number of contract notes coming from the activity as Market Specialist and order book manager on the Frankfurt and Berlin stock exchanges, 2016 once again experienced a significant reduction of 8.8 % down to 267,000 transactions. The obvious reason for this decline 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 2016 for the fifteenth year running. In 2015 a record high growth in transactions of 37.7 % was achieved, so in 2016 only a small increase of 1.84 % to 11,433,464 transactions was realised. The average trading volume per individual trade fell in 2016 from € 7,099.00 to € 6,482.00, which is due to the stock price performance in major indices during 2015 and 2016. Overall, in its role as specialist on the TRADEGATE EXCHANGE the company's trading volume in shares and ETPs fell by 7 % from ca. € 79.69 billion in 2015 to € 74.12 billion in 2016.

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, there were more securities newly included in trading than delisted. The balance as at 31.12.2016 is as follows: the number of securities looked after on the TRADEGATE EXCHANGE was 5,471 (303 more than last year), on the Frankfurt Stock Exchange 711 (3 more than last year) and on the Berlin Stock Exchange 3,634 (156 less than last year).

In the business area Private Banking, which is operated under the name "Berliner Effektenbank", the task of transferring Effektenbank customers from the quirin bank AG to Tradegate AG was largely completed last year. Thus the number of customers rose from 180 as at 31.12.2015 to 316 customers at the end of 2016. The securities account volume including deposits from private customers rose from ca. € 132 million to € 216 million in the same period.

The company last reported in its management report for 2013 that on the subject of cost allocations for the supervision of securities for the years 2010 to 2012 it had not been possible to reach an agreement with the Federal Financial Supervisory Authority (BaFin). The company therefore filed a claim in August 2014 at the administrative court in Frankfurt am Main. In April 2016 the court decided partially in favour of the company and ordered the BaFin to reassess the cost allocations for 2010 and 2011 and to repay the resulting difference of € 1.5 million plus interest. The BaFin has made an application for leave to appeal which the higher administrative court of Hesse granted after the period under report, in February 2017, so the case is currently at the court of appeal.

The number of employees in the company rose slightly, with twenty-one new-comers, seven of whom came from the take-over of the Berliner Effektenbank, and eight leavers. At the end of the year there were 117 people employed at the Tradegate AG Wertpapierhandelsbank. The age structure changed p.r.t. only slightly. The average age remained roughly the same as last year at 41.2 (last year 41) with most people in the age group of up to 35. The average job tenure was almost unchanged at 10.3 years (last year 10.5 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. € 6,628,000 of the total remuneration of € 13,324,000 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 in tangible assets, particularly to extend or renew established IT-systems. Software is usually developed and maintained by the company itself. 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 € 12,644,000 for the year 2016 (2015: € 10,111,000). 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 and business banking area are now apparent in the negative interest result. This business area is also now contributing to the commission income but is still of secondary importance compared with market specialist activities.

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

	in '000€ 2014	in '000€ 2015	in '000€ 2016
Interest income	50	25	- 222
Commission income	853	827	963
Net earnings from securities held for trading	33,538	43,777	50,915
General administrative expenses	- 22,636	- 27,601	- 30,392
Result from ordinary business activities	12,660	18,270	21,874
Allocation to fund for general banking risks	- 3,354	- 2,573	- 2,648
Taxes on income and profit	- 3,889	- 5,514	- 6,532
Net income/loss for the year	5,396	10,111	12,644

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. The interest policy of the European Central Bank and customers' interest-bearing assets placed in current accounts at banks and the German Federal Bank have led to negative interest earnings. 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 € 10,223,000 to € 12,052,000. This was due to increased turnover and the corresponding increase in commission. As last year's results have improved once again, an increase of 16.3 % 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 € 1,933,000 increase in personnel expenses. The increase in transactions was reflected in accordance with the volume-related expenses. In total, other administrative expenses rose by € 862,000.

The company pays into the fund for general banking risks according to § 340e (4) Handelsgesetzbuch (German Commercial Code). In 2016 the result from trading securities was very good, so € 2,648,000 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

	2014	2015	2016
Turnover equivalent	35,724,000 €	46,472,000 €	53,486,000 €
CIR	66.4 %	62.5 %	59.8 %
RoE	26.50 %	33.75 %	38.95 %
EpS	0.359 €	0.520 €	0.627 €

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 59.8 %.

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 2016 net result from securities held for trading, € 2,648,000 was paid into the fund. The fund now contains € 17,412,000. The liabilities to customers rose sharply due to the transfer of Berliner Effektenbank customers. At the balance sheet date this showed mainly in the overnight deposits.

In 2016 the company bought more of its own shares than it sold during its trading activities. As a result of trading in own shares the equity capital increased by € 70,000. Compared with last year the equity ratio fell from 45.5 % to 31.9 % (excluding fund for general banking risks). The decrease of the equity ratio is due mainly to the intake of customer deposits in the private and business banking area.

A total of € 1,834,000 was invested last year. Borrowed capital was not used for these investments.

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 the substantial number of transactions. 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.

The customer deposits in private and business banking are invested with matching maturities or used for the lending business. 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 € 45,870,000 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 € 10,096,000 to control large credit exposures and 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 € 31,653,000. The increase in the amount of intangible assets relates to the takeover of the Berliner Effketenbank.

