TRADEGATE AG

WERTPAPIERHANDELSBANK

ANNUAL REPORT 2020

2001:
TRADEGATE starts as the first trading platform
for retail investors.
Turnover: 222 million €

2020:
TRADEGATE EXCHANGE is the biggest stock market
for retail investors in Europe.
Turnover: 324 billion €

TRADEGATE AG

WERTPAPIERHANDELSBANK

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

SHAREHOLDERS' STRUCTURE

as at 31 December 2020	in %	
	56.20	Berliner Effektengesellschaft AG
	19.62	BNP Paribas
	19.99	Deutsche Börse
	4.18	Free float

MANAGING AND SUPERVISORY BOARD

MANAGING BOARD	SUPERVISORY BOARD
Holger Timm Chairman	Prof. Dr. Jörg Franke Chairman
Thorsten Commichau	Dr. Sven Deglow
Jörg Hartmann	Frank-Uwe Fricke
Klaus-Gerd Kleversaat	Karsten Haesen Deputy Chairman
Kerstin Timm	Peter E. Schmidt-Eych
	Guido Wünschmann

COMPANY DATA

	AS AT 31 DECEMBER 2019	AS AT 31 DECEMBER 2020
Market capitalisation	575.9 million €	1.623 billion €
Number of shares	24,402,768	24,402,768
Accounting	HGB	HGB
Balance sheet total	169.2 million €	301.7 million €
Number of employees	130	133

KEY DATA

	AS AT 31 DECEMBER 2019	AS AT 31 DECEMBER 2020
Result per share	0.771 €	5.202 €
Dividend	0.67 €	1.80 €
Interest surplus/gross profit	- 0.94 %	- 0.8 %
Commission surplus/gross profit	2.34 %	1.0 %
Trading result/gross profit	98.60 %	99.80 %
Cost/income ratio	61.5 %	31.8 %
Equity ratio*	44.4 %	61.9 %

CALENDAR OF EVENTS

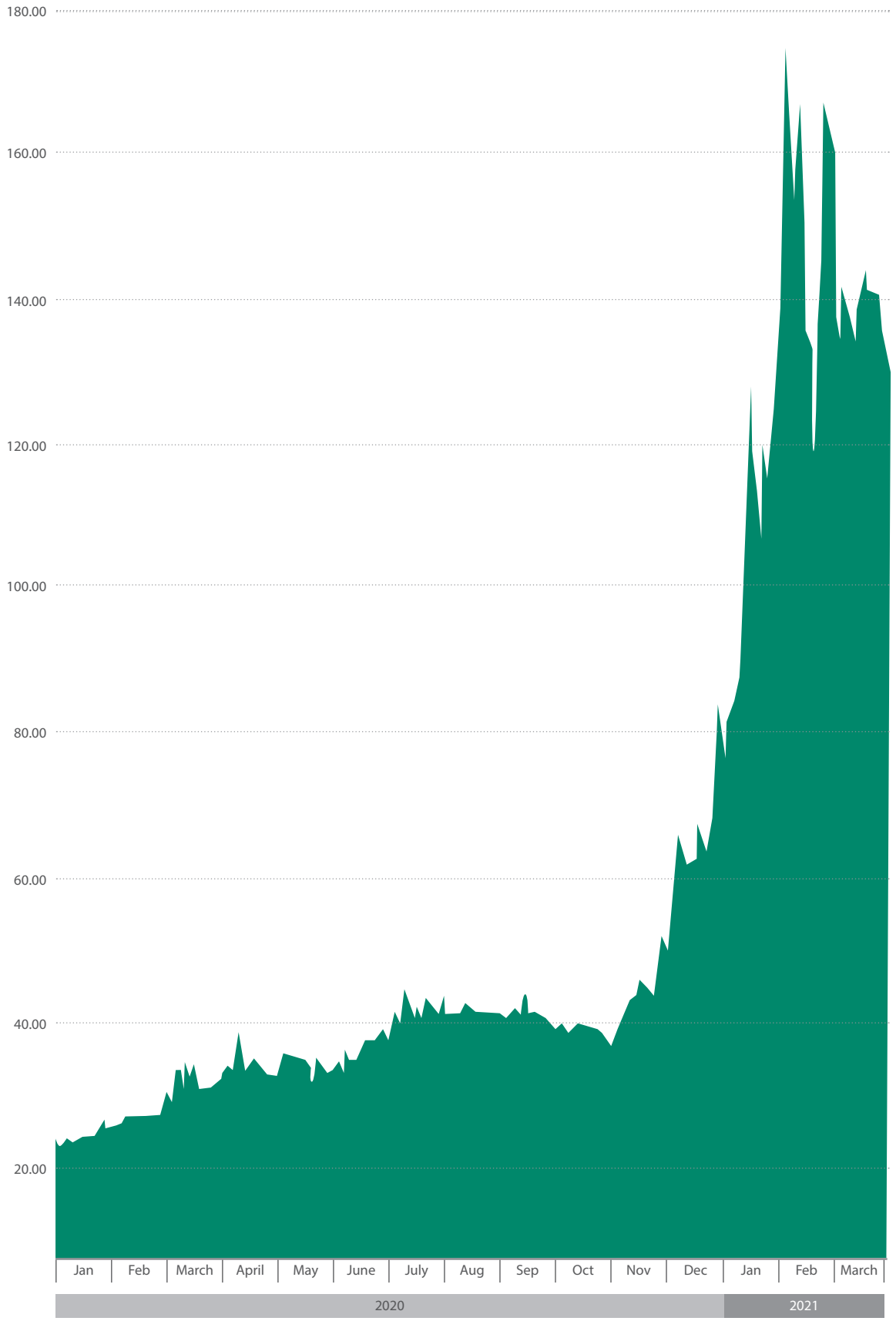
Annual General Meeting in Berlin	10 June 2021 · 10 am
Shareholders' Forum in Berlin	3 December 2021 · 5 pm

