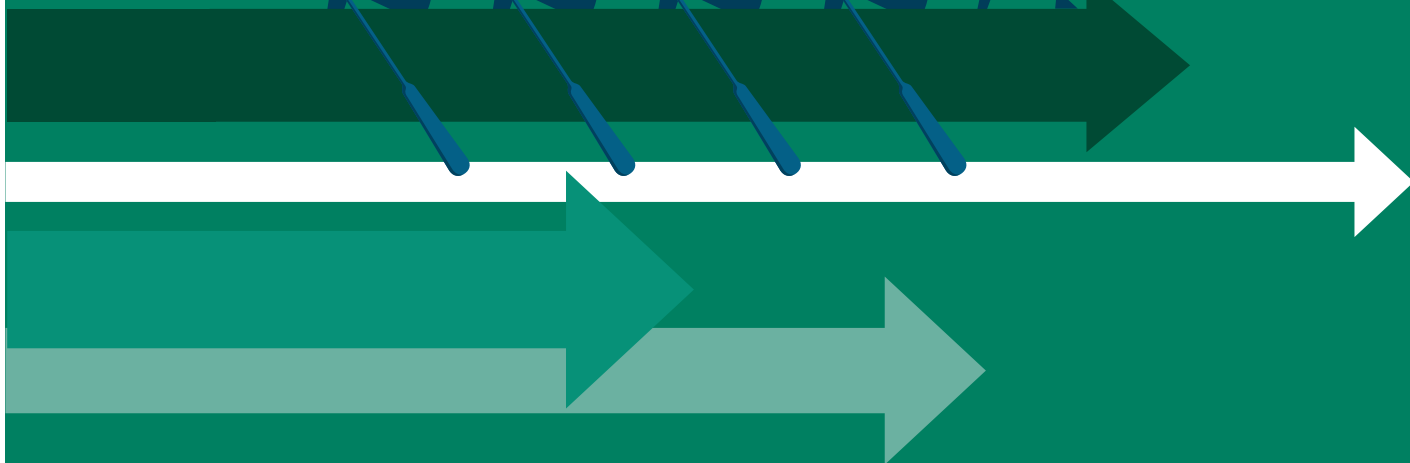
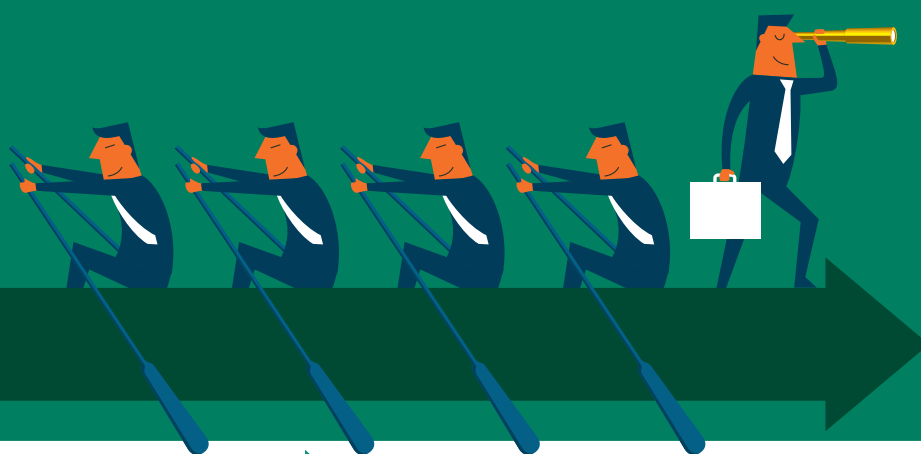




TRADEGATE AG

WERTPAPIERHANDELSBANK

ANNUAL REPORT 2018





„A private investor trades on Tradegate every 0.77 seconds.“





TRADEGATE AG

WERTPAPIERHANDELSBANK

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

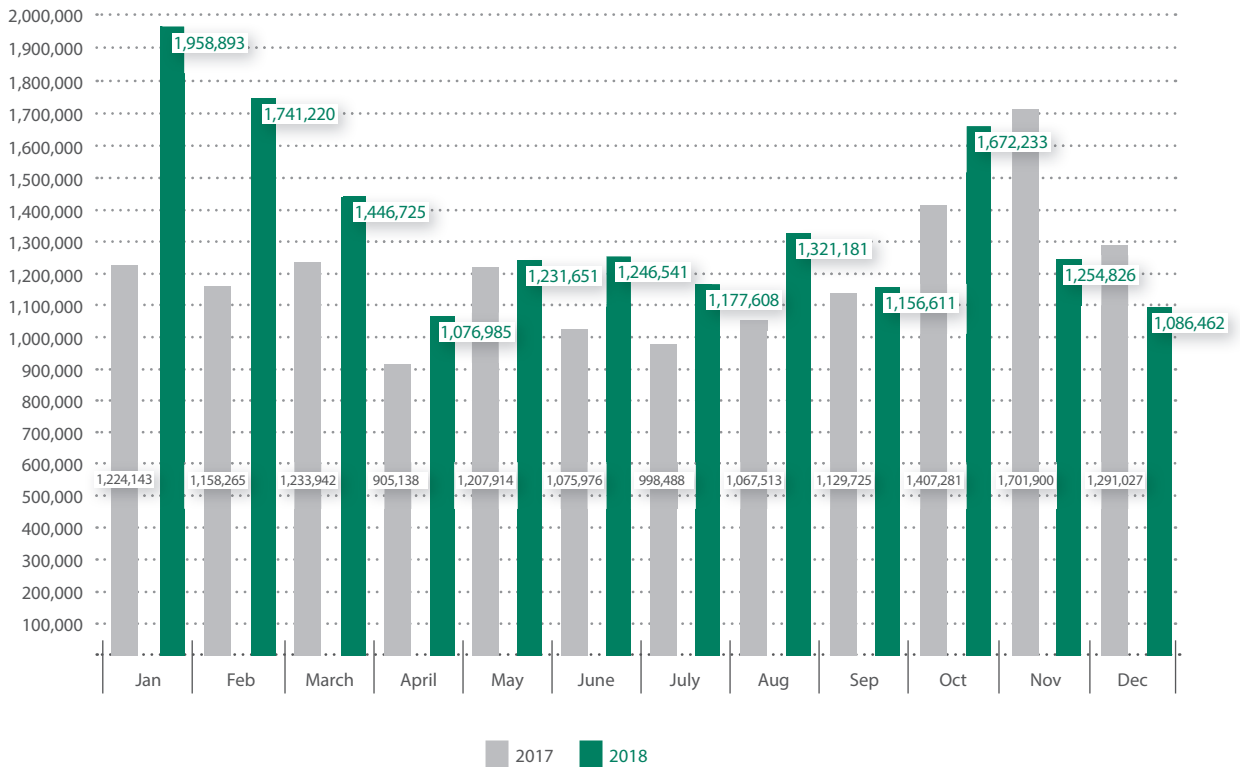
DEVELOPMENT OF SHARE PRICE

Tradegate AG Wertpapierhandelsbank
January 2018 to March 2019



SECURITIES TRANSACTIONS (EQUITIES)

(Tradegate AG Wertpapierhandelsbank)
January to December 2017/2018
Transactions per month on TRADEGATE EXCHANGE