On the passive side of the balance sheet the liabilities to customers increased by € 39,766,000. The reason is the expansion of private and business banking activities. The provisions amount to € 5,105,000 compared with € 4,625,000 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 mainly 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 OUTLOOK, OPPORTUNITIES, RISK REPORT

3.1 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.

3.1.1 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 2016 which remained unchanged for the whole year.

3.1.2 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 and the German Federal Bank. 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 Effketengesellschaft 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 regu-

latory 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 30.61 % and 38.06 %. 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 2016 the risk positions and capital resources were follows:

	in '000€ Amount
Risk positions	
Counterparty default risks	24,592
Market price risks	17,499
Operational risks	69,909
Risk of a credit valuation adjustment	43
Total	112,043

	in '000€ Amount
Description	
Paid-in capital	24,403
Capital reserves	3,791
Own shares	- 191
Retained earnings	1,604
Special item for general banking risks	14,764
Intangible assets	- 1,709
Core capital	42,662

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 2016 the risk positions and capital resources were as follows:

	in '000€ Amount
Capital requirements for	
Counterparty default risks	36,900
Market price risks	17,499
Operational risks	46,953
Risk of a credit valuation adjustment	43
Total	101,395

	in '000€ Amount
Description	
Paid-in capital	13,749
Capital reserves	31,619
Own shares	- 442
Retained earnings	- 5,551
Special item for general banking risks	8,287
Minority interests	2,212
Transitional provision for minority interests	5,914
Goodwill	- 145
Intangible assets	- 1,711
Other adjustments	- 1,595
Core capital	52,337
Non-core capital	400
Capital resources	52,737

The report for the financial holding group Berliner Effektengesellschaft AG is made according to the CRR. Between January and December 2016 the total key reference figures of the Solvency Regulation at group level lay between 48.39 % and 52.01 %.

3.1.3 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-\$ 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 2016 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 2016 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 2016 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.

3.1.4 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 trading losses. They were addressed appropriately and operational processes were adjusted. In the area of IT-operations a list of system changes, faults and failures is kept which is regularly checked against the loss database. 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.

3.1.5 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 3.29 and 4.27, 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 2.21 and 3.49 throughout the whole business year. The corresponding figure for the Group moved between 2.82 and 4.48. 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.

3.1.6 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.

3.2 Outlook and opportunities

The company expects 2017 to be a solid business year in securities trading with private investors. However, it is difficult to estimate how the beginning of the Brexit negotiations, the elections in France, Holland and Germany and the ongoing problems in the Euro-zone (e.g. Greece, Italy) will affect the investment behaviour of private investors.

In view of the unexpectedly high turnover in trading in June and November 2016, which was in both cases due to unusually surprising political events and election results, the company does not for the

time being expect a further rise in earnings for this business year but is aiming to stabilise turnover and earnings at the current high level.

An overall drop in turnover 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. As a result of the undiminished pressure of competition a reduction of the gross margin per trade in the short or midterm is not unlikely.

In January and February of 2017 a rise in turnover of ca. 17 % compared with last year was reported. However, in these two months last year there was a fall in turnover, so this trend cannot be meaningfully applied to the rest of the year. The company has however succeeded in making a satisfactory start to the new business year.

The area private and business banking with the brand name Berliner Effektenbank is to be positioned and developed more effectively. However, in the business year 2017 no significant positive effects for company earnings are to be expected from this because the current situation with regard to low interest rates is proving to be particularly difficult for banks.

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. In addition an increased amount of investment is to be expected for IT projects and operations in preparation for the coming into force of MiFID II. At the moment there appears to be no significant potential for cutting fixed costs or variable costs per trade.

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.

4 INFORMATION ACCORDING TO § 160 OF THE COMPANIES ACT

For information according to § 160 (1) No. 2 of the Companies Act please refer to the Notes.

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 2016. 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, 13 March 2017

Tradegate AG Wertpapierhandelsbank

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



*"One of the keys to our achievement is our employees.
In every department of the company we have real experts
looking after our continued success."*





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 Tradegate AG Wertpapierhandelsbank.



REPORT OF THE SUPERVISORY BOARD

LADIES AND GENTLEMEN,

In 2016 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 2016 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.

During their meetings the supervisory board addressed the trading volume and the development of earnings, the current risk situation and the organisational and strategic development of the business taking into consideration the current market share and present competition. The main topics of discussion were the remuneration structure, the transfer of Berliner Effektenbank customers to the company, the latest developments with regard to the possible introduction of a financial transaction tax, regulatory alterations, the implementation of own contract notes on the Tradegate Exchange and the further moderate 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 2 December 2016 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 2016 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 (3) of the Companies Act and recorded our results in writing in a separate report.

As there were no objections to the report of the managing board we have, in accordance with § 313, issued the following certificate dated 13 March 2017:

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 2016

The annual financial statements compiled by the managing board for the business year 2016, 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 28 March 2017. 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 € 12,869,111.77. At the Annual General Meeting the managing board will suggest using the net profit of the year 2016 to pay a dividend of € 0.52 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

Mr. Marcus Lehmann resigned from the supervisory board with effect from 29 September 2016. In a resolution dated 3 January 2017 the district court of Charlottenburg appointed Mr. Ulrich Strohmeier as member of the supervisory board in accordance with § 104 (2) of the Companies Act.

The supervisory board would like to thank the managing board and all employees for their great personal commitment and hard work during the year 2016.

Berlin, 28 March 2017



Professor Dr. Jörg Franke
Chairman of the Supervisory Board



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