* incl. fund for general banking risks

DEVELOPMENT OF SHARE PRICE

Tradegate AG Wertpapierhandelsbank

January 2020 to March 2021

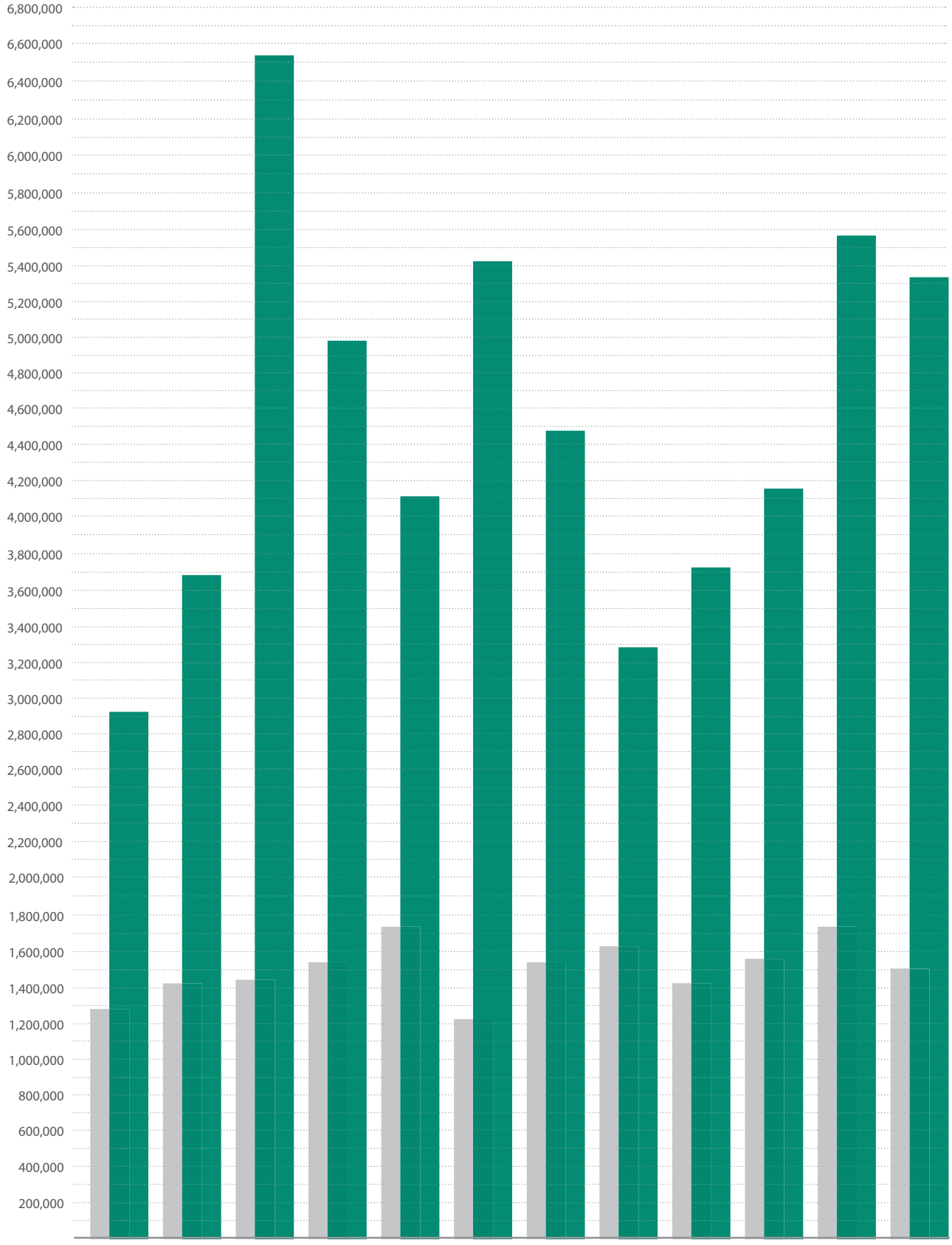


SECURITIES TRANSACTIONS (EQUITIES)

Tradegate AG Wertpapierhandelsbank

January to December comparison 2019/2020

Transactions per month on TRADEGATE EXCHANGE



	January	Februar	March	April	May	June	July	August	September	October	November	December
2019	1,296,895	1,426,127	1,455,697	1,537,562	1,735,828	1,212,260	1,542,967	1,627,638	1,413,877	1,579,025	1,740,039	1,500,304
2020	2,918,803	3,692,746	6,530,817	4,939,468	4,109,661	5,417,660	4,489,651	3,296,512	3,716,562	4,167,758	5,564,794	5,335,252

"As in the last 20 years, we want to remain a pioneer for the financial market in Germany, especially for the new generation of retail investors."

DEAR SHAREHOLDERS, BUSINESS PARTNERS AND FRIENDS OF SECURITIES TRADING,

As the contents of this annual report clearly demonstrate, the year of the twentieth anniversary of TRADEGATE, todays TRADEGATE EXCHANGE, has surpassed our most optimistic expectations. Twenty years of continuous growth, a 200 % increase in turnover and a 575 % increase in earnings in our jubilee year are impressive evidence of a consistent and appropriate company strategy, which focuses consistently on the needs of private investors in an ever-changing capital market environment. We would very much have liked to celebrate our success together with our shareholders at the Annual General Meeting in June or the Shareholders' Forum before Christmas, with our loyal customers and business partners at the traditional 'Eisbeinessen' and of course not least with our dedicated employees at a company party.

The COVID-19 pandemic has put a stop to all that. The numerous restrictions that have been in place for over a year make sure that nobody is in the mood to celebrate, even though we do not have to fear for our livelihood as many self-employed people and companies do. In the financial industry, various regulating authorities and legal provisions constantly require us to consider all manner of crisis scenarios and risks and to prepare for every contingency. In this respect, the political crisis management with its almost weekly changes – although understandable – has for a whole year not achieved its objectives, is predominantly impracticable and has failed miserably altogether. On top of that, in the last twelve months we have had the unimaginable Wirecard scandal and the recent bankruptcy of the Greensill Bank. Both incidents reflect badly on the financial centre of Germany and are liable in the long term to damage the newly won trust of private investors in an effectively regulated capital market.

Despite all the problems we were confronted with last year, we still prefer to look to the future with confidence. We have taken advantage of the successful business year, not just to increase the dividend for our shareholders but also to boost the equity capital of the company in order to adapt it early enough to a further increase in the volume of business. Alongside this, in 2021 the company intends to make very large new investments in IT infrastructure, more employees and additional office space and data centres. Our core business areas are constantly subject to paradigm shifts but as in the last twenty years we want to remain the innovative pioneer for the financial community of Germany, especially for the new generation of private investors.

We would like to thank in particular all our employees and the colleagues of our loyal business partners for the extraordinary achievement in very difficult working conditions during the pandemic, without whom such an outstanding anniversary year would not have been possible.

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

REPORT OF THE BOARD FOR THE YEAR 2020

The year 2020 was characterised by huge changes in the securities trading business. If since the collapse of the "New Market" at the end of the nineties the retail investors' share of transactions on the capital markets has lived a shadowy existence, it now holds our spellbound attention and rightly so. The reasons for this are of course the subject of speculation – but comprehensible at least are the three following factors:

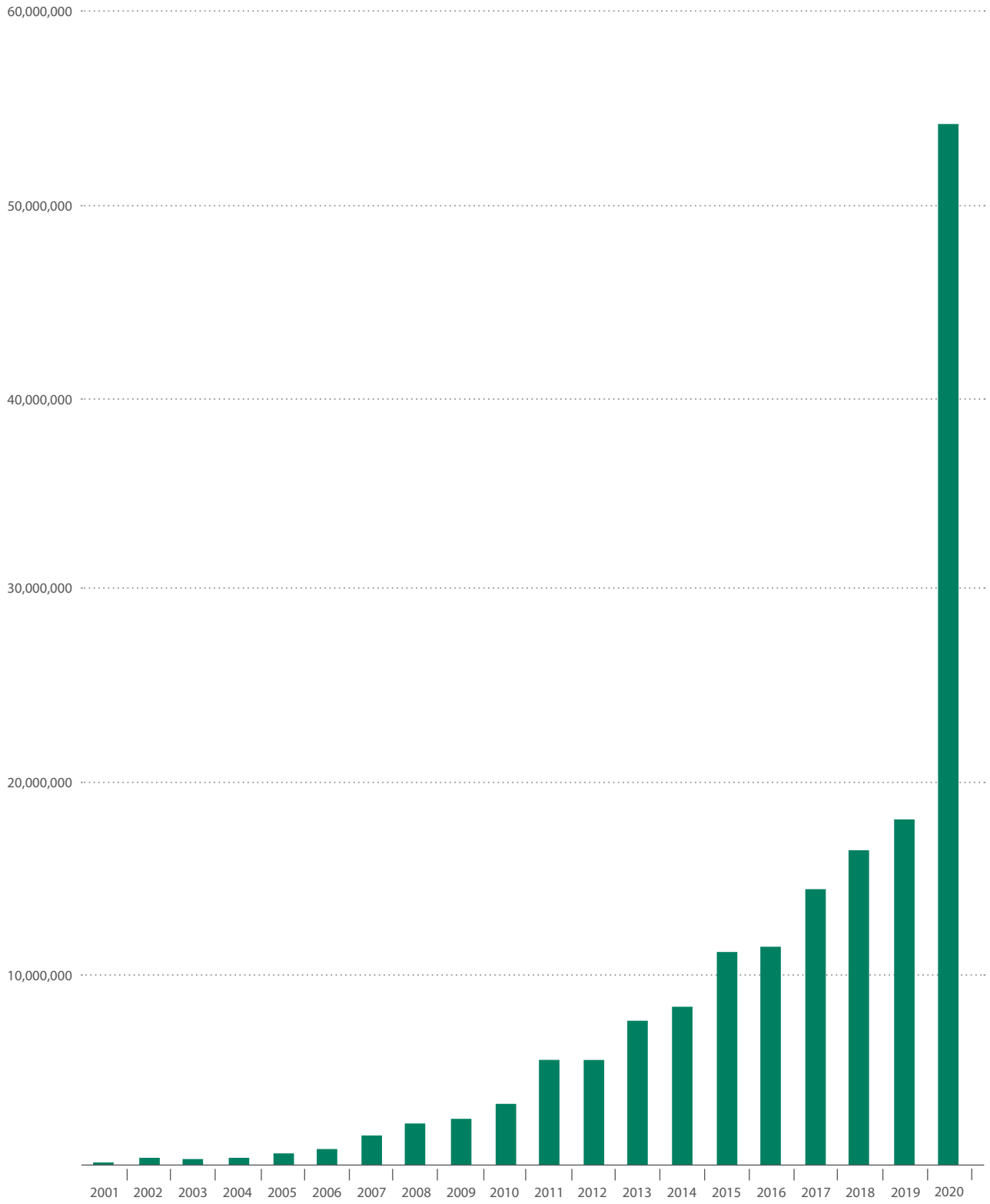
Firstly, the problem of lack of alternatives to investing in high quality securities is becoming more acute. It is already clear to young people that the state pension insurance model is very much out of date. Because of the ongoing low interest rate policy of leading central banks, traditional models for old age provisions are unattractive. Even worse, more and more banks are forced to pass on the negative interest that applies to them to their customers and in this regard the threshold for demand deposits is getting lower all the time. Together with inflation – even if it is relatively low – this leads to a real loss of financial assets. The assets intended as a nest egg for retirement – however big or small – are eaten away automatically, bit by bit, without any help from anybody.

