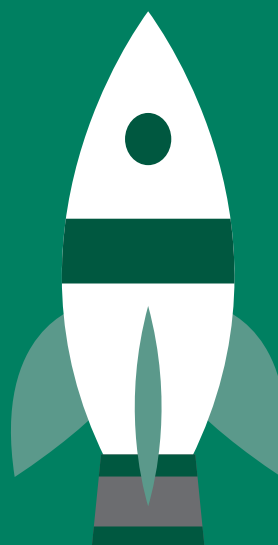




TRADEGATE AG

WERTPAPIERHANDELSBANK

ANNUAL REPORT 2017





*„We will continue to secure and expand our position as leading
Market Specialist for equities in retail investor trading.“*





TRADEGATE AG

WERTPAPIERHANDELSBANK

WKN 521 690 · ISIN DE0005216907
(listed in the Basic Board of the Frankfurt Stock Exchange)

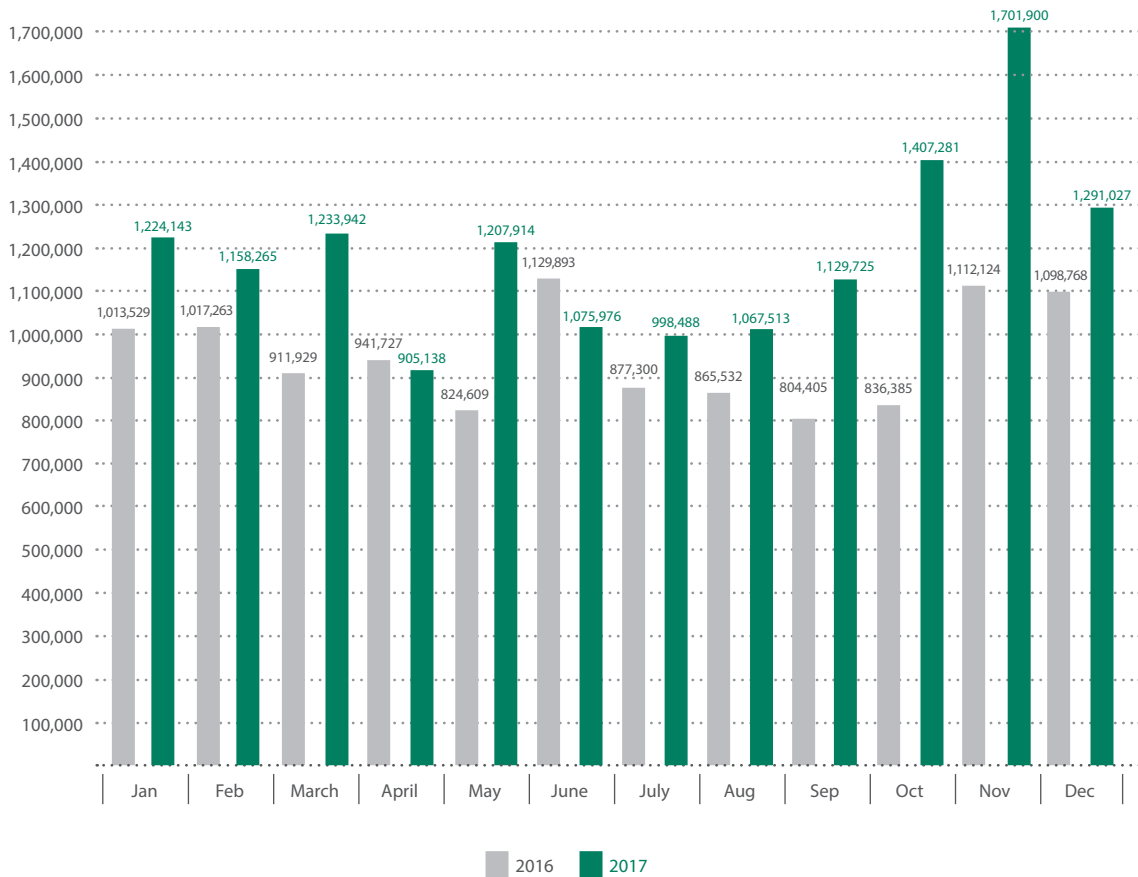
DEVELOPMENT OF SHARE PRICE

Tradegate AG Wertpapierhandelsbank
January 2017 to March 2018



SECURITIES TRANSACTIONS (EQUITIES)

(Tradegate AG Wertpapierhandelsbank)
January to December 2016/2017
Transactions per month on TRADEGATE EXCHANGE



SHAREHOLDERS' STRUCTURE

in %

as at 31 December 2017

55.88	Berliner Effektengesellschaft AG
19.62	BNP Paribas
19.99	Deutsche Börse
4.51	Free Float

MANAGING AND SUPERVISORY BOARD**MANAGING BOARD****SUPERVISORY BOARD**Holger Timm *Chairman*Prof. Dr. Jörg Franke *Chairman*

Thorsten Commichau

Frank-Uwe Fricke

Jörg Hartmann

Karsten Haesen *Deputy Chairman*

Klaus-Gerd Kleversaat

Ulrich Strohmeier

Kerstin Timm

Peter E. Schmidt-Eych

Pamela Schmidt-Fischbach

COMPANY DATA

AS AT 31 DECEMBER 2016

AS AT 31 DECEMBER 2017

Market capitalisation	214.0 M €	522.2 M €
Number of shares	24,402,768	24,402,768
Accounting	HGB	HGB
Balance sheet total	133,575,000 €	155,550,000 €
Number of employees	117	117

KEY DATA

AS AT 31 DECEMBER 2016

AS AT 31 DECEMBER 2017

Result per share	0.627 €	0.814 €
Dividend	0.52 €	0.63 €
Interest surplus/gross profit	- 0.43 %	- 0.80 %
Commission surplus/gross profit	1.86 %	2.20 %
Trading result/gross profit	98.57 %	98.60 %
Cost/income ratio	59.8 %	55.5 %
Equity ratio*	45.0 %	43.4 %

CALENDAR OF EVENTS

Annual General Meeting in Berlin

14 June 2018 · 10 am

Shareholders' Forum in Berlin

7 December 2018 · 5 pm

* incl. fund for general banking risks



*„Once again our company has broken the record
in the number of transactions made in equities.“*



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TRADEGATE AG

WERTPAPIERHANDELSBANK

DEAR SHAREHOLDERS, BUSINESS PARTNERS AND FRIENDS OF SECURITIES TRADING,

The year 2016 certainly gave us a few surprises which caused a burst of activity on the markets: the days following Great Britain's vote to leave the European Union or Donald Trump's election as 45th President of the United States to name but two. Even though it is generally accepted that political changes have no lasting effect on the stock markets they are nevertheless enough to incite strong short term price fluctuations and increased trading activity by market participants. The above two events were the main reason that 2016 turned out to be a record year for our company with regard to the number of completed trades, while the rest of the year remained a little behind the previous year in this respect.