SHAREHOLDERS' STRUCTURE

in %

as at 31 December 2018

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 <i>Chairman</i>	Prof. Dr. Jörg Franke <i>Chairman</i>
Thorsten Commichau	Frank-Uwe Fricke
Jörg Hartmann	Karsten Haesen <i>Deputy Chairman</i>
Klaus-Gerd Kleversaat	Ulrich Strohmeier (until 28.09.2018)
Kerstin Timm	Peter E. Schmidt-Eych
	Pamela Schmidt-Fischbach (until 01.11.2018)
	Dr. Sven Deglow (as of 22.01.2019)
	Guido Wünschmann (as of 22.01.2019)

COMPANY DATA

AS AT 31 DECEMBER 2017

AS AT 31 DECEMBER 2018

Market capitalisation	522.2 M €	653.1 M €
Number of shares	24,402,768	24,402,768
Accounting	HGB	HGB
Balance sheet total	155,550,000 €	160,700,000 €
Number of employees	117	120

KEY DATA

AS AT 31 DECEMBER 2017

AS AT 31 DECEMBER 2018

Result per share	0.814 €	0.847 €
Dividend	0.63 €	0.67 €
Interest surplus/gross profit	-0.80 %	-0.91 %
Commission surplus/gross profit	2.20 %	1.82 %
Trading result/gross profit	98.60 %	99.09 %
Cost/income ratio	55.5 %	56.9 %
Equity ratio*	43.4 %	45.1 %

CALENDAR OF EVENTS

Annual General Meeting in Berlin

13 June 2019 · 10 am

Shareholders' Forum in Berlin

6 December 2019 · 5 pm

* incl. fund for general banking risks



„Innovation does not stand still – 18 record years in a row.“



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TRADEGATE AG

WERTPAPIERHANDELSBANK

DEAR SHAREHOLDERS, BUSINESS PARTNERS AND FRIENDS OF SECURITIES TRADING,

At the end of 2018 the DAX closed at minus 18 %, the second loss-year since the financial crisis ten years ago. The broader S&P 500 Index suffered a loss of 6 % over the year, but here the very obvious price setbacks only began at the end of October (the index had reached record level at the end of September).

It is certainly not difficult to name the many reasons for these price losses. At the top of the list would be the change in course by the FED which indicated a possible interest rate reversal and caused the withdrawal of large volumes from the equity market. One of the main reasons, however, is the continuing trade dispute between the USA and China.

The fear of an economic slump is huge and not unfounded. A large number of companies have already had to correct their business forecasts; even a stock exchange giant like Apple has shocked investors with a profit warning. Bear market or bull market? And not least the omnipresent subject of BREXIT – orderly/disorderly, timely/delayed, will it even happen or be cancelled altogether? – offers the potential to elicit price movements on the share markets. The stock market year 2019 promises to be exciting.

If we go back just a little further 2016 held a number of surprises: the days following the decision of Great Britain to leave the European Union, or Donald Trump's election victory to become the 45th President of the United States provoked plenty of action on the markets. Even though it is generally accepted that the impact of political events

on the stock markets is short lived they are often still enough to cause short-run price fluctuations and increased trading activity by market participants. It was these two events that helped our company to a record year in 2016 with regard to the number of trades completed. Otherwise the performance in the rest of year remained slightly below the year before.

In contrast 2017 was untroubled by such spectacular developments. Nevertheless the number of share transactions executed by us climbed to yet another all-time high. The basis for this was the general increase in order volume on all stock exchanges. The increase in the number of our trades on the Tradegate Exchange was, however, above average.

This trend fortunately carried on into last year and although there were no extreme fluctuations on the markets our company once again announced a new record in the number of trades for 2018. Given the relative weak market environment this could not have been anticipated and should therefore be valued much more.

Due to our stringent, low-risk and service oriented business model we can look forward to a steadily growing core business free from unusually positive or negative exceptions, underlining our strength which is currently atypical of the financial industry.

Whatever surprises the stock market might have in store for us in the year to come – we are well prepared!

Holger Timm

Thorsten Commichau

Kerstin Timm

Klaus-Gerd Kleversaat

Jörg Hartmann

REPORT OF THE BOARD FOR THE YEAR 2018

In 2018 the exchange environment was marked by political and economic uncertainty. Trade disputes between the USA and China and intended or established free trade agreements between the EU and Japan/Canada have brought about a shift in global partnerships, the effects of which on each country's economy cannot yet be calculated. On top of this we now have the unclear outcome of the BREXIT negotiations between the EU and Great Britain, so a slowdown in investors' trading activity is quite understandable.

In the light of the above it is no surprise that our company was also affected by a general decline in the amount of trades, especially on the exchanges in Berlin and Frankfurt. The number of transactions here fell sharply by 26.4 % compared with last year.

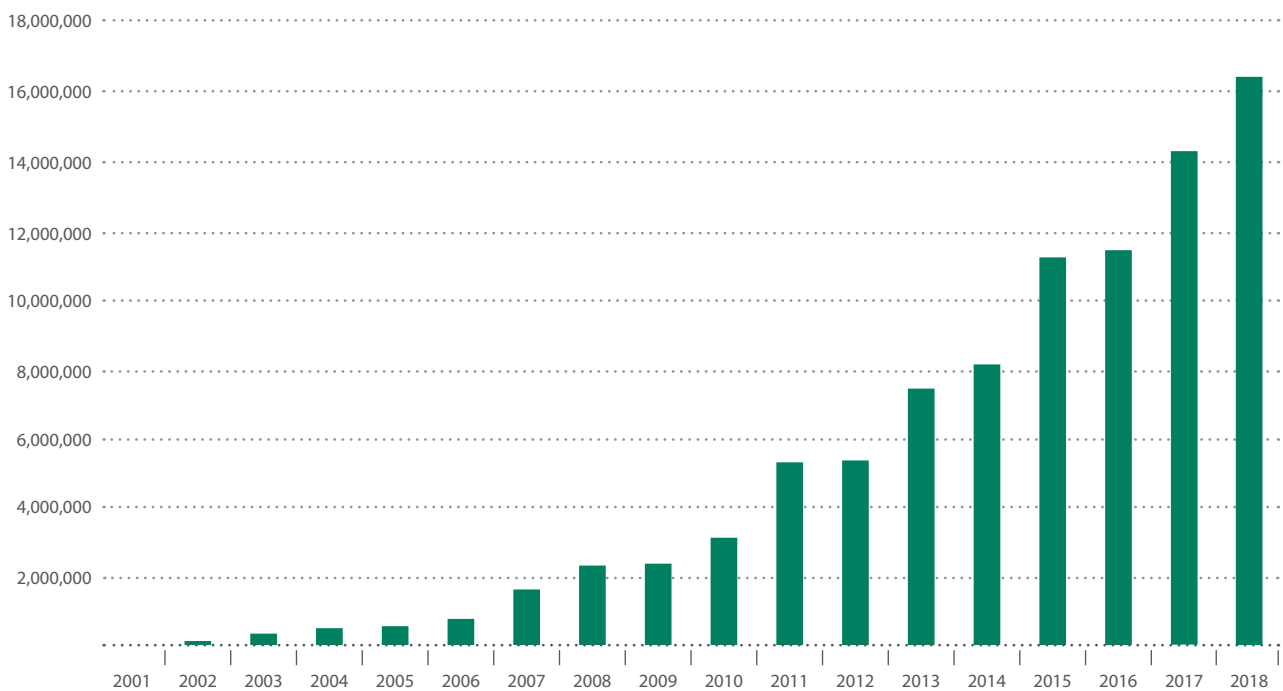
On the other hand our business on the Tradegate Exchange, an exchange with a unique format which is tailored to the needs of today's retail investors, defied the current trend and continued to grow significantly. In the eighteenth year of its existence this market venue went from one record to the next. The number of trades carried out by our company alone on the Tradegate Exchange rose in 2018 by 13.67 %. This business area represents a big focus of our activities, so once again we were able to increase the result in normal business activities to € 29,615,000 (last year: € 28,615,000).

