1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 **2013**

Berliner Effektengesellschaft AG
Summarised Annual Report 2013

BERLINER EFFEKTENGESELLSCHAFT

AKTIENGESELLSCHAFT

GROUP STRUCTURE (31.12.2013)

BERLINER EFFEKTENGESELLSCHAFT AKTIENGESELLSCHAFT
(FINANCIAL HOLDING)

- 70.59 % (19.50 % BNP Paribas, 4.92 % Deutsche Börse AG, 4.99 % free float) → **TRADEGATE AG WERTPAPIERHANDELSBANK** (UNIVERSAL BANK)
  - Market specialist (order book management)
  - Stock market listings
  - Private banking
  - 24.99 % (75.01 % Deutsche Börse AG) → **tradegatexchange** – OPERATION OF TRADEGATE STOCK EXCHANGE
- 100.0 % → **Ventegis Capital Aktiengesellschaft** (VENTURE CAPITAL)
  - Venture capital
  - Intermediate financing
  - Capital market advisory service
- 25.50 % → **quirin bank** – Branch: Berliner Effektenbank (UNIVERSAL BANK)
  - Investment banking (capital market transactions)
  - Private banking
  - 49.0 % (51.0 % Schweizer Avaloq Gruppe) → **avaloq** essential for banking
    - Transaction banking (clearing, settlement, technical services, paying agent)
- 100.0 % → **EX-TRA SPORTWETTEN AKTIENGESELLSCHAFT** (ISSUER OF SPORT CERTIFICATES)

WKN 522 130, ISIN DE0005221303 *(quoted in Entry Standard)*

SHAREHOLDERS' STRUCTURE AS AT 31 DECEMBER 2013

32.53%	H.T.B. Unternehmensbeteiligungen GmbH
48.38%	Holger Timm
19.09%	Free float

KEY FIGURES AS AT 31 DECEMBER 2013

Result per share:	0.37 €
Dividend:	0.05 €
Interest surplus/gross profit:	2.2%
Commission surplus/gross profit:	2.6%
Trading result/gross profit:	95.3%
Cost/Income-Ratio:	76.8%
Equity ratio:	87.5%

COMPANY DATA AS AT 31 DECEMBER 2013

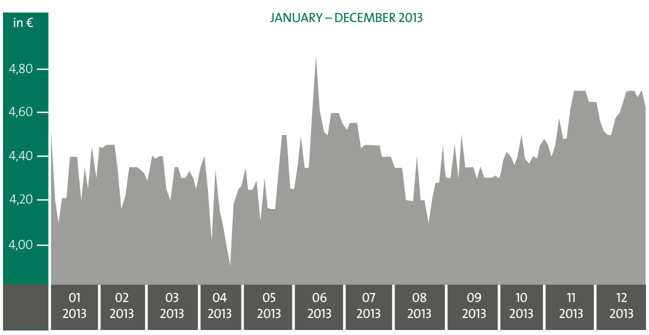
Market capitalisation:	64,132,000 €
Number of shares:	13,872,337
Free float:	19.09% = 2,647,651
Financial accounting:	HGB
Balance sheet total:	67,222,000 €
Number of employees:	96

KEY FIGURES AS AT 31 DECEMBER 2012*[1]

Result per share:	- 0.48 €
Dividend:	0.00 €
Interest surplus/gross profit:	0.1%
Commission surplus/gross profit:	1.1%
Trading result/gross profit:	98.9%
Cost/Income-Ratio:	123.4%
Equity ratio:	91.0%

SHARE PRICE DEVELOPMENT

BERLINER EFFEKTENGESELLSCHAFT AG (WKN 522 130, ISIN DE0005221303)



"NET-ASSET-VALUE"

OF THE LISTED GROUP COMPANIES AND HOLDINGS OF THE BERLINER EFFEKTENGESELLSCHAFT AG AS AT 30 DECEMBER 2013

	Number of shares BEG holds 30 · 12 · 2013	Share price in Frankfurt 30 · 12 · 2013	Calculative value 30 · 12 · 2013
Tradegate AG	17,306,895	5.35 €	92,591,888 €
quirin bank AG	10,996,373	1.39 €	15,284,958 €
Ventegis Capital AG	3,569,270	2.70 € *[2]	9,637,029 €
Number of BEG shares as at 30.12.2013			13,872,337
Calculative value of the three listed group companies/holdings 30.12.2013			117,531,875 €
Calculative value of each BEG share 30.12.2013			8.47 €
Price of the BEG share on 30.12.2013			4.62 €