Secondly, the COVID-19 pandemic also has an influence on the behaviour of retail investors. The economic consequences and changes in our work environment has meant that many of those directly and indirectly affected began to consider the possibility, or were confronted with the necessity, of getting to grips with the subject of reliable wealth building. Here there was a shake-up, one that led even the most loyal fans of savings books, federal savings bonds etc. to think about investing in securities.

And thirdly, the incoming trend under the slogan "the socialisation of stock markets" which is bringing young investors to the stock market has led to the long-awaited increase in the number of shareholders in Germany.

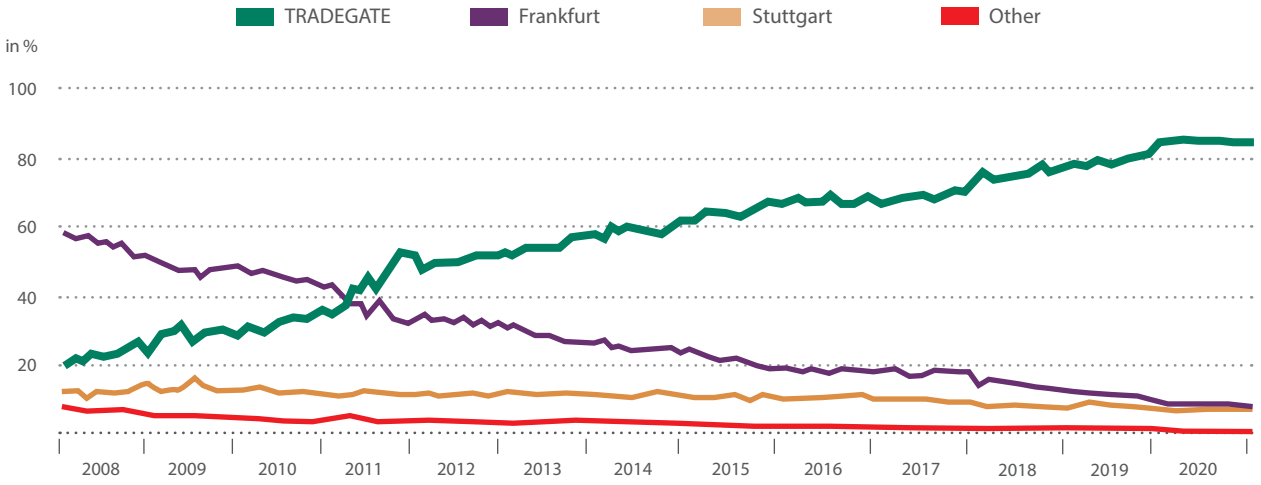
All this has helped the most important trading venue for our company, the Tradegate Exchange, to strengthen once again its position in the European retail business. For the nineteenth year running a new record in the number of executed orders could be recorded and with unexpected clarity:

SECURITIES TRANSACTIONS (EQUITIES AND ETPS) ON TRADEGATE EXCHANGE
Comparison 2001 - 2020



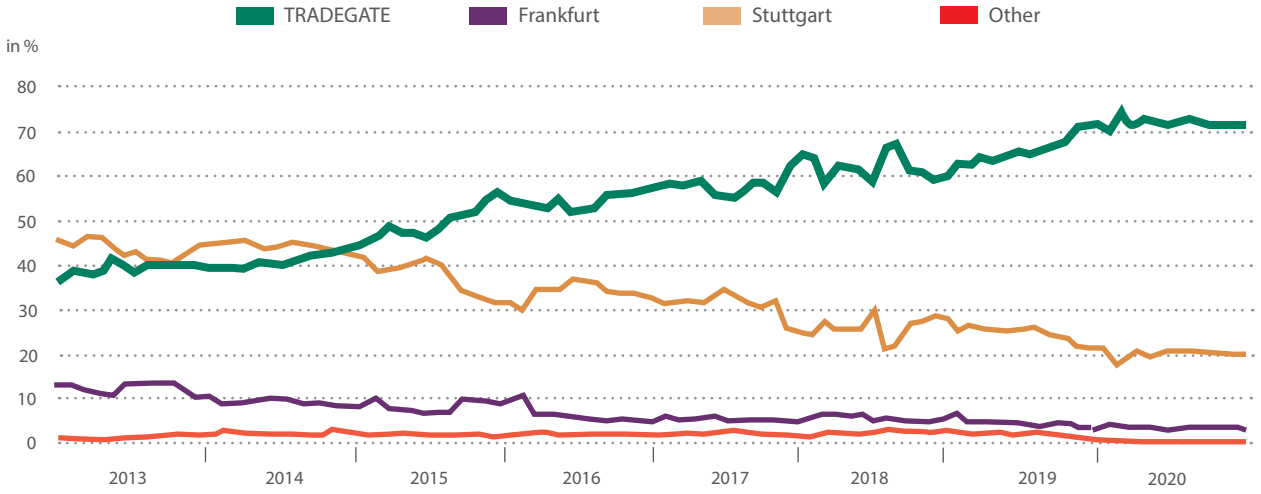
At the end of 2019 the market share of Tradegate Exchange came to 80.3 % and by the end of the business year 2020 it had reached 83.7 %.

MARKET SHARE IN EQUITIES
German Regional Stock Exchanges and TRADEGATE EXCHANGE · 2008 to 2020



Savings plans are currently very popular with retail investors because they offer the chance to participate in the development of the markets with relatively small amounts of money. This in turn has led to a constant growth in turnover in individual shares but especially in Exchange Traded Funds, as these often represent whole indices or branches.

MARKET SHARE IN EXCHANGE TRADED PRODUCTS
German Regional Stock Exchanges and TRADEGATE EXCHANGE · 2013 to 2020



The result of our ordinary business activities was extraordinary with an increase of more than 575 % to 182.19 million EUR. This evidently shows that our company's business model is not restrictive but highly scalable. An increase in turnover does not necessarily mean a corresponding increase in costs, so under the right conditions the growth in earnings can be way above the growth in turnover (even though the contribution to the fund for general banking risks definitely does rise proportionally – 2020: 21.6 million EUR against 2.9 million EUR in 2019). This is underlined by this year's net profit of 105 million EUR compared with 16.4 million EUR of last year.

We would like here to express our regret and sympathy to those who have suffered in the corona crisis. However, since many qualified – and even a greater number of unqualified – experts have already commented on the subject, we will abstain from voicing further opinions. From a purely objective point of view we can say that for all three reasons stated above, and of course without being able to predict any of them, our company was and is in an excellent position to deal with foreseen but especially with unforeseen circumstances.

Our loyal shareholders and business partners already know that Tradegate AG Wertpapierhandelsbank has clearly set its focus on the interests of retail investors and from the beginning all efforts have been aimed at becoming Europe's number one address for private investors. As already mentioned, the launch of our platform TRADEGATE® coincided with the crash of the "New Market" and over many years retail investors withdrew further and further from the financial markets. Over the years we were often laughed at because although our competitors on the outside still claimed to be exchanges for private investors, on the inside they were chasing the institutional trades with the "big names". However, we persevered and by 2020 at the latest, it was confirmed: retail investors are equal players on the stock markets and often – as with the outbreak of the COVID-19 pandemic – they provide early warning signs for institutional market participants.