Our company has always been oriented towards maximum efficiency and will continue to pay great attention to advancing technology and the minimisation of risk. However, the options available here are naturally losing their power of leverage. For this reason we are always examining our business operations for potential expansion into trading activities we have not yet covered, since possible revenue growth meanwhile holds more promise than further cost cutting.

In our opinion a constant detriment to efficiency is the disproportionate amount of regulations which, regardless of the size of the enterprise, are applied without exception to all institutes and no longer bear any relation to the possible risks. At this point over-regulation has become an end in itself and turned into a serious risk for banks and financial service companies. This, combined with the ongoing low-interest phase which is now challenging the business models of more traditional institutes, is developing into a threat to the industry with predominantly long-lasting negative consequences for private investors and savers. The aim of providing customers with better information on the risks of financial investments has led to restrictions for investment advisers that have made customer-oriented consultations extremely difficult. As a result customers are becoming increasingly insecure and annoyed with excessive bureaucracy and floods of paperwork.

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

Comparison 2001 – 2018



Happily, apart from the conventional banking business our company also has a business model that delivers earnings and allows us to grow in the present market phase. Our yearly allocations to the Fund for General Banking Risks, which meanwhile amount to 25 million Euros, prove the extraordinary stability of our company and are evidence of the clear separation from the traditional banking business that is fraught with risk.

The positive development of our business is nurtured by the outstanding quality of our valued customers and employees. After all, it is not strategies, concepts or machines but people who in their daily work transform ideas into practical experience. That is why we shall keep to our custom of appointing, supporting and developing the best-suited employees to fill relevant key positions so we can offer our partners professional competence and reliability.

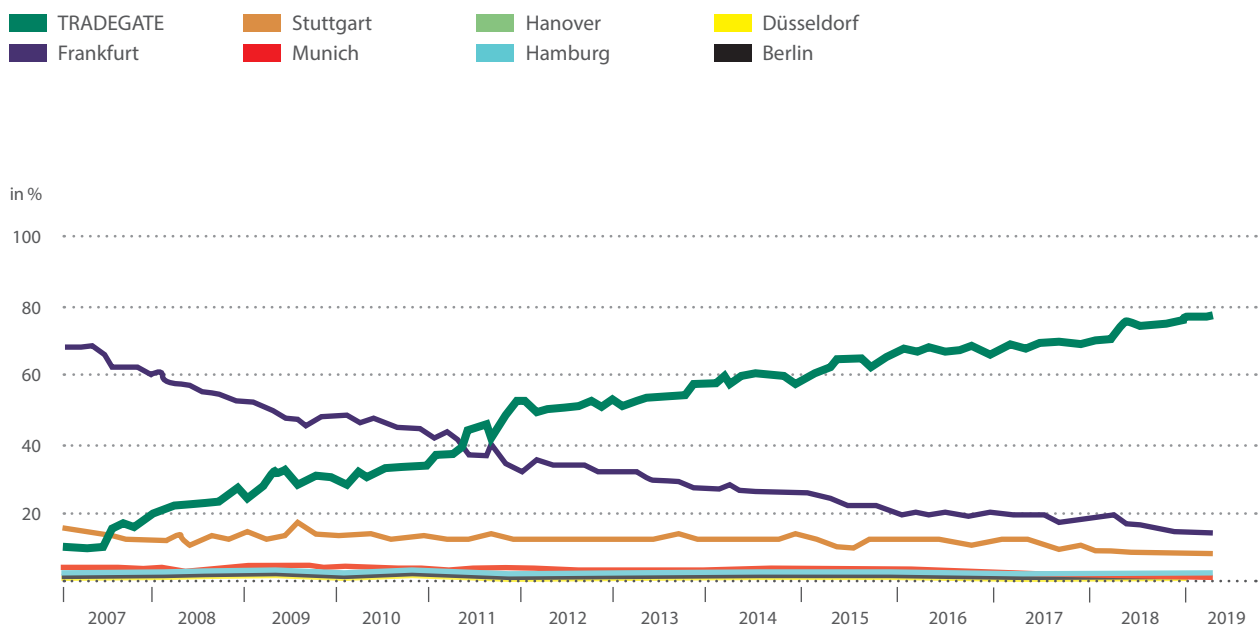
The total number of employees in our company has risen slightly. We have expanded our team once again, especially in the growing business area of Private Banking. Our personnel are very loyal and committed to the company, so there are not many persons leaving. The average job tenure is therefore over eleven years – a figure that fills us as a conscientious employer with pride.

Of course the changes in the whole of the financial industry do not only concern us but also apply to our business partners, in particular the new and agile forms of enterprise such as dynamic fintechs. Here, too, because of the deluge of regulatory provisions and shifting competitive positions as a result of strategic partnerships and mergers, the focus is being directed more and more towards the aspects of business operations that go well beyond securities trading. This makes it even more important for our company to remain stable and reliable and not let our attention be diverted from pressing issues. We are permanently upgrading our technical infrastructure in order to be prepared for an expansion of our business scope at any time. We do not resent making the necessary investments for this as it gives us a considerable competitive advantage over new, inexperienced rival companies. Nowadays no institute of any significance can afford experiments with untested, insecure platforms and business partners.

All in all the year 2018 was as difficult as it was successful, but rather than be satisfied with this we take it as an incentive to sustain our development. You can rest assured that we will use every option available to us to achieve a comparable result in 2019. We cannot, of course, influence the market environment on which we are dependent, but we hope for its favourable development and wish both you and ourselves much success.