In contrast, 2017 delivered no particularly noteworthy occurrences yet the number of trades in equities made by our company still climbed to an all-time high. The basis for this was the fundamental rise in the number of orders on all stock markets. The increase on the Tradegate Exchange, however, was above average and there are two main reasons for this.

On the one hand the success of the trading platform Tradegate Exchange has continued to grow. Now in its seventeenth year, it appeals to an ever increasing number of new investors who are attracted by the innovative ideas and wide-ranging services it offers.

On the other hand market share is once again shifting towards Tradegate Exchange. In the past few years the German regional stock exchanges

have in an effort to recover lost liquidity introduced new trading platforms thereby forcing the fragmentation of liquidity and weakening their own competitive position. This has led to orders being concentrated on Tradegate Exchange, where our company is the largest market specialist.

However, we should not overlook the large increase in costs for regulatory requirements. The catalogue of measures belonging to the general term 'MiFID II', with which the European Union is endeavouring to make amendments to the existing framework of EU-wide single financial market regulations for a more transparent and balanced supervision, has commanded a significant amount of resources throughout the year 2017. Especially small and middle-sized financial services companies like ours are confronted with excessive costs.

In summary, although the year on the stock markets was less influenced by outside events our company can look back on an exceptionally good twelve months of business. We have shown that we are more than able to handle the increasing amount of orders and fulfil all regulatory requirements without hiring extra employees. Together with our strategic partners we will continue to secure and expand our leading position as market specialist in retail investor trading.

Holger Timm

Thorsten Commichau

Kerstin Timm

Klaus-Gerd Kleversaat

Jörg Hartmann



REPORT OF THE BOARD FOR THE YEAR 2017

The business year 2017 ran smoothly and went largely unaffected by outside influences that might have led to sharp market fluctuations. The continuing low-interest phase and the ever-present concern over demographic changes with an uncertain and decreasing state pension make it clear that to achieve adequate provisions for one's old age there is little alternative to investing in stocks and shares. Together with a basically solid, resilient and continued positive set of economic fundamentals this has nurtured a favourable market sentiment. We were therefore able to increase the number of transactions in the equities we look after on the regional exchanges Berlin and Frankfurt by 5.9 %. This business area is in fact a good indicator of the whole market, since both exchanges are currently losing market share and any growth here can only be due to increased activity on the markets in general.

In contrast, the reported growth rate on Tradegate Exchange was above average. The already high number of trades made by our company on this exchange could be increased by an excellent 25.96 %. The attempts made by our competitors to imitate the platform have been seen through by market participants and so far have not stood up to critical examination. Tradegate Exchange's outstanding range of services and its high liquidity, coupled with the tried-and-tested reliability of its platform and steadfast cooperation of its partners cannot easily be copied by any other German retail exchange.

Our company's business results, which are directly affected by the number of securities transactions achieved, increased significantly in

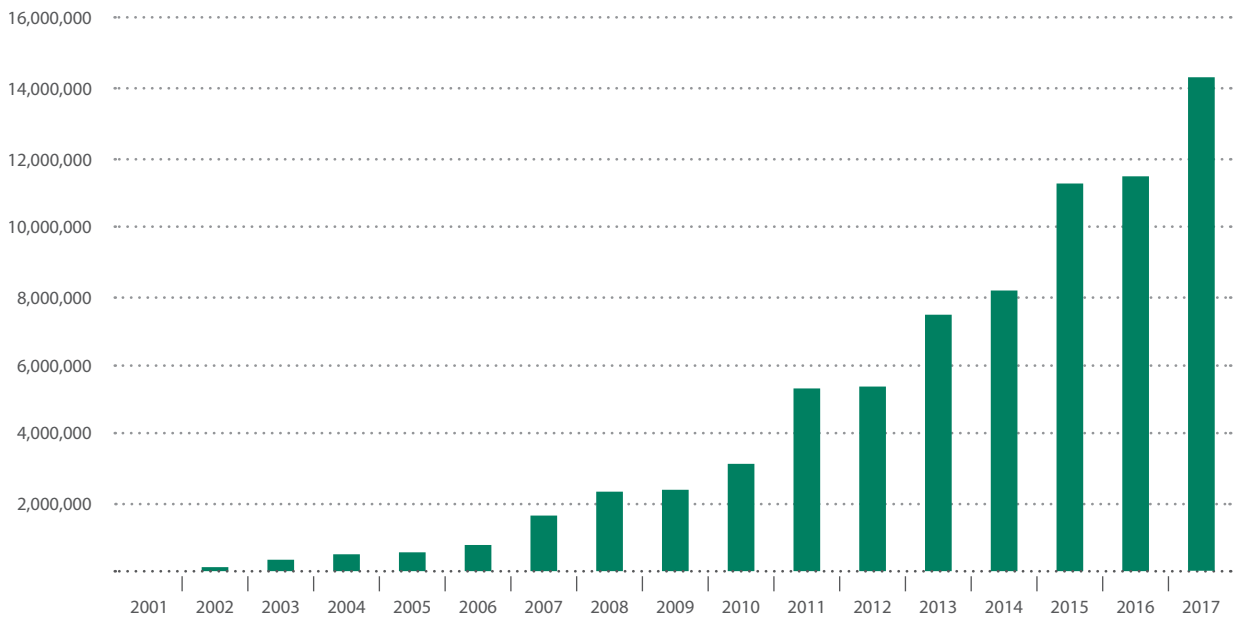
2017. The net income for the year rose to € 15.5 million from € 12.6 million last year. The number of employees remained constant. This was possible through a permanent drive to increase efficiency, our highly motivated team of employees and the continuous automatising of business processes.

The only downside of our business at the moment is the burden of increasing regulatory requirements. The limited scope of our operations brings with it an unreasonable amount of time and effort spent in documentation and reporting. The already very efficient and comprehensive transaction reporting to the German supervisory authorities is now being complemented and partly replaced by new EU-regulations on Transaction Reporting and Order Record Keeping. This leads to a shifting of expenditure away from productive operations in favour of administration, the amount of which bears no relation to the size of our company. Unfortunately the increasing expansion of power of the authorities in Brussels means that they allocate continually rising costs for more and more functionaries and representative offices to those they supervise. This does not bode well for the future development in our field of business, even though a convenient side effect for us is that the entry of new competitors in Central Europe is extremely unlikely.