We have been in a "retail boom" since 2020. The future will show whether this will last and for how long. Possibly interest rates will rise again. Maybe the volatility on the stock markets and the interest of retail investors will wane once the COVID-19 pandemic has abated worldwide. Perhaps the "young guns" who thanks to Robinhood and other so-called neo-brokers have developed an appetite for share trading will get their fingers burnt and flee the stock market. It could be that the current high trading volume generated by retail investors is the new daily routine. And quite conceivably this may be just the beginning of a new era in securities trading, in which it is not just the privilege of a small, highly specialised group of professional investors to obtain the information necessary to make a success of building wealth. Retail investors could take this into their own hands. In any case it is likely that what we claimed last year is true: "The story has just begun".

Our company is well prepared and equipped for the most diverse scenarios. Our risk-averse approach together with excellent fiscal key figures and a strong equity capital allows us to survive all manner of situations, from droughts to monsoon rains.

The report of the management board was written last year in the awareness that the start to the year 2020 would be an exceptional situation due to the corona pandemic. It ended with the words:
"We remain confident that despite rising costs in administration, regulation and supervision we will be able to outperform the 2019 operating results in the new business year."

Thanks to our loyal employees, customers and business partners who have remained faithful to us for many years and to those who are new to us, we think we can say in all modesty that we have achieved this admirably. The year 2021 also started with new record figures. The month of January, with 8.2 million trades in shares and Exchange Traded Products, was the best month in the company's history. The trades for February also exceeded those for February last year; only in March there was a slight drop but in view of the outstanding turnover at the beginning of the COVID-19 pandemic in March 2020, a more drastic decrease could have been expected. After all, the trading volume in that month beat the total for the whole year of 2019. In this respect, we remain cautiously optimistic and hope again for a successful business year 2021.

A new generation of retail investors is now discovering
the stock market.
Welcome to TRADEGATE EXHANGE!

BALANCE SHEET: ASSETS Tradegate AG Wertpapierhandelsbank as at 31. December 2020	in € 2020	in € 2020	in € 2019
1) Cash reserves			
a) cash balance	217,627.42		166,287.52
b) balance at Deutsche Bundesbank	50,358,815.83	50,576,443.25	42,609,813.44
2) Receivables from banks			
a) due on demand	232,049,630.39		109,526,001.17
b) other receivables	-	232,049,630.39	-
3) Receivables from customers		2,244,167.95	4,795,820.72
4) Trading portfolio		10,284,644.47	8,026,121.23
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		1,191,210.00	1,040,145.90
7) Tangible fixed assets		1,394,311.00	1,317,949.77
8) Other current assets		3,537,991.15	1,406,187.20
9) Deferred expenses and accrued income		133,879.65	89,170.08
10) Deferred tax assets		130,056.96	118,213.17
Total assets		301,667,333.82	169,220,709.20

BALANCE SHEET: LIABILITIES AND EQUITY Tradegate AG Wertpapierhandelsbank as at 31. December 2020	in € 2020	in € 2020	in € 2020	in € 2019
1) Liabilities to banks				
a) due on demand		10,165,595.45	10,165,595.45	5,799,182.47
2) Liabilities to customers				
a) other liabilities				
aa) due on demand		60,843,339.14		71,203,353.81
ab) with agreed term or term of notice		62,553.00	60,905,892.14	5,031,218.20
of which:				
0.00 € to financial services institutions (last year 424.40 €)			-	*424.40*
3) Trading portfolio			4,859,714.59	3,974,636.55
4) Other liabilities			7,637,647.37	1,991,568.33
5) Deferred income and accrued expenses			413.45	5,144.18
6) Provisions and accruals				
a) tax provisions		22,293,602.32		1,247,259.66
b) other provisions		9,208,756.45	31,502,358.77	4,824,929.71
7) Fund for general banking risks			49,844,040.73	28,164,018.70
of which: 49,844,040.73 € according to § 340e (4) HGB				
(last year 28,164,018.70 €)				*28,164,018.70*
8) Equity capital				
a) subscribed stock	24,402,768.00			24,402,768.00
own shares	-5,153.00	24,397,615.00		-19,200.00
b) capital reserves		5,151,056.24		4,447,789.41
c) revenue reserves				
ca) statutory reserves		1,516,343.22		1,516,343.22
cb) reserves for shares in a controlling company		634,082.00		132,820.80
cc) other reserves		-		-
d) net profit		105,052,574.86	136,751,671.32	16,498,876.16
Total liabilities and equity			301,667,333.82	169,220,709.20
1. Contingent liabilities				
a) Liabilities resulting from guarantees and warranties			55,258.00	55,258.00

INCOME STATEMENT Tradegate AG Wertpapierhandelsbank from 01.01.2020 to 31.12.2020	in € 2020	in € 2020	in € 2020	in € 2019
1. Interest earnings				
a) credit and financial market business	658,440.37			80,265.37
less negative interest from money market transactions	- 1,041,709.35	- 383,268.98		- 582,225.14
2. Interest expenses		- 1,720,901.52	- 2,104,170.50	- 202,060.04
3. Current income from				
a) investments			-	99,999.20
4. Commission earnings		2,985,071.34		1,836,368.92
5. Commission expenses		- 452,315.13	2,532,756.21	- 334,565.53
6. Net earnings from trading portfolio			260,577,040.69	63,359,515.85
7. Other operating profits			5,724,087.14	4,013,365.22
8. General administrative expenses				
a) personnel expenses				
aa) wages and salaries	- 31,949,207.57			- 16,991,018.20
ab) social security payments and expenses for retirement provisions	- 2,355,211.06	- 34,304,418.63		- 1,732,285.27
of which: € 0.00 for retirement provisions (last year € 0.00)				
b) other administration expenses		- 48,141,777.27	- 82,446,195.90	- 20,203,806.48
9. Write-offs and value adjustments on intangible assets and tangible fixed assets			- 654,070.52	- 583,057.99

	in € 2020	in € 2020	in € 2020	in € 2019
10. Other operating expenses			- 1,483,464.78	- 1,650,343.30
11. Write-offs and value adjustments on receivables and certain securities as well as allocations to provisions in lending business			-	- 145,700.00
12. Income from advances on certain securities as well as release of provisions in lending business			48,070.65	-
13. Result of ordinary business activities			182,194,052.99	26,964,452.61
14. Allocation to fund for general banking risks			- 21,680,022.03	- 2,982,207.85
15. Taxes on income and profit			- 55,242,183.55	- 8,154,322.80
of which: € 11,843.79 deferred tax expenses (last year € 16,774.20)				
16. Other taxes not shown under item 10			-	-
17. Net income for the year			105,271,847.41	15,827,921.96
18. Profit brought forward			619,059.39	326,744.60
19. Withdrawals from the revenue reserves				
a) from reserves for shares in a controlling company		-	-	344,209.60
20. Allocations to the revenue reserves				
a) to reserves for shares in a controlling company		- 501,261.20	- 501,261.20	-
21. Offset against the difference from acquisition of own shares			- 337,070.74	-
22. Net profit			105,052,574.86	16,498,876.16

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 2020 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 and include a voluntary cash-flow statement and a statement of changes in equity .

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.

Accounting and valuation principles

Cash reserves and receivables from banks and customers are shown at their nominal value. The company distinguishes between securities in the trading portfolio, securities in the liquidity reserve (securities which are not treated as fixed assets and are not part of the trading portfolio), 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 in the trading portfolio are shown on the respective side of the balance sheet under "trading portfolio".

Securities in the trading portfolio are evaluated at their fair value minus a risk deduction. 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 risk deduction at the balance sheet date is determined in accordance with the value at risk model. In doing so, a history of 500 trading days and a confidence level of 99.9 % is assumed. A normal distribution and a holding period of 5 days is implied. The applied risk deduction still allows for existing market price risks from the securities trading portfolio.

Own shares which the company has in its portfolio are to be shown as adjustment items under equity capital. The acquisition costs are deducted from the subscribed capital to the amount of the invoicing value. The difference between the invoicing value and the acquisition costs of own shares must be deducted from the free reserves available. The proceeds from the sale are added to the subscribed capital up to the amount of the invoicing value. Any amount exceeding the invoicing value is added to the free reserves up to the amount of the sum charged at the time of purchase. Any proceeds in excess of this are allocated to capital reserves.

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

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

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

We have valued tangible fixed assets at acquisition or production cost and, where depreciable, allowed for book depreciation on a straight-line basis according to custom and usance. 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 30.25 %.

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 "trading portfolio" 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 based on 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 is 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 2020.