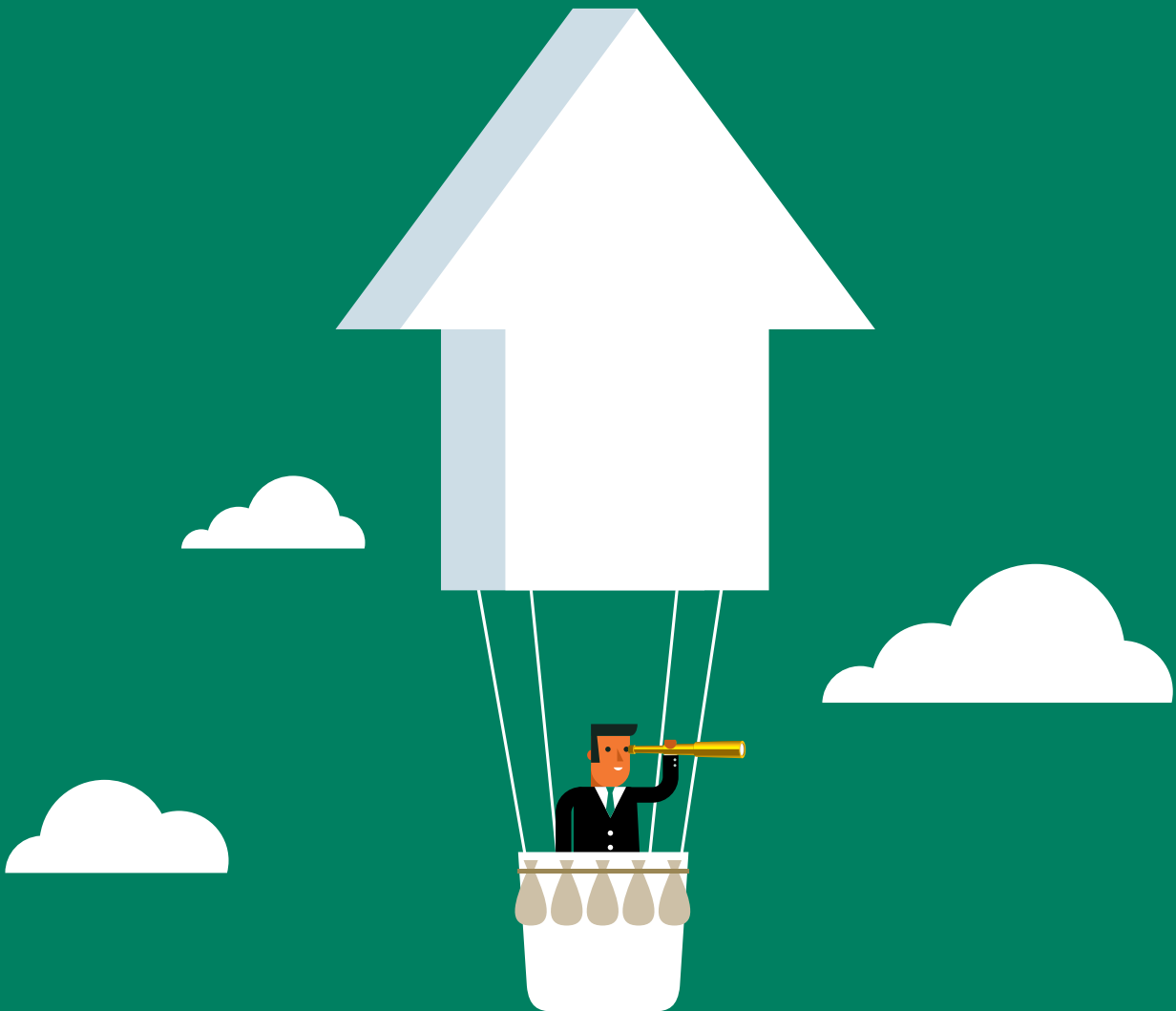
MARKET SHARE IN EQUITIES

German Regional Stock Exchanges and TRADEGATE EXCHANGE
2007 to March 2019





„Tradegate – market leader through innovation and quality.“



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BALANCE SHEET: ASSETS

Tradegate AG Wertpapierhandelsbank as at 31 December 2018

	in € 2018	in € 2018	in € 2017
1) Cash reserves			
a) cash balance	234,664.68		201,186.41
b) balance at Deutsche Bank	41,721,027.99	41,955,692.67	40,038,442.89
2) Receivables from banks			
a) due daily	100,969,028.55		97,997,325.12
b) other receivables	-	100,969,028.55	-
3) Receivables from customers		4,843,112.56	3,726,597.30
of which:			
from financial services institutions		-	3,811.04
4) Securities held for trading		9,264,318.39	9,923,309.70
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		1,303,107.00	1,414,943.00
7) Tangible fixed assets		1,301,990.00	1,278,601.00
8) Other current assets		763,802.40	690,951.34
9) Deferred expenses and accrued income		72,620.92	71,791.23
10) Deferred tax assets		101,438.97	81,615.86
Total assets		160,700,110.46	155,549,762.85

BALANCE SHEET: LIABILITIES AND EQUITY

Tradegate AG Wertpapierhandelsbank as at 31 December 2018

	in € 2018	in € 2018	in € 2018	in € 2017
1) Liabilities to banks				
a) due daily		3,005,547.01	3,005,547.01	6,417,301.73
2) Liabilities to customers				
a) other liabilities				
aa) due daily		46,762,835.39		40,575,383.79
ab) with agreed term or term of notice		23,544,491.78	70,307,327.17	27,811,256.52
of which:				
to financial services institutions			411.02	9,653.15
3) Securities held for trading			3,207,852.94	2,770,562.76
4) Other liabilities			2,630,023.10	3,252,742.49
5) Deferred income and accrued expenses			2,565.64	21,759.53
6) Provisions and accruals				
a) tax provisions		4,307,691.92		2,040,130.70
b) other provisions		4,686,979.98	8,994,671.90	5,180,217.97
7) Fund for general banking risks			25,181,810.85	21,706,632.84
of which: according to § 340e (4) HGB	25,181,810.85			21,706,632.84
8) Equity capital				
a) subscribed stock	24,402,768.00			24,402,768.00
own shares	- 23,896.00	24,378,872.00		- 15,005.00
b) capital reserves		4,447,789.41		4,197,042.09
c) revenue reserves				
ca) statutory reserves		1,516,343.22		1,516,343.22
cb) reserves for shares in a controlling company		477,030.40		154,907.92
cc) other reserves		-		-
d) net profit		16,550,276.82	47,370,311.85	15,517,718.29
Total liabilities and equity			160,700,110.46	155,549,762.85
1. Contingent liabilities				
a) Liabilities resulting from guarantees and warranties			55,258.00	55,258.00

INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY 2018 TO 31 DECEMBER 2018

INCOME STATEMENT	in € 2018	in € 2018	in € 2018	in € 2017
Tradegate AG Wertpapierhandelsbank from 1 January to 31 December 2018				
1. Interest earnings				
a) credit and financial market business less	80,406.23			54,602.73
negative interest from money market transactions	- 494,842.78	- 414,436.55		- 416,798.28
2. Interest expenses		- 276,035.67	- 690,472.22	- 214,681.11
3. Current income from				
a) investments			99,999.20	99,999.20
4. Commission earnings		1,491,648.24		1,654,915.34
5. Commission expenses		- 318,372.20	1,173,276.04	- 316,043.05
6. Net earnings from securities held for trading			63,898,225.00	59,690,444.89
7. Other operating profits			3,882,200.21	2,405,569.08
8. General administrative expenses				
a) personnel expenses				
aa) wages and salaries	- 17,113,268.94			- 16,225,424.45
ab) social security payments and expenses for retirement provisions	- 1,559,370.20	- 18,672,639.14		- 1,544,055.35
of which: € 0.00 for retirement provisions (last year € 0.00)				
b) other administration expenses		- 17,431,470.58	- 36,104,109.72	- 15,317,447.74
9. Write-offs and value adjustments on intangible assets and tangible fixed assets			- 588,797.17	- 530,142.56



INCOME STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2018 TO 31 DECEMBER 2018

	in € 2018	in € 2018	in € 2018	in € 2017
10. Other operating expenses			- 2,070,956.45	- 674,327.90
11. Income from advances on certain securities as well as allocations to accruals in lending business			15,436.80	24,390.07
12. Result from ordinary business activities			29,614,801.69	28,691,000.87
13. Allocation to fund for general banking risks			- 3,475,178.01	- 4,294,848.85
14. Taxes on income and profit of which: € 19,823.11 deferred tax expenses (last year € - 49,349.74)			- 8,948,211.16	- 8,807,254.26
15. Other taxes not shown under 10			-	- 10,927.46
16. Net income for the year			17,191,412.52	15,577,970.30
17. Profit brought forward			292,853.94	189,214.97
18. Withdrawals from the revenue reserves a) from other revenue reserves			-	40,188.25
19. Allocations to the revenue reserves a) to reserves for shares in a controlling company			- 322,122.48	- 107,952.82
20. Offset against the difference from acquisition of own shares			- 611,867.16	- 181,702.41
21. Net profit			16,550,276.82	15,517,718.29

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 2018 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 excee-

ding 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 2010 the assets from the tangible assets were written off in full in the year of acquisition and booked out provided that on a value basis the acquisition or production costs did not exceed € 800, the assets were used independently and subject to wear and tear (low-value assets).