This shift in focus has also tied up resources that would otherwise have been available for the high innovative capacity in our company. We have without doubt had to accept a slow-down in the speed of implementation. On the other hand we have taken advantage of these

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

Comparison 2001 – 2017



regulatory changes in the securities business to further strengthen our leading role with regard to customer satisfaction.

Not only did we implement all legal requirements in due time at the beginning of 2018 but also helped our business partners, who execute a large amount of trades with us especially on Tradegate Exchange, to complete the migration to MiFID-compliant processes necessary on their side as successfully and quietly as possible. In doing this a great effort was made to make sure that the new regulations were transparent for all retail investors, so that no detriment to the frequency and number of securities transactions was reported. On the contrary: thanks to the great dedication of our employees and the goal-oriented and practical teamwork with our business partners, whom we would like to thank here for their unremitting commitment to retail investors – especially considering the extraordinary workload during this time – Tradegate Exchange was able to counteract the current shift of extensive amounts of business away from regulated markets and towards off-exchange platforms and consolidate its position as the leading exchange for retail investors.

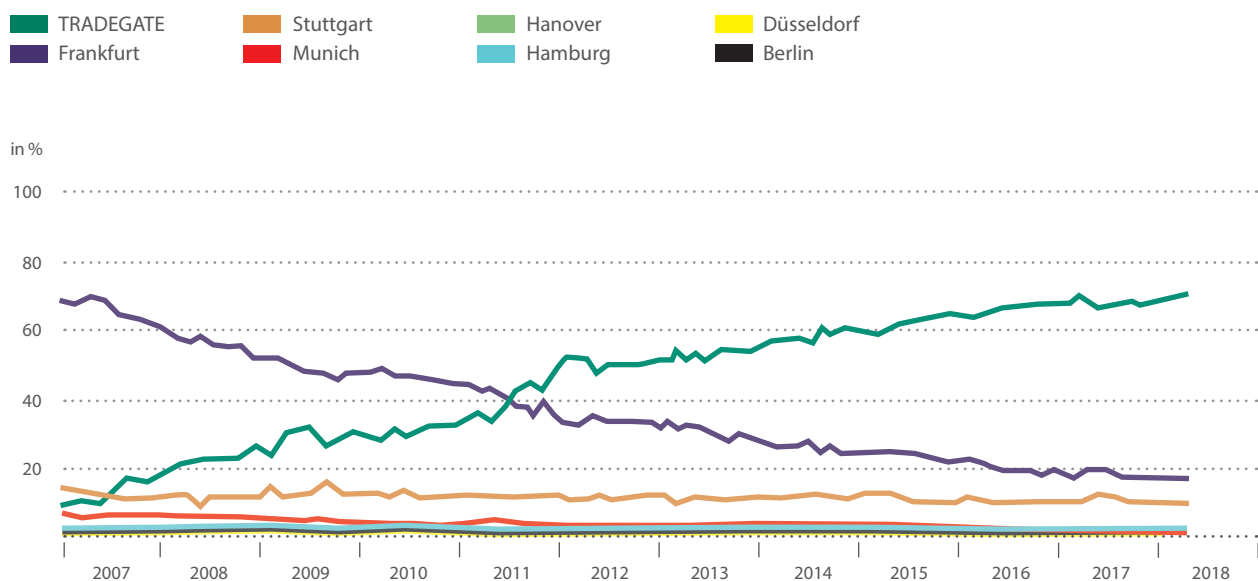
Overall, the results for the past year were more than positive. One particular indication of this is the amount of more than € 4.3 million paid into the fund for general banking risks, which now totals € 21.7 million. Our first class financial position with an above average equity ratio makes us a dependable business partner for our customers, a reliable securities services provider and a trustworthy, calculable and safe investment for our shareholders.

The new EU-regulations introduced on 3rd January 2018 also posed challenges for the business area Private Banking. As we concentrate on providing the highest possible efficiency with the best customer care in this department, the numerous MiFID-projects had to be managed by our team in addition to their day-to-day business. The fact that there was nevertheless a moderate increase in the number of managed accounts is testimony to the constant motivation and expertise of the team. The significantly increased information and documentation requirements could be fulfilled without negative impact for our customers.

In view of the growing regulatory expenditure and the political challenges already apparent at the beginning of the business year 2018, we are more than delighted about the continued rise in the number of transactions in securities trading in the first quarter. Compared with the first quarter of 2017 the number of orders executed on Tradegate Exchange has increased by 43.95 %. On the whole we consider our company to be ideally equipped to deal with political and regulatory uncertainty and offer our employees, business partners and shareholders a secure future.

MARKET SHARE IN EQUITIES

German Regional Stock Exchanges and TRADEGATE EXCHANGE
2007 to March 2018





„Our success is based on the permanent drive to increase efficiency by our highly motivated team of employees.“



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BALANCE SHEET: ASSETS	in €	in €	in €
Tradegate AG Wertpapierhandelsbank as at 31 December 2017	2017	2017	2016
1) Cash reserves			
a) cash balance	201,186.41		218,052.47
b) balance at Deutsche Bank	40,038,442.89	40,239,629.30	20,224,183.90
2) Receivables from banks			
a) due daily	97,997,325.12		98,829,207.38
b) other receivables	-	97,997,325.12	-
3) Receivables from customers		3,726,597.30	2,867,005.67
of which:			
from financial services institutions		3,811.04	2,997.55
4) Securities held for trading		9,923,309.70	7,634,225.95
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		1,414,943.00	1,658,899.00
7) Tangible fixed assets		1,278,601.00	1,023,130.00
8) Other current assets		690,951.34	806,888.17
9) Deferred expenses and accrued income		71,791.23	56,950.59
10) Deferred tax assets		81,615.86	130,965.60
Total assets		155,549,762.85	133,574,507.73



BALANCE SHEET: LIABILITIES AND EQUITY

Tradegate AG Wertpapierhandelsbank as at 31 December 2017

	in € 2017	in € 2017	in € 2017	in € 2016
1) Liabilities to banks				
a) due daily		6,417,301.73	6,417,301.73	1,072,862.76
2) Liabilities to customers				
a) other liabilities				
aa) due daily		40,575,383.79		40,408,795.01
ab) other		27,811,256.52	68,386,640.31	21,327,196.49
of which:				
to financial services institutions			9,653.15	7,367.86
3) Securities held for trading			2,770,562.76	2,319,258.12
4) Other liabilities			3,252,742.49	3,292,328.37
5) Deferred income and accrued expenses			21,759.53	977.40
6) Provisions and accruals				
a) tax provisions		2,040,130.70		1,141,200.00
b) other provisions		5,180,217.97	7,220,348.67	3,963,337.53
7) Fund for general banking risks			21,706,632.84	17,411,783.99
of which: according to § 340e (4) HGB	21,706,632.84			17,411,783.99
8) Equity capital				
a) subscribed stock	24,402,768.00			24,402,768.00
own shares	-15,005.00	24,387,763.00		-29,754.00
b) capital reserves		4,197,042.09		3,791,155.72
c) revenue reserves				
ca) statutory reserves		1,516,343.22		1,516,343.22
cb) reserves for shares in a controlling company		154,907.92		46,955.10
cc) other reserves		-		40,188.25
d) net profit		15,517,718.29	45,773,774.52	12,869,111.77
Total liabilities and equity			155,549,762.85	133,574,507.73
1. Contingent liabilities				
a) Liabilities resulting from guarantees and warranties			55,258.00	97,777.27