MANAGING BOARD AND SUPERVISORY BOARD

As at: 01.05.2014

Managing Board
Holger Timm, Chairman
Karsten Haesen

Supervisory Board
Prof. Dr. Jörg Franke, Chairman
Frank-Uwe Fricke
Andre Dujardin

CALENDAR OF EVENTS

12 June 2014 | 2 pm	Annual General Meeting in Berlin
5 December 2014 | 5 pm	Shareholders' Forum in Berlin

*[1] *Figures adjusted according to HGB accounting* *[2] *cash compensation offer*

BERLINER EFFEKTENGESELLSCHAFT
AKTIENGESELLSCHAFT

GROUP FINANCIAL STATEMENT

GROUP MANAGEMENT REPORT

GROUP BALANCE SHEET: ASSETS BERLINER EFFEKTENGESELLSCHAFT AG, Berlin as at 31 December 2013	in €	in €	in €	in '000 € last year
1. Cash reserves				
a) cash balance		2,292.38		0
b) balance at Deutsche Bundesbank		3,153,861.66	3,156,154.04	158
2. Receivables from banks				
a) due daily		39,191,181.53		31,759
b) other receivables		2,070,966.00	41,262,147.53	4,081
3. Receivables from customers			517,785.98	509
of which:				
secured by land charges € 0.00				
local authority loans € 0.00				
financial services institutions € 5,496.01				*(2)*
4. Bonds and other fixed-interest securities				
a) commercial papers				
aa) from other issuers	0.00	0.00		0
of which lendable at the Deutsche Bundesbank € 0.00				
b) bonds and debentures				
ba) from public sector issuers	0.00			0
of which lendable at the Deutsche Bundesbank € 0.00				
bb) from other issuers	1,336,692.06	1,336,692.06	1,336,692.06	1,281
of wich lendable at the Deutsche Bundesbank € 0.00				
5. Shares and other non fixed-interest securities			230,687.15	312
a) Securities held for trading			4,115,745.09	3,138
6. Investments			2,839,778.49	2,875
of which:				
in banks € 0.00				
in financial services institutions € 0.00				

	in €	in €	in €	in '000 € last year
7. Investments in associates			9,923,758.10	9,495
of which:				
in banks € 9,679,489.26				*(9,266)*
in financial services institutions € 0.00				
8. Shares in affiliated companies			0.00	27
of which:				
in banks € 0.00				
in financial services institutions € 0.00				
9. Intangible assets			819,060.17	966
a) acquired concessions, industrial property rights and				
similar rights and assets, including licences for such				
rights and assets			142,460.00	214
b) goodwill			676,600.17	752
10. Tangible fixed assets			364,488.00	307
11. Other current assets			2,618,684.13	4,298
12. Prepaid and deferred expenses			7,386.74	4
13. Deferred tax assets			29,306.48	32
Total assets			67,221,673.96	59,239

GROUP BALANCE SHEET: EQUITY AND LIABILITIES BERLINER EFFEKTENGESELLSCHAFT AG, Berlin as at 31 December 2013	in €	in €	in €	in '000 € last year
1. Liabilities to banks				
a) due daily		361,888.61		511
b) with agreed maturity or period of notice		0.00	361,888.61	0
2. Liabilities to customers				
a) other liabilities				
aa) due daily	941,302.50			759
of which:				
to financial services institutions € 8,297.93				*(8)*
ab) with agreed maturity or period of notice	0.00	941,302.50	941,302.50	0
3. Securities held for trading			2,042,762.35	1,028
4. Other liabilities			1,459,512.39	1,339
5. Deferred tax liabilities			37,783.28	12
6. Accruals and deferred income			0.00	0
7. Provisions and accruals				
a) provisions for pensions and similar obligations		0.00		0
b) tax provisions		1,296,586.63		162
c) other provisions		2,260,769.76	3,557,356.39	1,543
8. Fund for general banking risks			8,837,418.56	5,920
of which: € 8,837,418.56 according to § 34e IV HGB				*(5,920)*
9. Equity capital				
a) subscribed stock	13,872,337.00			13,872
own shares	- 44,369.00	13,827,968.00		- 51
b) capital reserves		31,562,989.09		31,559
c) consolidated retained earnings		- 4,441,140.33		- 5,412
d) adjustment item for minority interests		9,033,833.12	49,983,649.88	7,997
Total liabilities and equity			67,221,673.96	59,239