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 € 2020	in € 2019
Receivables from customers		
a) indefinite term	2,244,167.95	4,795,820.72
	2,244,167.95	4,795,820.72
Liabilities to customers		
a) due on demand	60,843,339.14	71,203,353.81
b) with agreed term or term of notice		
ba) up to three months	2,073.00	4,978,165.20
bb) more than three months and up to one year	60,480.00	53,053.00
	60,905,892.14	76,234,572.01

Receivables from and liabilities to affiliated companies

Classification according to balance sheet item	in '000€ 2020	in '000€ 2019
Receivables:		
other current assets	-	-
Total		
Liabilities:		
liabilities to customers	3,645	6,643
other liabilities	602	319
Total	4,247	6,962

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€ 2020	in '000€ 2019
Assets	14,403	8,206
Debts	13,026	12,392

Securities marketable on the stock exchange	in '000€ 2020	in '000€ 2019
Listed on a stock exchange		
Bonds and other fixed-income securities		
Shares and other variable-income securities		
Trading portfolio	10,313	8,170

With the exception of shares to the book value of € 717,000 (last year € 202,000), all securities held are marketable on the stock exchange.

Trading portfolio (assets 4)

On the assets side of the balance sheet the trading portfolio shows only shares and other variable-income securities. A risk deduction of € 745,000 (last year € 345,000) was made on the trading portfolio and incorporated in the assets side.

Development of capital assets

	Acquisition Costs				
in €	As at 31.12.2019	Additions in the business year	Disposals in the business year	Adjustments	As at 31.12.2020
Financial assets					
Investments	124,999.00	-	-	-	124,999.00
Total financial assets	124,999.00	-	-	-	124,999.00
Intangible assets					
Software	2,884,438.25	95,244.93	-	11,341.90	2,991,025.08
Other intangible assets	1,500,000.00	-	-	-	1,500,000.00
Prepayment on intangible assets	11,341.90	309,720.00	-	- 11,341.90	309,720.00
Total intangible assets	4,395,780.15	404,964.93	-	-	4,800,745.08
Tangible fixed assets					
Business and office equipment	5,609,344.26	477,487.83	104,893.95	16,920.73	5,998,858.87
Prepayment on assets and assets under development	16,049.77	870.96	-	- 16,920.73	-
Total tangible fixed assets	5,625,394.03	478,358.79	104,893.95	-	5,998,858.87
Total assets	10,146,173.18	883,323.72	104,893.95	-	10,924,602.95

Other current assets

Other current assets contain those items that cannot be subsumed under other balance sheet items on the assets side. The largest positions are shown in the table below:

	in '000€ 2020	in '000€ 2019
Receivables on deliveries and services	3,300	886
Income tax receivables	152	440
Invoiced deliveries and services	61	70
Other	25	11
Total	3,538	1,406

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 amounts payable for the use of settlement and other services of various banks of € 6,876,000 (last year € 1,354,000), liabilities arising from an account used for the settlement of securities transactions in USD and other currencies € 3,086,000 (last year € 3,921,000) and margin liabilities within the private banking business of € 160,000 (last year € 475,000).

		Write-offs				
	As at 31.12.2019	Additions in the business year	Disposals in the business year	As at 31.12.2020	Residual book value 31.12.2020	Residual book value at previous year
	-	-	-	-	124,999.00	124,999.00
	-	-	-	-	124,999.00	124,999.00
	2,755,634.25	103,900.83	-	2,859,535.08	131,490.00	128,804.00
	600,000.00	150,000.00	-	750,000.00	750,000.00	900,000.00
	-			-	309,720.00	11,341.90
	3,355,634.25	253,900.83	-	3,609,535.08	1,191,210.00	1,040,145.90
	4,307,444.26	400,169.69	103,066.08	4,604,547.87	1,394,311.00	1,301,900.00
	-	-	-	-	-	16,049.77
	4,307,444.26	400,169.69	103,066.08	4,604,547.87	1,394,311.00	1,317,949.77
	7,663,078.51	654,070.52	103,066.08	8,214,082.95	2,710,520.00	2,483,094.67

Trading portfolio (liabilities 3)

At the reporting date the trading portfolio on the liabilities side of the balance sheet shows only those liabilities arising from the short selling of securities and other variable-interest securities. Tradegate AG Wertpapierhandelsbank engaged in the short selling of securities in its role as order book manager and specialist. The risk deduction on the trading portfolio is incorporated completely into the assets side of the balance sheet.

Other liabilities

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

	in '000€ 2020	in '000€ 2019
Liabilities from deliveries and services	6,637	1,195
Sales tax payable to parent company	602	319
Tax on wages, church tax	253	391
Other	146	87
Total	7,638	1,992

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€ 31.12.2020	in '000€ 31.12.2019
Provisions and accruals for		
Personnel costs	7,333	2,924
Securities settlement services	647	1,030
Contributions to associations	271	21
Cost of annual financial statements	246	191
Pending losses	207	257
Rebuilding costs	142	144
Agency commission / marketing costs	82	0
Additional rental expenses, electricity	52	39
Advisory and auditing services	41	28
Cost allocation for banking supervision	7	22
Other expenses	181	169
Total	9,209	4,825

Fund for general banking risks

According to § 340e (4) HGB, the company is obliged to put ten percent of the net earnings from the trading portfolio into the fund for general banking risks. The position may be used in order to balance net losses of the trading portfolio, 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 2020 an amount of € 21,680,022.03 (last year € 2,982,207.85) was allocated to the fund.

Share capital / subscribed stock

On 31 December 2020 the subscribed stock came to a total of € 24,402,768 before deduction of own shares. The share capital 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 5,153 own shares (last year 19,200) with an accounting value of € 5,153 (last year € 19,200).

Capital reserves

The proceeds from the sale of own shares exceeded the acquisition costs, so an addition of € 703,266.83 was made to the capital reserves (last year € 0.00). At the reporting date the capital reserves amounted to € 5,151,056.24.

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, must be reported in the balance sheet as reserves for shares in a controlling or majority-holding company. 11,852 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 € 634,082.00 (last year € 132,820.80).

Revenue reserves

The capital reserves and the statutory reserves make up more than 10 % of the share capital in line with the requirements of § 150 (2) Companies Act. Therefore, an allocation to statutory reserves is not necessary.

Provided that 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 share capital 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 13 June 2019 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 13 June 2024. Trading is allowed at prices that do not fall more than 20 % above or below the preceding day's closing price of the share of Tradegate AG Wertpapierhandelsbank on the Open Market of the Frankfurt Stock Exchange or the Regulated Unofficial Market of the Tradegate Exchange, Berlin.

The number of shares purchased for this purpose and held for trading may not exceed five in one hundred of the share capital of the company at the end of each day. At no time may the number of shares purchased for this purpose, 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.

In 2020 the authorisation to purchase own shares for the purpose of trading according to § 71 (1) No. 7 of the Companies Act was utilised. The purchases were made on the TRADEGATE EXCHANGE. In 2020 185,040 shares of Tradegate AG Wertpapierhandelsbank were acquired for the sum of € 7,493,540.40. 199,087 shares were sold for the sum of € 8,313,787.20. From last year's trading in own shares an amount of € 337,070.74 was offset against the net profit (last year € 0.00). The amount of own shares held at the balance sheet date totalled 5,153 compared with 19,200 at the balance sheet date of the previous year.

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 € 619,059.39 (last year € 326,744.60) profit brought forward is reported in the net profit.

An amount of € 130,056.96 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 € 1,042,000 (last year € 582,000) 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 € 2,533,000, last year € 1,502,000) 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 trading portfolio

The profits and expenses from the trading portfolio are made up of realised income, evaluations and the interest, dividends and commission expenses attributable to the trading portfolio. The realised income is generated from the market price fluctuations during the purchase and sale of financial instruments.

	in '000€ 2020	in '000€ 2019
Net result from trading	339,843	89,835
Net difference from name-to-follow transactions	313	44
Other net results	- 484	- 231
Earnings from trading portfolio	576	597
Commission expenses from trading portfolio	- 79,671	-26,885
Total	260,577	63,360

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€ 2020	in '000€ 2019
Proceeds from transfer of rights	2,101	529
Other foreign exchange gains	1,619	1,777
Cost allocation other companies	1,438	670
Release of provisions	389	873
Cost allocation affiliated companies	168	139
Damages	9	4
Refund of contributions	0	8
Other	0	14
Total	5,724	4,013

€ 23,000 of the other operating profits belong to other accounting periods (last year € 8,000).