INCOME STATEMENT	in €	in €	in €	in €
Tradegate AG Wertpapierhandelsbank from 1 January to 31 December 2017	2017	2017	2017	2016
1. Interest earnings				
a) credit and financial market business less	54,602.73			31,966.61
negative interest from money market transactions	- 416,798.28	- 362,195.55		- 226,420.02
2. Interest expenses		- 214,681.11	- 576,876.66	- 127,722.19
3. Current income from				
a) investments			99,999.20	99,999.20
4. Commission earnings		1,654,915.34		1,163,338.42
5. Commission expenses		- 316,043.05	1,338,872.29	- 200,147.56
6. Net earnings from securities held for trading			59,690,444.89	50,915,180.85
7. Other operating profits			2,405,569.08	1,501,584.62
8. General administrative expenses				
a) personnel expenses				
aa) wages and salaries	- 16,225,424.45			- 13,563,705.57
ab) social security payments and expenses for retirement provisions	- 1,544,055.35	- 17,769,479.80		- 1,390,411.52
of which: € 0.00 for retirement provisions (last year € 0.00)				
b) other administration expenses		- 15,317,447.74	- 33,086,927.54	- 15,437,931.06
9. Write-offs and value adjustments on intangible assets and tangible fixed assets			- 530,142.56	- 502,747.32



	in € 2017	in € 2017	in € 2017	in € 2016
10. Other operating expenses			- 674,327.90	- 230,903.47
11. Write-offs and value adjustments on receivables and certain securities plus allocations to provisions for lending business			-	- 158,174.28
12. Income from advances on certain securities as well as allocations to accruals in lending business		24,390.07	24,390.07	-
13. Result from ordinary business activities			28,691,000.87	21,873,906.71
14. Allocation to fund for general banking risks			- 4,294,848.85	- 2,647,987.57
15. Taxes on income and profit			- 8,807,254.26	- 6,532,378.38
of which: - € 49,349.74 deferred tax expenses (last year € 60,870.27)				
16. Other taxes not shown under 10			- 10,927.46	- 49,446.81
17. Net income for the year			15,577,970.30	12,644,093.95
18. Profit brought forward			189,214.97	184,579.25
19. Withdrawals from the revenue reserves				
a) from reserves for shares in a controlling company		-		40,438.57
b) from other revenue reserves		40,188.25	40,188.25	-
20. Allocations to the revenue reserves				
a) to reserves for shares in a controlling company		- 107,952.82	- 107,952.82	-
b) to other revenue reserves		-		
21. Offset against the difference from acquisition of own shares		- 181,702.41	- 181,702.41	-
22. Net profit			15,517,718.29	12,869,111.77



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 2017 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 30.28 %.

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. In the case of provisions with a maturity of up to one year we have waived the right to discount. 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 2017.

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 € 2017	in € 2016
Receivables from customers		
a) indefinite term	3,726,597.30	2,867,005.67
	3,726,597.30	2,867,005.67
Liabilities to customers		
a) due daily	40,575,383.79	40,408,795.01
with agreed term or term of notice		
a) up to three months	27,388,552.49	20,900,097.90
b) more than three months and up to one year	422,704.03	427,098.59
	68,386,640.31	61,735,991.50

Receivables from and liabilities to affiliated companies

Classification according to balance sheet item

	in '000€ 2017	in '000€ 2016
Receivables:		
other current assets	43	14
Total	43	14
Liabilities:		
liabilities to customers	12,296	5,599
other liabilities	410	291
Total	12,706	5,890



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€ 2017	in '000€ 2016
Assets	8,253	5,895
Debts	11,169	2,859

Securities marketable on the stock exchange

	in '000€ 2017	in '000€ 2016
Listed on a stock exchange		
Securities held for trading	9,613	7,526

With the exception of shares to the book value of € 284,000 (last year € 118,000), 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 € 176,000 (last year € 130,000).

Development of capital assets

	Acquisition Costs			Write-offs		
	As at 31 · 12 · 2016	Additions in the business year	Disposals in the business year	As at 31 · 12 · 2017	As at 31 · 12 · 2016	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	2,609,791.07	68,215.97	-	2,678,007.04	2,300,892.07	162,171.97
Other intangible assets	1,500,000.00	-	-	1,500,000.00	150,000.00	150,000.00
Total intangible assets	4,109,791.07	68,215.97	-	4,178,007.04	2,450,892.07	312,171.97
Tangible fixed assets						
Business and office equipment	4,811,058.39	429,151.80	70,086.32	5,170,123.87	3,787,928.39	217,970.59
Prepayment on assets and assets under development	-	47,243.00	-	47,243.00	-	-
Total tangible fixed assets	4,811,058.39	476,394.80	70,086.32	5,217,366.87	3,787,928.39	217,970.59
Total assets	9,045,848.46	544,610.77	70,086.32	9,520,372.91	6,238,820.46	530,142.56



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€ 2017	in '000€ 2016
Receivables on deliveries and services	559	608
Invoiced deliveries and services	112	101
Flat rate tax receivable from tax authorities	-	63
Corporate tax receivable from tax authorities	-	35
Other	20	-
Total	691	807

Deferred tax assets

It was necessary to establish deferred tax assets because leasehold improvements and intangible assets can be written off quicker under commercial law than according to tax regulations. This situation will be reversed in the future so that deferred tax assets exist.

Liabilities to banks

This balance sheet item contains primarily the liabilities arising from an account used for the settlement of securities transactions in USD (€ 3,173,000, last year € 175,000), liabilities within the private banking business of € 828,000 (last year € 538,000) and amounts payable for the use of settlement services of various banks for € 2,308,000 (last year € 133,000).

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 € 69,000 (last year € 71,000).