GROUP INCOME STATEMENT BERLINER EFFEKTENGESELLSCHAFT AG, Berlin for the period from 1 January to 31 December 2013	in €	in €	in €	in '000 € last year
1. Interest earnings				
a) credit and financial market business	103,066.21			210.9
b) fixed-interest securities and government ledger bonds	90,472.44	193,538.65		133.4
2. Interest expenses		- 12,687.76	180,850.89	- 10.8
3. Current income from				
a) shares and other non fixed-interest securities		0.00	0.00	23.0
4. Result from associated companies			479,289.61	- 347.9
5. Commission earnings		980,565.55		1,354.4
6. Commission expenses		- 196,430.88	784,134.67	- 1,174.0
7. Net earnings from securities held for trading			29,231,520.80	16,852.4
8. Other operating profits			1,320,908.49	1,232.5
9. General administrative expenses				
a) personnel expenses				
aa) wages and salaries	- 9,020,065.27			- 5,967.7
ab) social security payments and expenses for retirement provisions and for support	- 1,083,984.55			- 919.3
of which: € 294.25 for retirement provisions				*(0)*
b) other administration expenses		- 10,104,049.82	- 23,036,488.29	- 13,180.2
10. Write-offs and value adjustments on intangible assets and tangible fixed assets		- 12,932,438.47	- 514,129.76	- 954.1
11. Other operating expenses			- 511,787.23	- 662.4
12. Write-offs and value adjustments on receivables and certain securities as well as allocations to provisions for credit business			- 306,956.10	- 838.5
13. Earnings from write-ups to receivables and certain securities, as well as release of provisions in credit business			143,623.95	256.7

	in €	in €	in €	in 'ooo € last year
14. Write-offs and value adjustments on investments, shares in affiliated companies and securities treated as fixed assets			- 25,000.00	- 2,688.7
15. Result from ordinary business activities			7,745,967.03	- 6,680.3
16. Allocation to fund for general banking risks			- 2,917,844.63	- 1,670.9
17. Taxes on income and profit			- 2,673,802.41	- 20.7
18. Other taxes not shown under 11			5,115.09	52.4
19. Net income / loss for the year			2,159,435.08	- 8,319.5
20. Associates' minority interest in net income / loss			- 1,210,901.84	831.9

MANAGEMENT REPORT OF THE BERLINER EFFEKTENGESELLSCHAFT AG GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

1. Basic principles

1.1 Preamble

The structure of the management report follows primarily the rules adopted by the German Accounting Standards Committee e.V. which are recorded in the German Accounting Standard 20.

1.2 Organisation and business areas

The Berliner Effektengesellschaft AG acts as a financial holding and/or investment company without its own operational business. Through the majority-held group subsidiaries and significant interests in other companies it offers a range of services around the capital markets, in particular banking and financial services.

The individual direct and indirect operational subsidiaries are:

· **Tradegate AG Wertpapierhandelsbank, Berlin; holding 70.6 %;** licensed as a deposit bank. The main business is securities trading, especially as market specialist on the TRADEGATE EXCHANGE and market specialist and order book manager on the Frankfurt and Berlin stock exchanges respectively. Tradegate AG Wertpapierhandelsbank in turn holds a stake of almost 25 % in the operating company of the TRADEGATE EXCHANGE, the Tradegate Exchange GmbH. The majority shareholder of this company is the Deutsche Börse AG,

· **Ventegis Capital AG, Berlin; holding 100 %;** venture capital business providing mainly early phase investments and general financial and structuring advice,

· **Ex-tra Sportwetten AG, Vienna, Austria, holding 100 %;** issuer of sport certificates with a licence for sports betting.