Other administrative expenses

The most important positions of the other administrative expenses are shown in the following table.

	in '000€ 2020	in '000€ 2019
IT, infrastructure, data	24,088	9,166
Stock exchange fees, settlement costs	16,373	6,490
Occupancy costs	1,264	1,181
Auditing costs, advisory and other services	784	673
Other	5,633	2,694
Total	48,142	20,204

Expenses in other accounting periods

The position other administration expenses contains € 66,000 from other accounting periods (last year € 61,000).

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€ 2020	in '000€ 2019
Other foreign exchange losses	1,452	1,637
Other	32	13
Total	1,484	1,650

In the other operating expenses there are no expenses belonging to other accounting periods (last year € 0.00).

Taxes

The income and profit taxes concern taxes for previous years that result from normal business activities, plus tax prepayments and tax provisions for 2020. Allocations and reversals of deferred taxes are included here, too. Due to the year's result and the advance payments already made it is necessary to make provisions for tax payments for the assessment period 2020. For other reporting periods a tax refund of € 22,000 (last year € 105,000 tax refund) was included in the income statement.

D. Cash flow Statement

The cash flow statement is prepared using the indirect method. On account of the company's business activities the cash holdings, credit balances at central banks and the credit balances with banks due on demand are all included in the financial resources. The cash funds amount to € 81,879,059.16 and are subject to a statutory restriction (last year € 40,343,716.11).

In the assets held for trading losses from the trading portfolio were adjusted as non-cash transactions because a differentiation between trading assets and trading liabilities is not possible.

E. Other information

Derivatives transactions according to § 36 RechKredV

The futures transactions existing at the balance sheet date relate to 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	in '000€ Positive market value	in '000€ Negative market value
Share risk and other price risks	9,054	9,054	302	302
Interest risks	0	0	0	0
Total	9,054	9,054	302	302

The comparative figures for last year are:

	in '000€ Maturity up to and incl. 1 year	in '000€ Nominal	in '000€ Positive market value	in '000€ Negative market value
Share risk and other price risks	11,908	11,908	334	334
Interest risks	0	0	0	0
Total	11,908	11,908	334	334

At the balance sheet date there were no Forex swaps in the trading book.

At the balance sheet date of last year the Forex swaps in the trading book were:

	in '000€ Maturity up to and incl. 1 year	in '000€ Nominal	in '000€ Positive market value	in '000€ Negative market value
Currency risks	4,330	4,330	0	2
Total	4,330	4,330	0	2

The stated market values represent the fair value based on share prices at the balance sheet date, whereby 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 are in any way impaired regarding amount, effective date or security.

Shareholdings

The following information refers to 31 December 2020 and the business year 2020 unless otherwise stated.

Tradegate Exchange GmbH, Berlin

Nominal capital:		625,266.00 €
Shareholding:	20.0 %	124,999.00 €
Equity capital:		17,400,413.81 €
Profit for the year:		3,954,743.32 €

Other financial obligations

Obligations of € 15,712,000 (last year € 1,249,000) exist for rental, leasing and servicing contracts. They relate mainly to rental contracts with a duration of 5 and 10 years for office premises as well as contracts for service and system costs that are valid until 31 December 2021.

The Tradegate AG Wertpapierhandelsbank has guaranteed credits with the Quirin Privatbank AG and the Delbrück Bethmann Maffei AG. The total amount stands at € 896,000 (last year € 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	Totel last year
Average of the year				
Board members	1.0	4.0	5.0	5.0
Traders	6.0	55.3	61.3	59.0
Other employees	19.5	37.8	57.3	55.1
Parental leave	0.8	-	0.8	1.0
Trainees	-	-	-	-
Student trainees	1.0	5.5	6.5	3.6
Interns	0.5	-	0.5	0.6
Total	28.8	102.6	131.4	124.3
of which part-time employees (headcount)	12.3	11.5	23.8	20.8
of which part-time employees (in terms of full-time positions)	8.9	6.3	15.2	13.6
As at 31 December 2020				
Board members	1	4	5	5
Traders	6	57	63	61
Other employees	21	37	58	53
Parental leave	-	-	-	1
Trainees	-	-	-	-
Student trainees	1	6	7	9
Interns	-	-	-	1
Total	29	104	133	130
of which part-time employees (headcount)	13	12	25	20
of which part-time employees (in terms of full-time positions)	9.3	5.9	15.2	14.6

Organe der 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 2020.

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 · 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 until 31.12.2020) · Member of the Board, Berliner Effektengesellschaft AG
Peter E. Schmidt-Eych, Berlin · Lawyer
Guido Wünschmann, Berlin · Head of Representative Office Berlin, Deutsche Börse AG

Remuneration of board members

The members of the managing board received remuneration of € 5,851,000 from Tradegate AG Wertpapierhandelsbank of which € 400 was for benefits from group accident insurance. The supervisory board received remuneration of € 48,000 including value-added tax.

Company loans

The members of the managing board have taken out loans to the amount of € 770,000 (last year € 676,000).

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 audit of financial statements	153	177
For other assurance services	64	64
Total	217	241

The following payments and expenses were recorded for Dohm Schmidt Janka Revision und Treuhand AG Wirtschaftsprüfungsgesellschaft in the previous year.

	in '000€ Payments	in '000€ Expenses
For the audit of financial statements	124	131
For other assurance services	89	47
Total	213	178

The services performed by the accountants in addition to the audit of the financial statements cover the audit according to § 89 of the Securities Trading Act (WpHG), the audit of security deposit holdings and the audit in 2020 of additional statements according to IDW PH 9.960.2.

Disclosure requirements

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 disclosure according to § 26a (1) No. 2 of the German Banking Act is made in the group statements of the parent company.

According to § 26a (1) No. 4 of the German Banking Act the ratio of net profit to balance sheet total is 34.90 %.

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 2020 to pay a dividend of € 1.80 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, 10 March 2021

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 2020

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 und Geschäftsfelder

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 found 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. 1 KWG [German Banking Act])
lending business (§ 1 subsection 1 clause 2 No. 2 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 1a clause 2 No. 2 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 to a limited extent as a Systematic Internaliser in off-exchange trading. 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, which is run as a joint venture together with the majority shareholder, Deutsche Börse AG, and the Verein Berliner Börse e.V..

The company provides continuous bid and ask prices on several exchanges for approximately 8,000 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 results 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 and Back Office. 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 99 % of all transactions and more than 98 % 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 since 2010 been run as a joint venture together with the majority shareholder, the Deutsche Börse AG. In 2019 a new shareholder, the Verein Berliner Börse e.V., became a partner in the joint venture and in return transferred 100 % of its shares in the Börse Berlin AG to Tradegate Exchange GmbH as a contribution in kind.

Following the increase in 2019 of 10.36 % in the number of trades in equities and Exchange Traded Funds (ETFs) on the TRADEGATE EXCHANGE, in 2020 the company was able to report growth at a high level for the nineteenth year running with an unexpected strong increase of 200 % to 54,179,884 single transactions. Although other relevant competitors were also able to report significant growth of between 80 % and 100 % in their results for 2020, TRADEGATE EXCHANGE'S market share in equity trading has climbed further to up to 85 % 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. The development of turnover in ETF trading was just as positive, though so far the market share in this segment is only about 74 %.

In 2020 a number of new customers began or completed projects to get connected to TRADEGATE EXCHANGE. Alongside this, turnover potential with existing customers was further optimised and TRADEGATE EXCHANGE occupies first place in the best execution policy of most German depositary banks.

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, especially in 2020. So as not to lose market share in the future the company has acted upon the express wish of its customers and now 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.

Over the next few years the company will gradually expand its scope of business but in the long term will continue to concentrate on its core competence of securities trading in equities and ETPs. The positive development of 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 and hold its ground in competition with old and new providers.

1.4 Development of general market conditions

The general market conditions for securities trading companies, especially in trading with private investors, showed a marked improvement in 2020. The permanent low interest environment means that for asset building and provision for one's old age there is no suitable investment alternative to shares and ETFs. Even hitherto preferred investments such as capital funded life insurance will not in future yield any returns above the rate of inflation without the inclusion of shares. Already in 2020 there was a significant increase in the volume of ETF or share savings plans, which are now offered by many banks at favourable conditions. Thus, the number of shareholders in Germany must have increased considerably. At the beginning of the corona pandemic, the markets suffered a dramatic fall in prices in March 2020 but made a quick recovery by June 2020 and during this period the volume of trades made by retail customers in Germany hit a new record. In the wake of these high volumes several so-called 'neo-brokers' were able to establish themselves on the market winning new customers for their cost-effective securities trading. The already established online-brokers also gained a large number of new customers in 2020.