Write-offs			
Disposals in the business year	As at 31 - 12 - 2017	Residual book value at 31 - 12 - 2017	Residual book value at previous year
-	-	124,999.00	124,999.00
-	-	124,999.00	124,999.00
-	2,463,064.04	214,943.00	308,899.00
-	300,000.00	1,200,000.00	1,350,000.00
-	2,763,064.04	1,414,943.00	1,658,899.00
67,133.11	3,938,765.87	1,231,358.00	1,023,130.00
	-	47,243.00	-
67,133.11	3,938,765.87	1,278,601.00	1,023,130.00
67,133.11	6,701,829.91	2,818,543.00	2,807,028.00



Other liabilities

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

	in '000€ 2017	in '000€ 2016
Liabilities from deliveries and services	2,189	2,684
Sales tax payable to parent company	410	281
Tax on wages, church tax	412	315
Other	242	12
Total	3,253	3,292

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€ 31.12.2017	in '000€ 31.12.2016
Provisions and accruals for		
Personnel costs	4,210	2,773
Securities settlement services	344	509
Cost of annual financial statements	180	125
Rebuilding costs	128	124
Pending losses	126	186
Contributions to associations	46	75
Cost allocation for banking supervision	24	17
Advisory and auditing services	17	42
Additional rental expenses, electricity	13	11
Commission / marketing fees	0	36
Other expenses	92	65
Total	5,180	3,963

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 2017 an amount of € 4,294,848.85 (last year € 2,647,987.57) was allocated to the fund.



Capital stock / subscribed stock

On 31 December 2017 the subscribed stock came to a total of € 24,402,768 before deduction of own shares. The capital stock of the corporation is thus divided into 24,402,768 nominal shares. The largest shareholder and parent company in terms of § 290 HGB is the Berliner Effektengesellschaft AG, which is also the highest-level parent company in the group.

During the business 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 15,005 own shares with an accounting value of € 15,005.

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. The approval has now expired.

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 for 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 approval no option rights exist at the balance sheet date.

Capital reserves

The proceeds from the sale of own shares exceeded the acquisition costs by € 405,886.37 (last year € 22,454.26) and this amount was added to the capital reserves. At the reporting date the capital reserves totalled € 4,197,042.09 (last year € 3,791,155.72).

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. 10,214 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 € 154,907.92 (last year € 46,955.10).

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.

For the purpose of trading in own shares € 40,188.25 was taken out of 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 in the Entry Standard of 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 2017 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 2017 180,604 shares of Tradegate AG Wertpapierhandelsbank were acquired for the sum of € 2,946,417.17. 195,353 shares were sold for the sum of € 3,185,350.14. From last year's trading in own shares an amount of € 141,514.16 was offset against the net profit (last year € 0.00).



Net profit

A sum of € 189,214.97 (last year € 184,579.25) profit brought forward is reported in the net profit.

Of the deferred taxes an amount of € 81,615.86 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 € 412,000 (last year € 226,000) 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 € 1,339,000, last year € 963,000) 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 the business year other amounts previously reported under general administrative expenses were added to the item commission expenses (€ 4,021,000). During a restructuring of the settlement and invoicing practice used by the service provider new information on this kind of expense came to light, which justified a change in the way it is reported.

	in '000€ 2017	in '000€ 2016
Net result from securities trading	79,154	62,787
Net difference from name-to-follow transactions	130	134
Other net results	- 176	- 193
Earnings from securities held for trading	355	239
Commission expenses from securities trading	- 19,773	- 12,052
Total	59,690	50,915



Other operating profits

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

	in '000€ 2017	in '000€ 2016
Other foreign exchange gains	783	213
Cost allocation other companies	712	364
Proceeds from transfer of rights	464	375
Release of provisions	242	144
Cost allocation affiliated companies	136	142
Damages	43	0
Refund of contributions	0	148
Other	26	117
Total	2,406	1,502

€ 28,000 of the other operating profits belong to other accounting periods (last year € 262,000).

Expenses in other accounting periods

The position other administration expenses contains € 11,000 from other accounting periods (last year € 34,000).

Taxes

The income and profit taxes concern taxes for previous years which result from normal business activities, plus tax prepayments and tax provisions for 2017. 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 2017. For other reporting periods back taxes of € 23,000 (last year € 75,000 tax refund) were included 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	34,819	34,819	398	398
Interest risks	2,018	2,018	2	8
Total	36,837	36,837	400	406



The comparative figures for last year are:

	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	3,931	3,931	0	0
Total	3,931	3,931	0	0

The comparative figures for last year are:

	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 2017 and the business year 2017 unless otherwise stated.

	in %	in €
Tradegate Exchange GmbH, Berlin		
Nominal capital		500,000.00
Shareholding	25.0	124,999.00
Equity capital		1,785,290.81
Profit for the year		647,791.03



Other financial obligations

Obligations of € 4,086,000 (last year € 4,967,000) 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 Privatbank AG and the Delbrück Bethmann Maffei AG. The total amount stands at € 896,000 (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	51.8	57.8	52.0
Other employees	19.3	35.2	54.5	51.4
Maternity	-	-	-	-
Parental leave	-	-	-	0.3
Trainees	-	-	-	-
Student trainees	-	-	-	4.8
Total	26.03	91.0	117.3	113.5
of which part-time employees (headcount)	13.8	7.2	21.0	25.3
of which part-time employees (in terms of full-time positions)	10.5	4.0	14.5	16.6
As at 31 December 2017				
Board members	1	4	5	5
Traders	6	52	58	52
Other employees	19	34	53	55
Maternity	-	-	-	-
Parental leave	-	1	1	2
Trainees	-	-	-	-
Student trainees	-	-	-	3
Total	26	91	117	117
of which part-time employees (headcount)	12	6	18	25
of which part-time employees (in terms of full-time positions)	9.0	3.4	12.4	17.2



Corporate bodies of the Tradegate 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 2017.

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
Ulrich Strohmeier, Frankfurt am Main · Senior Project Manager/General Manager, 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 € 3,356,000 from Tradegate AG Wertpapierhandelsbank of which € 400 was for benefits from group accident insurance. The supervisory board received remuneration of € 49,000 including value-added tax.

Company loans

The members of the managing board have taken out loans to the amount of € 362,000.

Fees paid to VISUS GmbH Wirtschaftsprüfungsgesellschaft (accounting firm) according to § 285 No. 17 HGB

For the last business year Tradegate AG Wertpapierhandelsbank made the following payments to VISUS GmbH Wirtschaftsprüfungsgesellschaft, Berlin, and recorded the following expenses:

	in '000€ Payments	in '000€ Expenses
For the annual audit	0	123
For other accounting and evaluation services	31	31
Total	31	154

No payments and expenses were recorded for the previous year.

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 2017 to pay a dividend of € 0.63 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, 1 March 2018

Tradegate AG Wertpapierhandelsbank

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



MANAGEMENT REPORT OF THE TRADEGATE AG
WERTPAPIERHANDELSBANK FOR THE YEAR ENDED 31 DECEMBER 2017

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)
- agency trading (§ 32 subsection 1a KWG)
- proprietary trading (§ 1 subsection 1a clause 2 No. 4 KWG)
- guarantee business (§ 1 subsection 1 clause 2 No. 8 KWG)

In addition, the company notified the BaFin at the end of December 2017 of its intention to commence activity as a systematic internaliser in various equity and non-equity instruments as of 3 January 2018.