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 (current version) 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 evaluated these securities at their closing price in € on a German stock exchange as at 31 December 2018.

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 € 2018	in € 2017
Receivables from customers		
a) indefinite term	4,843,112.56	3,726,597.30
	4,843,112.56	3,726,597.30
Liabilities to customers		
a) due daily	46,762,835.39	40,575,383.79
with agreed term or term of notice		
a) up to three months	23,478,598.66	27,388,552.49
b) more than three months and up to one year	65,893.12	422,704.03
	70,307,327.17	68,386,640.31

Receivables from and liabilities to affiliated companies

Classification according to balance sheet item

	in '000€ 2018	in '000€ 2017
Receivables:		
other current assets	28	43
Total	28	43
Liabilities:		
liabilities to customers	11,876	12,296
other liabilities	1,043	410
Total	12,919	12,706

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€ 2018	in '000€ 2017
Assets	5,811	8,253
Debts	8,396	11,169

Securities marketable on the stock exchange

	in '000€ 2018	in '000€ 2017
Listed on a stock exchange		
Securities held for trading	8,744	9,613

With the exception of shares to the book value of € 520,000 (last year € 284,000), 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. A deduction for risk on the securities held for trading shown under assets was made to the amount of € 323,000 (last year € 176,000).

Development of capital assets

	Acquisition Costs				As at 31.12.2018
	As at 31.12.2017	Additions in the business year	Disposals in the business year	Transfers	
in €					
Financial assets					
Investments	124,999.00	-	-	-	124,999.00
Total financial assets	124,999.00	-	-	-	124,999.00
Intangible assets					
Software	2,678,007.04	195,975.95	1,009.20	-	2,872,973.79
Other intangible assets	1,500,000.00	-	-	-	1,500,000.00
Total intangible assets	4,178,007.04	195,975.95	1,009.20	-	4,372,973.79
Tangible fixed assets					
Business and office equipment	5,170,123.87	306,077.36	72,917.45	47,243.00	5,450,526.78
Prepayment on assets and assets under development	47,243.00	-	-	-47,243.00	-
Total tangible fixed assets	5,217,366.87	306,077.36	72,917.45	-	5,450,526.78
Total assets	9,520,372.91	502,053.31	73,926.65	-	9,948,499.57

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€ 2018	in '000€ 2017
Receivables on deliveries and services	629	559
Invoiced deliveries and services	116	112
Social security	1	-
Other	18	20
Total	764	691

Deferred tax assets

It was necessary to establish deferred tax assets because leasehold improvements, intangible assets and provisions for restoration costs 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 claims exist.

The fund for general banking risks is considered as equity investment. Therefore, no deferred tax assets were calculated for this position.

Liabilities to banks

This balance sheet item contains primarily the liabilities arising from an account used for the settlement of securities transactions in USD (€ 889,000, last year € 3,173,000), liabilities within the private banking business of € 679,000 (last year € 828,000) and amounts payable for the use of settlement services of various banks for € 290,000 (last year € 2,308,000).

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 € 39,000 (last year € 69,000).

Write-offs					
As at 31.12.2017	Additions in the business year	Disposals in the business year	As at 31.12.2018	Residual book value 31.12.2018	Residual book value at previous year
-	-	-	-	124,999.00	124,999.00
-	-	-	-	124,999.00	124,999.00
2,463,064.04	157,811.95	1,009.20	2,619,866.79	253,107.00	214,943.00
300,000.00	150,000.00	-	450,000.00	1,050,000.00	1,200,000.00
2,763,064.04	307,811.95	1,009.20	3,069,866.79	1,303,107.00	1,414,943.00
3,938,765.87	280,985.22	71,214.31	4,148,536.78	1,301,990.00	1,231,358.00
-	-	-	-	-	47,243.00
3,938,765.87	280,985.22	71,214.31	4,148,536.78	1,301,990.00	1,278,601.00
6,701,829.91	588,797.17	72,223.51	7,218,403.57	2,730,096.00	2,818,543.00

Other liabilities

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

	in '000€ 2018	in '000€ 2017
Liabilities from deliveries and services	944	2,189
Other liabilities to affiliated companies	806	0
Tax on wages, church tax	595	412
Sales tax payable to parent company	238	410
Other	47	242
Total	2,630	3,253

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€ 31.12.2018	in '000€ 31.12.2017
Personnel costs	2,903	4,210
Securities settlement services	1,025	344
Audit expenses of supervisory authorities	150	0
Cost of annual financial statements	141	180
Rebuilding costs	132	128
Pending losses	111	126
Advisory and auditing services	67	17
Contributions to associations	29	46
Additional rental expenses, electricity	21	13
Cost allocation for banking supervision	21	24
Other expenses	87	92
Total	4,687	5,180

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 used 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 2018 an amount of € 3,475,178.01 (last year € 4,294,848.85) was allocated to the fund.

Capital stock / subscribed stock

On 31 December 2018 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, Berlin, which is also the highest-level parent company in the group.

At the reporting date the Tradegate AG Wertpapierhandelsbank holds 23,896 own shares (last year 15,005) with an accounting value of € 23,896 (last year € 15,005).

Capital reserves

The proceeds from the sale of own shares exceeded the acquisition costs by € 250,747.32 (last year € 405,886.37) and this amount was added to the capital reserves. At the reporting date the capital reserves totalled € 4,447,789.41 (last year € 4,197,042.09).

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. 27,104 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 € 477,030.40 (last year € 154,907.92).

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.

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 2018 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 2018 199,753 shares of Tradegate AG Wertpapierhandelsbank were acquired for the sum of € 6,038,905.68. 190,862 shares were sold for the sum of € 5,559,661.68. From last year's trading in own shares an amount of € 611,867.16 was offset against the net profit (last year € 141,514.16).

Approved capital

On the basis of the resolution of the shareholders' meeting on 14 June 2018, the managing board, with the consent of the supervisory board, was authorised to increase the capital stock of the company until 13 June 2023, once or more than once, by issuing individual stocks against cash or non-cash contribution up to the amount of € 12,201,384 thereby setting an alternative date for the beginning of profit sharing from that set down by law. This authorisation was not used during the business year.

Net profit

A sum of € 292,853.94 (last year € 189,214.97) profit brought forward is reported in the net profit.