The high stress of competition over the last few years among the remaining securities trading firms and trading platforms/exchanges that are competing for a dwindling number of trades changed dramatically in the year 2020. The high volume of trades made by retail customers allowed all existing competitors a sufficient and profitable business. If the current development remains unchanged then it is even conceivable that new competitors with new approaches will try to win a market share in this promising market setting. In any case increasing margins cannot be expected with respect to competition, since several 'neo-brokers' will put up with longer start-up losses in order to gain new customers or market share and they also have access to enough venture capital. However, the successful business model of TRADEGATE EXCHANGE with its Market Specialist Tradegate AG is excellently positioned and possesses numerous future-proof competitive advantages.

2. ECONOMIC REPORT

2.1 Business development

In 2020 the company's business development was as follows: in nearly all twelve months a very high increase in turnover of over 100 % compared with the previous year was recorded. This was especially noticeable in March due to the market crash at the beginning of the corona pandemic and in June due to the speedy recovery of trading prices on the stock markets. The weakest month in terms of turnover was the month of January with 2,918,709 trades, the strongest month with 6,530,819 trades was March. Overall, during the entire year there was a remarkably even distribution of the trades from private investors' activity (Q1: 25.25 %; Q2: 25.46 %; Q3: 20.93 %; Q4: 28.36 %). Both the gross and net trading margins rose compared with last year. This was due to the extreme volatility on the stock markets on the one hand and to a loss of market share of the low-margin, high liquid DAX-stocks on the other. A reduction of the variable costs per trade was not possible in 2020. In fact, a further significant increase was recorded here due to competition and the company's chosen expansion strategy.

As a result of the increased net margins the company reported an unexpectedly high increase in the result of normal business activities despite large investments in the IT infrastructure of 575.7 % to € 182,194,000 (last year: € 26,964,000), which is far higher than the increase in turnover. This result was way above our target figures, which were established before the corona pandemic.

Following the considerable drop in the last years of the number of contract notes resulting from the activity as Market Specialist and order book manager on the Frankfurt and Berlin stock exchanges, 2020 saw a sharp increase of 151 % to 460,879 transactions.

For the nineteenth year running, the number of transactions on the TRADEGATE EXCHANGE could be increased once again in 2020. After an increase of 10.36 % in the number of transactions in 2019 there was another unexpectedly high growth spurt in 2020 of 200 % to 54,179,884 transactions. In contrast, the average trading volume per individual trade fell notably in 2020 from ca. € 6,766 to ca. € 5,984. Overall, in its role as specialist on the TRADEGATE EXCHANGE the company's trading volume in shares and ETPs rose by 165 % from ca. € 122 billion in 2019 to € 324 billion in 2020.

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. The balance as at 31.12.2020 is as follows: the number of securities looked after on the TRADEGATE EXCHANGE came to 7,643 (819 more than last year), on the Frankfurt Stock Exchange 584 (30 fewer than last year) and on the Berlin Stock Exchange 2,691 (140 fewer than last year).

The business area Private Banking, which operates under the name "Berliner Effektenbank", was further optimised in 2020 and customers were transferred from the investment advisory service to the wealth management service. As at 31.12.2020 the Berliner Effektenbank had ca. 350 customers who held deposits of around € 61 million and securities investments of ca. € 1,511,000 million.

The number of employees in the company has increased once again with 16 new-comers and 13 leavers. At the end of the year 133 people were employed at the Tradegate AG Wertpapierhandelsbank. The age structure changed p.r.t. only slightly. The average age was 41.6 (last year 41.2). The average job tenure has hardly changed at 11.3 years (last year 10.76 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 € 31,949,000, € 21,165,000 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 much better than expected.

2.2 BUSINESS OUTLOOK

2.2.1 Results of operations

For the year 2020 Tradegate AG Wertpapierhandelsbank reported a financial result of € 105,272,000 (2019: € 15,828,000). The result of operations of the Tradegate AG Wertpapierhandelsbank is affected by the net earnings from securities in the trading portfolio which include the significant earnings coming from the activities as a specialist. The business area private and business banking has also increased its share of 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€ 2018	in '000€ 2019	in '000€ 2020
Interest income	- 590	- 604	-2,104
Commission income	1,173	1,502	2,533
Net earnings from the trading portfolio	63,898	63,359	260,577
General administrative expenses	- 36,104	- 38,927	-82,446
Result from ordinary business activities	29,615	26,964	182,194
Allocation to fund for general banking risks	- 3,475	- 2,982	-21,680
Taxes on income and profit	- 8,948	- 8,154	-55,242
Net income for the year	17,191	15,828	105,272

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 that are deposited in current accounts at banks and the German Federal Bank have led to negative interest earnings. The investment of profits and their use for specialist activities also generate considerable negative interest earnings.

The commission earnings have risen. A significant part of the commission income continues to come from the remuneration for broker and specialist activities. The business area private and business banking meanwhile has become more important. The earnings from its investment advisory service and the safe custody and administration of securities have increased compared with last year.

The net earnings of the trading portfolio are affected by the realised gains from specialist activities and by the component commission expenses. The commission expenses have risen from € 26,885,000 to € 79,671,000. This was due to the sharp increase in turnover, a change in price schedules and their dependent commission expenses. The significant rise in the number of trades resulted in an increase in the net earnings of the trading portfolio of 311 %.

The continued positive results meant that the company was able to reward employees with a share in profits. The personnel expenses rose by 83 %. The other administrative expenses rose by € 27,938,000 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 2020, € 21,680,000 was paid into the fund.

The taxes on income and profit increased correspondingly due to the higher earnings compared with last year.

From the development of earnings 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.

	2018	2019	2020
Turnover equivalent	68,958,000 €	68,806,000 €	268,903,000 €
CIR	56.9 %	61.5 %	31.8 %
RoE	44.37 %	39.88 %	138.20 %
EpS	0.847 €	0.771 €	5.202 €

The increase in the volume of equities traded led to an increase in the net earnings of the trading portfolio. The general administrative expenses increased in line with the higher volume in trading. The main reasons for the increase in expenses were the costs incurred by the number of trades and the costs of data supply. As a result of the aforementioned changes the cost income ratio fell to 31.8 %.

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

2.2.2 Financial position

The company finances itself primarily by its net assets and the fund for general banking risks. Based on the company's business activity and the net result in 2020 from the trading portfolio, € 21,680,000 was paid into the fund (last year € 2,982,000). The fund now contains € 49,844,000.

In 2020 the company bought slightly fewer of its own shares than it sold during its trading activities. The equity capital increased by € 820,000 as a result of trading in own shares (last year € 107,000). There was an increase in the equity ratio compared with last year, from 27.8 % to 45.3 %. The liabilities to banks and customers are predominantly due daily. Those liabilities that have an agreed repayment term have a time to maturity of more than three months to one year. 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 € 883,000 was invested in intangible assets and tangible fixed assets 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 in the trading portfolio are transacted short-term and are also therefore classed as liquidity. The positive results have 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 € 132,447,000 compared with the balance sheet date of 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 investment of the growing annual profit.

On the passive side of the balance sheet the liabilities to customers fell by € 15,329,000. Because of the interest rate situation deposits in securities were restructured or removed to avoid incurring negative interest. Provisions currently amount to € 31,502,000 compared with € 6,072,000 last year. The increase is due in particular to the creation of tax provisions. 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 results mainly from the net income for the year.

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), which are regularly improved by the supervision and adapted to current developments, 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, the company assumes an interim position as buyer or seller during the course of a day with the aim of settling most of these positions by 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 lies with the all members of the 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 entire 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. The risk control department 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. Initially, in 2020 the upper limit loss determined at the end of the previous year was used, then adjusted at the beginning of the second half of the year to meet current developments.