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®. In addition to its activities on the stock exchanges the company also engages in off-exchange trading to a limited extent. For several years the focus of trading activity has been on looking after financial instruments (shares and Exchange Traded Products (ETPs)) as a Market Specialist on the TRADEGATE EXCHANGE. TRADEGATE EXCHANGE is operated by Tradegate Exchange GmbH, Berlin, of which at the balance sheet date the company holds 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 7,800 categories of security, mainly in shares. Insofar as the company carries out its function as order book manager on the Berlin Stock Exchange it receives a fee for its trade volume, known as the broker's commission. On the Frankfurt Stock Exchange the company acts as a Market Specialist. For this service it receives a performance-based fee which at least partly replaces the abolished broker's commission. A significant source of earnings for the company is the financial result which arises from the calculated difference in the bid-ask spread. On electronic exchanges or markets such as XETRA®, TRADEGATE EXCHANGE and the Frankfurt Stock Exchange, no broker's commission is charged and earnings are determined by the financial/trading result arising from transactions. Since the business is volume-driven, the company tries to reach as many customers as possible with its prices. Mid or long term risk positions in proprietary trading are not intended and are not part of the business concept. Long-term

own holdings are, therefore, always and exclusively part of the liquidity management of the company and at the discretion of the managing board.

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

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

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

1.3 Competitive position

The trading platform TRADEGATE®, developed and operated since 2000, was launched in Germany and Europe as a new stock exchange in 2010. The TRADEGATE EXCHANGE now stands in direct competition with comparable exchanges, in particular the seven German floor exchanges. TRADEGATE EXCHANGE'S continued success is important for the company because over 97% of all transactions and more than 94% of earnings result from trading as a specialist for shares and ETPs on the TRADEGATE EXCHANGE. In order to secure and improve the lasting success and future growth of the TRADEGATE EXCHANGE, the operator, Tradegate Exchange GmbH, has been run as a joint venture together with the majority shareholder, the Deutsche Börse AG, since 2010. Following the small increase of 1.84 % in the number of equity trades completed on the TRADEGATE EXCHANGE in 2016 the company reported an unexpected growth spurt of 25.96 % with 14,401,312 single transactions in 2017. Since all other relevant competitors reported less growth, on average 9 %, TRADEGATE EXCHANGE'S market share in equity trading compared with the other seven German regional stock exchanges increased to 70.8 %. 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 and the IT costs involved across the whole financial industry in implementing MiFID II, no new banks were connected to the TRADEGATE EXCHANGE in 2017. However, the potential sales volume of existing customers was further optimised and the company is currently conducting pre-negotiations with potential customers for the year 2018.

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. 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. Following the implementation of MiFID II the company will in future act as a so-called systematic internaliser (SI) in off-exchange trading. According to the current status of the MiFID II implementation systematic internalisers enjoy competitive advantages over regulated exchanges regarding tradeable tick sizes but legislators intend to remedy this as soon as possible.

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 2017. The number of shareholders in Germany remains very low. Nevertheless, over the course of last year private investors have increased their trading activity significantly, which is partly but not wholly due to increasing share prices and lack of investment alternatives. A good part of the increase in turnover results from the often very speculative type of small caps, for example cryptocurrencies or cannabis, which are probably temporary investment trends.

There is still great pressure among the remaining securities trading firms and trading platforms/exchanges to compete for a dwindling number of trades. The competitive pressure has once again led to a drop in the attainable gross and net margins, especially with regard to top-selling securities. Happily, it was nevertheless possible to increase slightly the average gross margin per trade for 2017. This was most likely due 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 2017 the company's business development was as follows: in previous years the monthly results during the business year have differed greatly and in 2016 for example two major events (BREXIT vote and US presidential elections) had a great impact on the year's results. In contrast, 2017 was marked by equally good turnover and profit in each month. April and June were the only months in which turnover dropped slightly by 3.9 % and 4.8 % respectively. In all remaining months turnover could be increased whereas October and November both stood out by producing record turnovers and a year-on increase of 68.3 % and 53.0 % respectively, without the aid of any particular market occurrence. The final quarter contributed around 38.0 % 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. 16.0 % to the company earnings. Due to tougher competition the gross trading margins for some of the top-selling DAX securities fell considerably but this could be more than compensated for by a strong pick-up in trades with volatile small caps and foreign shares. A reduction in the variable costs per trade was not possible in 2017. Indeed, during the course of several changes including the introduction of Target 2 Securities, the costs increased slightly. Overall, the company was therefore able to increase the result of normal business activities by a strong 31.2 % to € 28.69 million (last year: € 21.87 million).

Following a slight drop of 8.8 % in the number of contract notes in 2016 resulting from the activity as Market Specialist and order book manager on the Frankfurt and Berlin stock exchanges, 2017 saw a small increase of 5.9 % up to 282,967 transactions.

In contrast, the number of transactions on the TRADEGATE EXCHANGE could be increased in 2017 for the sixteenth year running. After only a small increase of 1.85 % in transactions in 2016 there was an unexpected leap of 25.96 % to 14,401,312 transactions in 2017. The average trading volume per individual trade rose slightly in 2017 from € 6,482.57 to € 6,556.47. Overall, in its role as specialist on the TRADEGATE EXCHANGE the company's trading volume in shares and ETPs rose by 27.4 % from ca. € 74.12 billion in 2016 to € 94.42 billion in 2017.

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 31.12.2017 is as follows: the number of securities looked after on the TRADEGATE EXCHANGE came to 6,128 (657 more than last year), on the Frankfurt Stock Exchange 684 (27 fewer than last year) and on the Berlin Stock Exchange 3,452 (182 fewer 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 Privatbank AG to Tradegate AG has been completed. Thus the number of customers rose from 316 as at 31.12.2016 to 360 customers at the end of 2017. The securities account volume including deposits from private customers rose from ca. € 216 million to € 257 million in the same period.



On the subject of cost allocations for the supervision of securities for the years 2010 to 2012 the company was not able to reach an agreement with the Federal Financial Supervisory Authority (BaFin) and therefore filed a claim at the administrative court in Frankfurt am Main in August 2014. 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 repay the resulting difference of € 1.5 million plus interest. The BaFin made an application for leave to appeal, which the higher administrative court of Hesse granted in February 2017, so the case is currently at the court of appeal. No dates were set for further hearings in 2017, so the company has no new information regarding the case.