An amount of € 101,438.97 from the deferred taxes 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 € 495,000 (last year € 417,000) 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 € 1,173,000, last year € 1,339,000) 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. Last year further amounts were added to the item commission expenses (€ 4,021,000) which had previously been reported under general administrative expenses. 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€ 2018	in '000€ 2017
Net result from securities trading	86,841	79,154
Net difference from name-to-follow transactions	60	130
Other net results	- 348	- 176
Earnings from securities held for trading	465	355
Commission expenses from securities trading	- 23,120	- 19,773
Total	63,898	59,690

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€ 2018	in '000€ 2017
Other foreign exchange gains	2,096	783
Cost allocation other companies	839	712
Proceeds from transfer of rights	529	464
Release of provisions	182	242
Cost allocation affiliated companies	149	136
Refund of contributions	55	0
Damages	5	43
Other	27	26
Total	3,882	2,406

€ 82,000 of the other operating profits belong to other accounting periods (last year € 28,000).

Expenses in other accounting periods

The position other administration expenses contains € 22,000 from other accounting periods (last year € 11,000).

Other operating expenses

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

	in '000€ 2018	in '000€ 2017
Other foreign exchange gains	2,007	663
Other	64	11
Total	2,071	674

€ 49,000 of the other operating expenses belong to other accounting periods (last year € 0.00).

Taxes

The income and profit taxes concern taxes for previous years which result from normal business activities, plus tax prepayments and tax provisions for 2018. Allocations and reversals 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 2018. For other reporting periods a tax refund of € 27,000 (last year € 23,000 back taxes) was 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	26,612	26,612	391	391
Interest risks	2,003	2,003	46	46
Total	28,615	28,615	437	437

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	34,819	34,819	398	398
Interest risks	2,018	2,018	2	8
Total	36,837	36,837	400	406

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	3,977	3,977	0	0
Total	3,977	3,977	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	3,931	3,931	0	0
Total	3,931	3,931	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 2018 and the business year 2018 unless otherwise stated.

	in %	in €
Tradegate Exchange GmbH, Berlin		
Nominal capital		500,000.00
Shareholding	25.0	124,999.00
Equity capital		2,108,727.30
Profit for the year		723,436.49

Other financial obligations

Obligations of € 2,384,000 (last year € 4,086,000) 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 2018.

The Tradegate AG Wertpapierhandelsbank has guaranteed credits with the Quirin Privatbank AG and the Delbrück Bethmann Maffei AG. The total amount stands at € 696,000 (last year € 896,000). 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	52.3	58.3	57.8
Other employees	19.5	35.8	55.3	54.5
Maternity	-	-	-	-
Parental leave	-	-	-	-
Trainees	-	-	-	-
Student trainees	-	0.8	0.8	-
Total	26.5	92.8	119.3	117.3
of which part-time employees (headcount)	12.0	5.8	17.8	21.0
of which part-time employees (in terms of full-time positions)	9.1	3.2	12.3	14.5
As at 31 December 2018				
Board members	1	4	5	5
Traders	6	51	57	58
Other employees	20	35	55	53
Maternity	-	-	-	-
Parental leave	-	-	-	1
Trainees	-	-	-	-
Student trainees	-	3	3	-
Total	27	93	120	117
of which part-time employees (headcount)	12	8	20	18
of which part-time employees (in terms of full-time positions)	9.0	4.3	13.3	12.4

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 2018.

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

Dr. Sven Deglow, Hamburg (as of 22.01.2019) · Co-CEO, BNP Paribas S.A. Niederlassung Deutschland
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 (until 28.09.2018) · Senior Project Manager/General Manager, Deutsche Börse AG
Peter E. Schmidt-Eych, Berlin · Lawyer
Pamela Schmidt-Fischbach, Nürnberg (until 01.11.2018) · Director of Legal & CSR, Consorsbank Head of Branch Office and Member of the Board, BNP Paribas S.A., German Branch
Guido Wünschmann, Berlin (as of 22.01.2019) · Head of Representative Office Berlin, Deutsche Börse AG

Remuneration of board members

The members of the managing board received remuneration of € 3,938,000 from Tradegate AG Wertpapierhandelsbank of which € 400 was for benefits from group accident insurance. The supervisory board received remuneration of € 50,000 including value-added tax.

Company loans

The members of the managing board have taken out loans to the amount of € 566,000.

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

For the last business year Tradegate AG Wertpapierhandelsbank made the following payments to Dohm Schmidt Janka Revision und Treuhand AG Wirtschaftsprüfungsgesellschaft, Berlin, and recorded the following expenses:

	in '000€ Payments	in '000€ Expenses
For the annual audit	0	89
For other accounting and evaluation services	0	34
Total	0	123

No payments and expenses were recorded for Dohm Schmidt Janka Revision und Treuhand AG Wirtschaftsprüfungsgesellschaft in 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 2018 to pay a dividend of € 0.67 per share in circulation on the day of the shareholders' meeting. The part of the net profit not needed to pay the dividend shall be carried forward to new account.

Berlin, 13 March 2019

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 2018

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, at the end of December 2017 the company notified the BaFin 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), as an order book manager on the Berlin Stock Exchange and as market maker on the multilateral trading facility (MTF) EuroTLX (Italy). 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 acts as a systematic internaliser 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 approximately 7,000 categories of security, mainly in shares. Insofar as the company carries out its function as order book manager on the Berlin Stock Exchange it 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 and for this service it receives a performance-based fee. 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 amount of the trading result 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, risk control and regulatory reporting.

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. The continued success of TRADEGATE EXCHANGE is important for the company because over 98 % of all transactions and more than 97 % 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 high increase in 2017 of 25.96 % in the number of equity trades completed on the TRADEGATE EXCHANGE the company was once again able to report an unexpected growth spurt of 13.67 % in 2018 with 16,370,936 single transactions. All other relevant competitors reported significantly less growth, on average 4 %, and several competitors even suffered a decline of up to 17 %, so TRADEGATE EXCHANGE'S market share in equity trading increased further to 77 % compared with the other seven German regional stock exchanges. With regard to the market segment equity trading, TRADEGATE EXCHANGE has thus 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 customers were connected to the TRADEGATE EXCHANGE in 2018. However, the potential sales volume of existing customers was further optimised and the company has already negotiated contracts with new customers who will begin trading on TRADEGATE EXCHANGE in the course of 2019.



Besides its activity as a specialist on the TRADEGATE EXCHANGE the company will continue in its role as order book manager on the Berlin Stock Exchange, Market Specialist on the Frankfurt Stock Exchange, market maker on the Euro TLX and Designated Sponsor on Xetra. All things considered, the company's activities on these exchanges/platforms complement one another very well as they have different strengths and weaknesses and are tailored to different customer needs.

A significant competitive factor for all exchanges is off-exchange trading, private investors included. 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 has now acted upon the express wish of its customers and also offers its services as a Systematic Internaliser to those 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. 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 activities as a Specialist, order book manager, Designated Sponsor or market maker on other markets 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 2018. The number of shareholders in Germany remains very low. Nevertheless, the amount of trading in equities by private investors remained stable last year compared with the previous year, although especially towards the year end it was clear that investors were unsettled and restrained in the face of the uncertain outcome of the so-called BREXIT negotiations and the threat of a trade war between the USA and China.