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 (Articles 435 to 455) 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 published in the Federal Gazette and 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. Basically, the regulatory group 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 AG Wertpapierhandelsbank now has an almost 20 percent share in the Tradegate Exchange GmbH, which 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 15.99 % and 27.47 %. For current business activities the CRR reference figure is not the decisive factor 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 2020 the risk positions and capital resources were follows:

Risk positions	in '000€ Amount
Counterparty default risks	51,371
Market price risks	37,478
Operational risks	123,858
Risk of a credit valuation adjustment	30
Total	212,737

Description	in '000€ Amount
Paid-in capital	24,403
Capital reserves	5,151
Own shares	- 322
Retained earnings	2,248
Special item for general banking risks	28,164
Value adjustments	- 16
Intangible assets	- 1,191
Core capital	58,437

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 that comes from non-controlling interests. As at 31 December 2020 the risk positions and capital resources were as follows:

Capital requirements for	in '000€ Amount
Counterparty default risks	63,042
Market price risks	37,478
Operational risks	123,914
Risk of a credit valuation adjustment	31
Total	224,465

Description	in '000€ Amount
Paid-in capital	13,495
Capital reserves	32,988
Own shares	- 1,791
Retained earnings	177
Special item for general banking risks	15,839
Minority interests	6,731
Transitional provision for minority interests	0
Goodwill	- 2,034
Intangible assets	- 1,204
Other adjustments	- 5,298
Common equity tier 1	58,903
Additional tier 1 capital	1,443
Core capital	60,346
Tier 2 capital	1,918
Own funds	62,264

The report for the financial holding group Berliner Effektengesellschaft AG is made according to the CRR. Between January and December 2020 the total key reference figures of the Solvency Regulation at group level lay between 12.74 % and 27.74 %.

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 made in currencies with particularly high turnover is handled separately, in others with less turnover they are 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 2020 and the capital resources, a new absolute upper loss limit was decided by the company's managing board with effect from January in addition to the limits already set for all transactions. 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 2020, within the scope of the reference price monitoring, 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 that exceed a certain threshold value are actually incurred, 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 addition, on the basis of the historical development of the DAX and supplementary information, a value-at-risk calculation is made for the end of day status. This is then compared with the dedicated loss limit. In 2020, apart from the adjustment in line with the above-mentioned redefinition of the upper loss limit, no adjustment was made to the controlling limit for the security holdings of trading. No limit exceedance occurred.

A further controlling limit exists for non-€ receivables and liabilities from banks, customers and suppliers. In particular, the risks from deposits in foreign currency at domestic banks are to be noted. 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.

During a risk inventory, firstly the identified potential damages were examined, in particular with regard to their rating in damage-frequency and amount. Secondly, the company's risks were identified, assessed and their significance or insignificance for the company's risk profile as a whole was determined using appropriate criteria. If there were any new findings, adjustments were made. 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 required 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 risk event database. Last year there were no significant faults that 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. Within the revised risk strategy, a step-by-step procedure to determine the upper loss limit was followed and part of the risk coverage potential was reserved for operational risks. The step-by-step procedure determines the upper loss limit using several assessment criteria which, in the company's view, are the main contributors to operational risk.

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 real-time 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. For the business year, the ratio of liquid assets to the net liquidity outflow was between 1.31 and 5.34. The corresponding figure for the Group moved between 1.42 and 5.88. 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. In addition, the change in the number of trades is used as a basis for assessment.

3.1.6 Reporting

All members of the managing board receive 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 2020:

- The company expects 2020 to be a solid business year in securities trading with private investors. On the stock markets the record growth in the main international indices is unlikely to be repeated, however, apart from normal market corrections the company assumes that during the low interest period, which appears to be continuing, the equity markets will remain stable. The market environment for equities will certainly be strongly influenced by the upcoming final negotiations following the BREXIT and the continuing negotiations in the trade agreement between the USA and China.

- In Germany, four new online brokers with very low fees are just starting up on the market. Depending on how successful they are, these may be potential new customers in the medium term and could have an impact on the pricing structure of established online brokers and traditional depository banks. Furthermore, many banks will offer shares and ETF savings plans in order to gain new customers and this should benefit the equity culture in Germany. At the moment it remains unclear whether the BaFin will actually introduce the planned financial transaction tax, which is counterproductive and at the expense of private investors.

- Overall, the company aims to achieve earnings on a par with last year but in view of the record turnovers at the start of 2020 a moderate increase in earnings at this high level is possible.

- The pressure of competition is likely to remain high in 2020 as long as competitors who are not profitable do not have to discontinue their business operations. Still, gross margins will probably not decrease further but remain stable at the same level as last year. The variable costs per trade could rise slightly due to competition and the sales strategy of the company, so there may be a small decrease in the attainable net margins per trade.

- On the whole, the company is aiming for an operating profit equal to last year but depending on the market environment an increase in profits may well be possible.

- In the course of the year the company intends to start a new business area for the issue of its own leveraged products but does not expect any relevant profit contribution from this up to the end of the business year.

All significant estimations did in fact occur during the business year 2020, whereby all the special effects caused by the corona pandemic as of March, such as market volatility and dramatic increases in turnover in many stocks, for example vaccine manufacturers, were not included.

The start of a new business area in leveraged products could not be realised in 2020. This is likely to begin in the second quarter of 2021.

The company expects 2021 to be a solid business year in securities trading with private investors and following the record turnover of January 2021 possibly a moderate growth. However, it is difficult to estimate the impact of the various special effects that contributed to the very high increase in turnover in 2020 and which will probably not be repeated in 2021. These include the market crash in March 2020 and the speedy recovery of the markets up until June 2020, the Wirecard scandal, which was accompanied by very high turnovers in this individual share, and the high turnover in a number of other shares that benefitted from the pandemic, for example vaccine manufacturers.

Against the backdrop of negative interest paid for customer deposits the company has decided to end its membership in the Association of German Banks and with it in the association's Deposit Protection Fund with effect from March 2021. In future the minimum guaranteed deposit of 100,000 € per customer of the Berliner Effektenbank shall apply.

Over the last year, the established online banks and scores of new so-called 'neo-brokers' have gained hundreds of thousands of new, mainly younger customers whose medium and long-term behaviour is still difficult to assess.

Overall, the development of turnover for the year cannot be planned and for the first time in twenty years, the company does not expect to achieve a new record in turnover.

The company intends to use the favourable profit situation of 2020 predominantly to strengthen the equity capital of the company by adapting it to the new, high volume in turnover in order to maintain a comfortably high equity ratio in the future. For the current business year big investments in IT infrastructure, software and additional, larger office space are planned. The company also plans to increase the number of staff in all business areas.

The general administrative costs (excluding profit-related special payments) will therefore increase considerably over and above the usual rise in costs. On the income side it will probably not be possible to match the very good gross and net margins of 2020.

To summarise, the company remains conservative and estimates that the operational result will be significantly lower than in the atypical year 2020.

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 2020. 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, 10 March 2021

Tradegate AG Wertpapierhandelsbank

Thorsten Commichau *Jörg Hartmann* *Klaus-Gerd Kleversaat*

Kerstin Timm *Holger Timm*

2021 et seq. Retail investors take provision for old age and asset building into their own hands.
TRADEGATE EXCHANGE is the market.

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 2020 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 2020 the supervisory board convened for a total of four supervisory board meetings in March, June, September and December and adopted one resolution by telephone in April. All members of the managing board were also present at the meetings.

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. The main topics of discussion were the fast changing competitive environment in the area of retail brokerage and its influence on trading venues and the company's business development, the expansion of the Private Banking business as well as new requirements resulting from current regulatory developments.

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 of the Companies Act. According to this report, no particular risks or complaints arose. In the opinion of the supervisory board, the existing risk control system fulfils legal requirements and is qualified to enable the real-time monitoring of the company.

In the meeting on 4 December 2020 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 2020 according to § 89 (1) of the Securities Trade Act. The audit report was given to the members of the supervisory board.

In accordance with § 312 of the Companies Act the managing board composed an additional report on business relations with affiliated companies. This report was submitted to the supervisory board together with the audit report compiled by the 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 (1) 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 (3) of the Companies Act, issued the following certificate dated 10 March 2021:

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 2020

The annual financial statements compiled by the managing board for the business year 2020, 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 24 March 2021. The supervisory board examined the financial statements and the report of the managing board. Based on their own 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 € 105,052,574.86 reported at 31 December 2020 to pay a dividend of € 1.80 for each share in circulation. The remaining amount from the net profit shall be carried forward to new account.

The supervisory board would like to thank the managing board and all employees for their great personal commitment and hard work during the year 2020.

Berlin, 24 March 2021

Professor Dr. Jörg Franke
Chairman of the Supervisory Board

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