The number of employees in the company remained unchanged, with nine new-comers and nine 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 was 41.8 (last year 41.2) with most people in the age group of up to 38. The average job tenure was almost unchanged at 10.8 years (last year 10.3 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 his or her position in the company, length of service, special tasks etc. € 9,562,000 of the total remuneration of € 16,066,000 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.

The business development was favourable.

2.2 Business outlook

2.2.1 Results of operations

For the year 2017 Tradegate AG Wertpapierhandelsbank reported a financial result of € 15,578,000 (2016: € 12,644,000). The results of operations of the Tradegate AG Wertpapierhandelsbank are influenced by the net earnings from securities held for trading, which include 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 private and business banking 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€ 2015	in '000€ 2016	in '000€ 2017
Interest income	25	- 222	- 477
Commission income	827	963	1,339
Net earnings from securities held for trading	43,777	50,915	59,690
General administrative expenses	- 27,601	- 30,392	- 33,087
Result from ordinary business activities	18,270	21,874	28,691
Allocation to fund for general banking risks	- 2,573	- 2,648	- 4,295
Taxes on income and profit	- 5,514	- 6,532	- 8,807
Net income / loss for the year	10,111	12,644	15,578



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 because the commission earnings were higher than the commission expenses. 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 € 12,052,000 to € 19,773,000. This was due to the continuing rise in turnover and the corresponding increase in commission expenses as well as the reclassification of administrative expenses in the amount of € 4,021,000. During a restructuring of the settlement and invoicing practice used by the service provider new information on this kind of expense came to light which justified a change in the way it is reported. As the business year's results have improved once again, an increase of 17.2 % was reported in the net earnings from securities held for trading despite the higher commission expenses.

As last year's results were very good the company was able to reward employees with a share in profits. These special payments and bonuses are the main reason for the € 2,662,000 increase in personnel expenses. In total, other administrative expenses were reduced by € 153,000 due to the afore-mentioned reclassification of expenses to the net earnings for securities held for trading.

The company pays into the fund for general banking risks according to § 340e (4) Handelsgesetzbuch (German Commercial Code). In 2017 the development of the securities trading business was very positive, so € 4,295,000 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.

	2015	2016	2017
Turnover equivalent	46,472,000 €	53,486,000 €	63,488,000 €
CIR	62.5 %	59.8 %	55.5 %
RoE	33.75 %	38.95 %	48.60 %
EpS	0.520 €	0.627 €	0.814 €

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. Moreover, as the general administrative expenses fell slightly the cost income ratio improved to 55.5 %.

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

2.2.2 Financial position

The company is financed primarily from its net assets and the fund for general banking risks. Based on the company's business activity and the 2017 net result from securities held for trading, € 4,295,000 was paid into the fund. The fund now contains € 21,707,000.

In 2017 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 € 224,000. Compared with last year the equity ratio fell from 31.9 % to 29.4 % (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. The liabilities to banks and customers are predominantly due daily. Those liabilities that do have an agreed repayment term have a time to maturity of up to one year, although most of them are repayable within three months. In contrast to the due daily liabilities, for which there is no fixed interest rate, liabilities with an agreed repayment term have a fixed interest rate for the respective duration of their term.

A total of € 545,000 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.

The company's ability to meet financial obligations was given at all times.

2.2.4 Net assets

The balance sheet total of the Tradegate AG Wertpapierhandelsbank improved by € 21,975,000 compared with last year. On the assets side of the balance sheet the main increase was the credit balance at the German Federal Bank. The credit balance at the Federal Bank was raised by a further € 19,814,000 to control large credit exposures and the Liquidity Coverage Ratio.

On the passive side of the balance sheet the liabilities to customers increased by € 6,651,000. The reason is the expansion of private and business banking activities. The provisions amount to € 7,220,000 compared with € 5,105,000 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 the 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 2017 which was increased slightly during the year to accommodate the risk arising from foreign exchange due to extensive trading in foreign securities.

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, which is available on the company's website at www.tradegate-ag.de.

The financial holding group Berliner Effektengesellschaft AG must adhere to the group-level regulations of the CRR which govern consolidated monthly reports. It must also observe the regulations on submitting information on financials and risk bearing ability according to the German Banking Act. According to § 10a subsection clause 2 of the German Banking Act the Tradegate AG Wertpapierhandelsbank is by law the highest-level company in the financial holding group. The regulatory group basically comprises all companies that are included in the group financial statements according to commercial law. In accordance with the German Banking Act, only group companies that fall under the category "other companies" and separate assets should not be incorporated in the reports. In the case of the financial holding group Berliner Effektengesellschaft AG, the company Ex-tra Sportwetten AG, Vienna, liquidated on 1 December 2017, was included in the HGB (German Commercial Code) group accounts within the scope of a full consoli-



ation and therefore not included in the report. No regulatory deduction of the book value is made in the report. The Quirin Privatbank 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 Privatbank AG is an independent group and itself subject to reporting rules. The Tradegate Exchange GmbH, in which Tradegate AG Wertpapierhandelsbank has almost a 25 percent share, is also included in the HGB group accounts at equity. For the purpose of regulatory reporting Tradegate Exchange GmbH only represents a shareholding of the Tradegate AG Wertpapierhandelsbank.

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 26.27 % and 34.32 %. 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 2017 the risk positions and capital resources were follows:

	in '000€ Amount
Risk positions	
Counterparty default risks	25,782
Market price risks	23,936
Operational risks	83,615
Risk of a credit valuation adjustment	56
Total	133,389

	in '000€ Amount
Description	
Paid-in capital	24,403
Capital reserves	4,197
Own shares	- 293
Retained earnings	1,497
Special item for general banking risks	17,412
Value adjustments	- 13
Intangible assets	- 1,419
Core capital	45,784



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 also include eligible capital of the Tradegate AG Wertpapierhandelsbank which comes from non-controlling interests. As at 31 December 2017 the risk positions and capital resources were as follows:

	in '000€ Amount
Capital requirements for	
Counterparty default risks	36,241
Market price risks	23,936
Operational risks	83,895
Risk of a credit valuation adjustment	56
Total	144,128

Description	in '000€ Amount
Paid-in capital	13,706
Capital reserves	31,859
Own shares	- 138
Retained earnings	- 1,144
Special item for general banking risks	9,735
Minority interests	2,646
Transitional provision for minority interests	3,096
Goodwill	- 128
Intangible assets	- 1,420
Other adjustments	- 1,441
Common equity tier 1	56,771
Additional tier 1 capital	324
Core capital	57,095
Tier 2 capital	955
Own funds	58,050

The report for the financial holding group Berliner Effektengesellschaft AG is made according to the CRR. Between January and December 2017 the total key reference figures of the Solvency Regulation at group level lay between 35.29 % and 40.28 %.