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, the average gross margin per trade for 2018 did not fall significantly. This was most likely due to the very volatile share markets in certain months 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, but 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 2018 the company's business development was as follows: in the first 10 months an increase in turnover was recorded in every month compared with the previous year. This was most significant in January (+60 %) and February (+50 %). In November (-26 %) and December (-16 %), however, turnover declined, whereby the drop in December was not only due to the growing reservation of private investors but also to the smaller number of trading days over the Christmas holidays. In consequence of the very high turnover in January and February the first quarter contributed 31.4 % to the year's results while the following quarters all achieved much the same turnover (Q2: 21.7 %, Q3: 22.3 %, Q4: 24.5 % of the total year). Both the gross trading margins and the net trading margins tended to fall owing to increased competition over the course of the year; however this effect was almost completely compensated for by a significant upturn in trading in volatile small caps in some months. A reduction of the variable costs per trade was not possible in 2018. In fact a slight increase was also recorded here due to competition. Overall, despite the difficult circumstances the company was able to increase the result of normal business activities by 3.2 % to € 29.61 million (last year: € 28.69 million).

Following a slight increase of 5.98 % in the number of contract notes in 2017 resulting from the activity as Market Specialist and order book manager on the Frankfurt and Berlin stock exchanges, 2018 saw a significant decline of 26.4 % to only 208,360 transactions.

In contrast, the number of transactions on the TRADEGATE EXCHANGE could be increased in 2018 for the seventeenth year running. After a very marked increase of 25.96 % in transactions in 2017 there was yet another unexpected growth of 13.67 % to 16,370,936 transactions in 2018. The average trading volume per individual trade also rose in 2018 from € 6,556.47 to € 6,851.07. Overall, in its role as specialist on the TRADEGATE EXCHANGE the company's trading volume in shares and ETPs rose by 18.8 % from ca. € 94.42 billion in 2017 to € 112 billion in 2018.

In its aim to cut costs and increase profitability the company has delisted all dormant or illiquid securities that it looks after in its role as Market Specialist or order book manager on the stock exchanges TRADEGATE EXCHANGE, Frankfurt and Berlin. In total, more securities were newly included in trading than were delisted. The balance as at 31.12.2018 is as follows: the number of securities looked after on the TRADEGATE EXCHANGE came to 6,451 (323 more than last year), on the Frankfurt Stock Exchange 659 (25 fewer than last year) and on the Berlin Stock Exchange 3,259 (193 fewer than last year).

Following the transfer of Effektenbank-customers from the Quirin Privatbank AG to Tradegate AG the business area Private Banking, which operates under the name "Berliner Effektenbank", was reviewed in the light of a large number of new legal requirements in the context of MiFID and strategically repositioned at the end of the year. To this purpose a new, long-term contract was made with a partner for banking services, Avaloq Sourcing (Europe) AG, and the private banking team was strengthened by the appointment of additional employees. As at 31.12.2018 the Berliner Effektenbank had ca. 365 customers who held deposits of around € 74 million and securities investments of ca. € 660 million.



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 either in 2017 or 2018, so the company has no new information regarding the case.

The number of employees in the company increased slightly, with thirteen new-comers and ten leavers. At the end of the year there were 120 people employed at the Tradegate AG Wertpapierhandelsbank. The age structure changed p.r.t. only slightly. The average age was 42 (last year 41.8). The average job tenure has hardly changed at 11.13 years (last year 10.83 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. Of the total remuneration of € 17,113,000, € 9,822,000 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 better than expected.

2.2 Business outlook

2.2.1 Results of operations

For the year 2018 Tradegate AG Wertpapierhandelsbank reported a financial result of € 17,191,000 (2017: € 15,578,000). 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 negative interest income is mainly in consequence of liquid investments of account deposits, which are subject to negative interest rates. The share of earnings from private and business banking is also apparent in the commission income.

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

	in '000€ 2016	in '000€ 2017	in '000€ 2018
Interest income	- 222	- 477	- 590
Commission income	963	1,339	1,173
Net earnings from securities held for trading	50,915	59,690	63,898
General administrative expenses	- 30,392	- 33,087	- 36,104
Result from ordinary business activities	21,874	28,691	29,615
Allocation to fund for general banking risks	- 2,648	- 4,295	- 3,475
Taxes on income and profit	- 6,532	- 8,807	- 8,948
Net income / loss for the year	12,644	15,578	17,191

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 earnings have fallen because the commission income has dropped while commission expenses have hardly changed. 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 € 19,773,000 to € 23,119,000. This was due to the continuing rise in turnover and the corresponding increase in commission expenses. As the business year's results have improved once again, an increase of 7.1 % was reported in the net earnings from securities held for trading despite the higher commission expenses.

As a result of the very good results the company was able to reward employees with a share in profits. These special payments and bonuses are the main reason for the € 903,000 increase in personnel expenses. In total, other administrative expenses rose by € 2,114,000 due to expenses that depend on the business figures.

The company pays into the fund for general banking risks according to § 340e (4) Handelsgesetzbuch (German Commercial Code). In 2018 the development of the securities trading business was very positive, so € 3,475,000 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, write-offs and the sum of interest income, commission income and net earnings from securities held for trading,
- 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.

	2016	2017	2018
Turnover equivalent	53,486,000 €	63,488,000 €	68,958,000 €
CIR	59.8 %	55.5 %	56.9 %
RoE	38.95 %	48.60 %	44.37 %
EpS	0.627 €	0.814 €	0.847 €

The increase in the volume of equities traded has led to a further increase, especially in the net result from securities held for trading. To a lesser 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. Hence the cost income ratio improved slightly to 56.9 %.

The results of operations have developed 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 2018 net result from securities held for trading, € 3,475,000 was paid into the fund. The fund now contains € 25,182,000.

In 2018 the company bought more of its own shares than it sold during its trading activities. The equity capital decreased by € 228,000 as a result of trading in own shares. There was only a minor change in the equity ratio compared with last year from 29.4 % to 29.5 %. 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 € 502,000 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, used for the lending business or held as liquid assets. 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 € 5,150,000 compared with last year. On the assets side of the balance sheet the main increase was to be seen in the credit balances at banks and the German Federal Bank. This was due to the liquid investments of the growing annual profit.

On the passive side of the balance sheet the liabilities to customers increased by € 1,921,000. The reason is the moderate expansion of private and business banking activities. Provisions currently amount to € 8,995,000 compared with € 7,220,000 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 which came to more than the amount of dividends paid out.

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 2018 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 1 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. 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 24.88 % and 32.52 %. 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 2018 the risk positions and capital resources were follows:

	in '000€ Amount
Risk positions	
Counterparty default risks	28,225
Market price risks	25,084
Operational risks	100,696
Risk of a credit valuation adjustment	41
Total	154,046

	in '000€ Amount
Description	
Paid-in capital	24,403
Capital reserves	4,448
Own shares	- 665
Retained earnings	1,497
Special item for general banking risks	21,707
Value adjustments	- 15
Intangible assets	- 1,283
Core capital	50,092

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 2018 the risk positions and capital resources were as follows:

	in '000€ Amount
Capital requirements for	
Counterparty default risks	37,492
Market price risks	25,300
Operational risks	100,670
Risk of a credit valuation adjustment	41
Total	163,503

	in '000€ Amount
Description	
Paid-in capital	13,706
Capital reserves	31,935
Own shares	- 1,579
Retained earnings	- 7,588
Special item for general banking risks	12,141
Minority interests	3,055
Transitional provision for minority interests	0
Goodwill	- 448
Intangible assets	- 1,310
Other adjustments	- 2,743
Common equity tier 1	47,169
Additional tier 1 capital	1,018
Core capital	48,187
Tier 2 capital	1,358
Own funds	49,545

The report for the financial holding group Berliner Effektengesellschaft AG is made according to the CRR. Between January and December 2018 the total key reference figures of the Solvency Regulation at group level lay between 26.09 % and 30.30 %.