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 2017 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 2017 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 2017 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 securities held for trading. 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. In 2017 the limit was exceeded on occasion due to much higher trading volumes. The board members responsible for controlling and trading were informed of the limit excess and they decided on a course of action.

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 Privatbank AG and the BNP Paribas S.A. Group. Because of its associated relationship to the group the Quirin Privatbank 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.

In the area of private and business banking there is a general risk of counterparty default because Lombard loans are granted. As these loans are always fully secured by securities the risks can be regarded as minimal. Appropriate procedures to control the limits and the value of the collateral are in place.

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 3.17 and 4.60, 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 3.67 and 7.19 throughout the whole business year. The corresponding figure for the Group moved between 4.29 and 8.83. 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. Additionally, a summarised report for all main types of risk is produced every quarter. This report contains information on limits, capacity utilisation and possible damages as well as the results of scenario analysis. The report is made available to all managing board members and the supervisory board. 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 2018 to be a solid business year in securities trading with private investors. However, it is difficult to estimate how investment behaviour will be affected by the numerous changes to the laws brought by MiFID II and whether the legislative authorities will soon be able to eliminate unwanted side effects such as competitive advantages for off-exchange trading. Tradegate Exchange offers quality of service, system stability and by far the highest liquidity in retail trading, so it is conceivable that further market participants in Europe, who wish to provide their customers with the best possible execution in line with MiFID II, might be won.

In last year's management report the following main statements were made for the business year 2017:

- The company expects 2017 to be a solid business year in securities trading with private investors.
- The company does not expect a further rise in earnings for the business year but aims to stabilise turnover and earnings at a high level.
- A reduction of the gross margin per trade in the short or midterm is not unlikely.
- No significant positive effects for company earnings are to be expected from private and business banking in the business year 2017.
- With respect to costs the company expects a moderate increase in the general administrative expenses (excluding profit-related bonuses).

Contrary to expectations the business in securities trading with private investors could be expanded, which led to a rise in turnover and earnings. A reduction in the gross margin per trade was not evident. The private and business banking section developed well but had no notable positive effect on company earnings. With regard to the administrative expenses an increase in the costs was reported under the item net earnings from securities held for trading, which for the most part was due to the rise in turnover. Other costs developed as expected.

In view of the unexpected increase in turnover and earnings in 2017, the company does not at the moment expect a further rise in earnings for this business year but aims to stabilise turnover and earnings at the current high level. A general downturn 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 2018 the company was already able to report a record month in turnover. Compared with the same month last year, turnover rose by 52 %. The company's market share in retail trading also grew. Although no conclusions can be drawn from the January results for the rest of 2018 the company has nevertheless managed a more than 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 2018 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. Follow-up costs are also to be expected in 2018 as a result of MiFID II as well as an increased amount of investment for IT projects and operations. 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 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 form of such a tax. During the coalition talks in Germany the subject was unfortunately put on the agenda once again, so private investors might still have to suffer the consequences if the tax is introduced.



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 2017. 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, 1 March 2018

Tradegate AG Wertpapierhandelsbank

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



„Our company is ideally equipped to deal with political and regulatory uncertainty and offer our employees, business partners and shareholders a secure future.“





In the German version of the annual report the auditors' report is printed here. This report confirms the unreserved validation by the

VISUS GmbH Wirtschaftsprüfungsgesellschaft (accounting firm), Berlin,
of the annual financial statements of the Tradegate AG Wertpapierhandelsbank.



LADIES AND GENTLEMEN,

In 2017 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 2017 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 company's remuneration structure and the expansion of the private banking business. Particular attention was given to the new regulations which the company is currently facing during the implementation of the European financial market directive MiFID II.

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 1 December 2017 the supervisory board discussed the yearly compliance report. There were no objections.

The auditors of VISUS GmbH Wirtschaftsprüfungsgesellschaft, Berlin, carried out the audit for 2017 according to § 36 (1) 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 auditors. The auditors 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 2 March 2018:

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 transactions referred to in the report were not inappropriately high, nor were disadvantages compensated."

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 2017

The annual financial statements compiled by the managing board for the business year 2017, including the accounting and management reports, were examined by the auditors VISUS GmbH 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 21 March 2018. 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 to use the net profit of € 15,517,718.29 reported at 31 December 2017 to pay a dividend of € 0.63 for each share in circulation. The remaining amount from the net profit shall be carried forward to new account.

The supervisory board would like to thank the managing board and all employees for their great personal commitment and hard work during the year 2017.

Berlin, 21 March 2018

Professor Dr. Jörg Franke
Chairman of the Supervisory Board



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the 1990s, the number of people in the UK who are employed in the public sector has increased from 10.5 million to 12.5 million, and the number of people in the public sector who are employed in health care has increased from 2.5 million to 3.5 million (Department of Health 2000).

There are a number of reasons for this increase. One of the main reasons is the increasing demand for health care services. The population of the UK is ageing, and there is a growing number of people with chronic conditions such as heart disease, diabetes, and asthma. This has led to an increase in the number of people who need to be treated in hospitals and other health care settings.

Another reason for the increase is the increasing number of people who are employed in the public sector. The public sector is a large employer, and it has been able to attract more people to work for it in recent years. This is due to a number of factors, including the fact that the public sector is seen as a more stable and secure place to work than the private sector.

There are also a number of other reasons for the increase. One of these is the increasing number of people who are employed in the public sector who are employed in health care. This is due to a number of factors, including the fact that there is a growing demand for health care services, and the fact that the public sector is seen as a more stable and secure place to work than the private sector.

There are a number of challenges facing the public sector in the future. One of these is the increasing demand for health care services. The population of the UK is ageing, and there is a growing number of people with chronic conditions such as heart disease, diabetes, and asthma. This has led to an increase in the number of people who need to be treated in hospitals and other health care settings.

Another challenge is the increasing number of people who are employed in the public sector. The public sector is a large employer, and it has been able to attract more people to work for it in recent years. This is due to a number of factors, including the fact that the public sector is seen as a more stable and secure place to work than the private sector.

There are also a number of other challenges facing the public sector in the future. One of these is the increasing number of people who are employed in the public sector who are employed in health care. This is due to a number of factors, including the fact that there is a growing demand for health care services, and the fact that the public sector is seen as a more stable and secure place to work than the private sector.

There are a number of ways in which the public sector can meet these challenges. One of these is to increase the number of people who are employed in the public sector who are employed in health care. This can be done by recruiting more people to work for the public sector, and by providing training and development opportunities for existing staff.

Another way in which the public sector can meet these challenges is to improve the quality of health care services. This can be done by investing in new technology and equipment, and by providing training and development opportunities for staff.