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 2018 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. Furthermore, any possible losses are estimated at the end of the day with the help of a statistical model. In 2018 the low-utilised limit was very rarely exceeded 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 2018 no adjustment was made to the controlling limit for the security holdings of trading.

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 reference prices for 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 and Canadian dollars are to be noted in particular. The limit was exceeded on occasion due to partially 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 stock exchange systems and the market participants are subject to supervision by the stock exchanges and the Federal Financial Supervisory Authority.

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. Financial institutions have to fulfil a liquidity coverage ratio (LCRDR) and provide for a stable funding ratio. Within the requirements of the liquidity coverage ratio banks are required to hold liquid assets at least to an amount which covers the total value of liquidity outflow defined in the liquidity coverage ratio, less the inflow of liquidity under stress conditions also defined therein. The ratio of liquid assets to the net liquidity outflow was between 2.52 and 5.41 throughout the whole business year. The corresponding figure for the Group moved between 3.11 and 8.85. 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

In last year's management report the following main statements were made for the business year 2018:

- 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.
- 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 2018.
- 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. However, the year's results in 2018 were affected to a large extent by the record turnovers in the months of January and February, whereas at the end of the year a decline in the growth of turnover and profit was already evident. The expected reduction in the gross margin per trade did materialise but in relation to the whole year turned out to be moderate because in some months very good margins could be achieved due to the volatile markets. 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, which for the most part was due to the rise in turnover. Other costs developed as expected.

The company expects 2019 to be a solid business year in securities trading with private investors. However, in January and February 2018 record turnovers were reported on TRADEGATE EXCHANGE, whereas in the current business year private investors are notably reserved due to uncertainties such as the BREXIT and the possible trade war between the USA and China. There was, therefore, a drop in turnover of ca. 34 % in January and around 20 % in February compared with last year. This decrease in turnover will most certainly be difficult to recover during the rest of the year and might only be possible through business with new customers, so the company expects a downturn in turnover for the year as a whole.

The pressure of competition is likely to remain high in 2019, even though there are growing signs that the necessary market shakeout has at last begun. The company wants to defend and expand its market position as the leading exchange for private investors and will probably have to accept increasing variable costs per trade and a further decrease in the gross and net margin. Therefore, a slight drop in the year's results is to be expected compared with the record year 2018.

Following the transfer of Effektenbank-customers from the Quirin Privatbank AG to Tradegate AG the business area Private Banking, which operates under the name "Berliner Effektenbank", was reviewed in the light of a large number of new legal requirements in the context of MiFID and strategically repositioned at the end of the year. To this purpose a new, long-term contract was made with a partner for banking services, Avaloq Sourcing (Europe) AG, and the private banking team was strengthened by the appointment of additional employees. The business area Private Banking is expected to improve its earnings in 2019 but will not be able to contribute significantly to the total company result as long as customer deposits are charged with negative interest rates.

With respect to costs, the company once again expects a moderate increase in the general administrative expenses (excluding profit-related special payments) as a number of business areas will have to be strengthened with additional manpower. Follow-up costs as a result of regulatory and legal requirements are also to be expected in 2019 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.

As it is still unclear what form the so-called BREXIT is going to take, at the moment the company sees no immediate negative or positive effects for the development of its business.

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 2018. The closing statement of this report reads:

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

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

Berlin, 13 March 2019

Tradegate AG Wertpapierhandelsbank

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



*„Whatever surprises the stock market might have in store for us
in the year to come – we are well prepared!“*



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

LADIES AND GENTLEMEN,

In 2018 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 2018 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 impact of the European financial market directive MiFID II on the business development as well as the company's competitive position, and the progress of the expansion in Private Banking. The remuneration structure was also examined.

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 regularly 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 7 December 2018 the supervisory board discussed the yearly compliance report. There were no objections.

The auditors of Dohm Schmidt Janka Revision und Treuhand AG, Wirtschaftsprüfungsgesellschaft, Berlin, carried out the audit for 2018 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 13 March 2019:

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 2018

The annual financial statements compiled by the managing board for the business year 2018, including the accounting and management reports, were examined by the auditors Dohm Schmidt Janka Revision und Treuhand AG, Wirtschaftsprüfungsgesellschaft, Berlin, and certified without reservation.

The supervisory board members received a copy of the report and discussed it at length with the responsible auditors in the meeting on 20 March 2019. 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 € 16,550,276.82 reported at 31 December 2018 to pay a dividend of € 0.67 for each share in circulation. The remaining amount from the net profit shall be carried forward to new account.

Personnel

Mrs. Pamela Schmidt-Fischbach and Mr. Ulrich Strohmeier both resigned from the supervisory board at the end of September 2018. In a resolution dated 22 January 2019 the district court of Charlottenburg appointed Dr. Sven Deglow and Mr. Guido Wünschmann as members of the supervisory board in accordance with § 104 (2) of the Companies Act.

The supervisory board would like to thank the managing board and all employees for their great personal commitment and hard work during the year 2018.

Berlin, 20 March 2019

Professor Dr. Jörg Franke
Chairman of the Supervisory Board



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of the study. The study was approved by the local research ethics committee and all participants gave informed consent. The study was conducted in accordance with the Declaration of Helsinki.

Study design

The study was a cross-sectional study of 1000 randomly selected, non-institutionalized, adult residents of the city of Bogotá, Colombia. The sampling frame was the 1998 census of Bogotá, Colombia, which was stratified by sex and age group. The sampling was done using a probability proportional to size method.

Study population

The study population was composed of 1000 randomly selected, non-institutionalized, adult residents of the city of Bogotá, Colombia. The sampling frame was the 1998 census of Bogotá, Colombia, which was stratified by sex and age group.

Questionnaire

The questionnaire was administered by trained interviewers who were blinded to the study objectives. The questionnaire was administered in Spanish and included questions on demographic characteristics, lifestyle factors, and health status. The questionnaire was administered in Spanish and included questions on demographic characteristics, lifestyle factors, and health status. The questionnaire was administered in Spanish and included questions on demographic characteristics, lifestyle factors, and health status.

Measurements

Measurements were taken by trained interviewers who were blinded to the study objectives. The measurements included height, weight, blood pressure, and heart rate. The measurements were taken by trained interviewers who were blinded to the study objectives.

Statistical analysis

Statistical analysis was performed using STATA 11.0 (College Station, TX, USA). The statistical analysis was performed using STATA 11.0 (College Station, TX, USA). The statistical analysis was performed using STATA 11.0 (College Station, TX, USA).

Results

The study population was composed of 1000 randomly selected, non-institutionalized, adult residents of the city of Bogotá, Colombia. The sampling frame was the 1998 census of Bogotá, Colombia, which was stratified by sex and age group.

Conclusion

The study population was composed of 1000 randomly selected, non-institutionalized, adult residents of the city of Bogotá, Colombia. The sampling frame was the 1998 census of Bogotá, Colombia, which was stratified by sex and age group.