In addition to the majority-held group companies, the company can also enter into minority holdings in national and foreign companies that supply banking or financial services, or in companies that offer support services for this field of business. The aim of such investments is the initiation, consolidation and enhancement of the business connections of the companies belonging to the Group. At the moment there are no other strategically relevant investments apart from the holding in the quirin bank AG.

The Berliner Effektengesellschaft AG's interest of 25.5 % in the quirin bank AG remains unchanged. According to HGB-regulations (German Commercial Code) the quirin bank AG is therefore an associated company of the BEG Group.

Where necessary, the company also supports the subsidiaries in the central business areas of personnel, administration, organisation, accounting and controlling.

The main office of the company is based in Berlin. The management comprises two board members (Mr. Karsten Haesen and Mr. Holger Timm) who work closely with one another in the areas of strategic planning, guidance of the operational subsidiaries and investment controlling. Although three subsidiaries operate as public companies and the independence of each management board is protected, a higher-level strategy and supervision is ensured through the overlap in the structure of the management bodies in all companies. Mr. Timm is responsible for accounting, controlling and business administration. The latter especially concerns the personnel administration of the subsidiaries and certain areas of the buying-in of material and services. Besides this, Mr. Timm is the Chairman of the Board of the Tradegate AG Wertpapierhandelsbank, Chairman of the Supervisory Board of the quirin bank AG and Member of the Supervisory Board of Ventegis Capital AG. Mr Haesen coordinates the activities of the Group regarding capital market transactions and is responsible for its representation on the capital market. Furthermore, he is the Managing Director of Ventegis Capital AG and a member of the supervisory board of Tradegate AG Wertpapierhandelsbank.

1.3 Competitive position

As a financial holding the company combines, supports and optimises the activities of its individual subsidiaries. The competitive position is therefore largely dependent on the competitive position of the subsidiaries. Nevertheless, the comprehensive range of services offered by the Group can also contribute to the improvement of the competitive position of all individual companies, especially as there is no other structurally comparable competitor on the market.

The trading platform TRADEGATE®, developed and operated since 2000, was launched in Germany and Europe as a new stock exchange in 2010. The TRADEGATE EXCHANGE now stands in direct competition with comparable exchanges, in particular the seven German floor exchanges. TRADEGATE EXCHANGE'S continued success is important for the group because up to 96 % of all transactions and up to 90 % of earnings result from trading as a specialist for shares and ETPs on the TRADEGATE EXCHANGE. In order to secure and improve the lasting success and future growth of the TRADEGATE EXCHANGE, the operator, Tradegate Exchange GmbH, has been run as a joint venture since 2010 together with the majority shareholder, the Deutsche Börse AG. Following a very small increase in 2012 of only 0.38 % in the number of equity trades on the TRADEGATE EXCHANGE, 2013 saw a much more positive growth rate of 34.5 % with 7,426,314 single transactions. All other relevant competitors, i.e. the seven German regional exchanges, reported significantly smaller growth and/or even slight decreases in turnover in 2013. TRADEGATE EXCHANGE'S market share in equity trading, however, continued to grow, at times reaching up to 58 %. With regard to the market segment equity trading, TRADEGATE EXCHANGE has not only strengthened but also expanded its position as the leading trading platform for private investors in Germany.

In 2013 TRADEGATE EXCHANGE gained several new customers, most of whom will only start trading in 2014. For the most part, the increase in turnover and growth in market share recorded in 2013 resulted from the continued improvement of potential sales volume with existing customers.

1.4 Development of general market conditions

The general market conditions for securities trading companies, especially in trading with private investors, showed no sustained improvement in 2013. The number of shareholders in Germany remains very low and private investors have reduced their trading activity, at least in equities, despite very good price developments in DAX securities. As a result there is still increased pressure among the remaining securities trading firms and trading platforms/exchanges who are competing for a dwindling number of trades. Happily, the fall in the margin per trade could be stopped in 2013 and in the second half of the year it showed a turn for the better. On the whole a further market shakeout is to be expected which should make it possible for the remaining companies to operate profitably in the long term.

2. Economic report

2.1 Business development

In 2012 the group subsidiary Tradegate AG Wertpapierhandelsbank had to report a negative result in ordinary business activities of € - 1,058,000. In the business year 2013, however, a much improved result in ordinary business activities of € 9,704,000 was achieved. On the basis of the German Accounting Law Modernisation Act the company was once again obliged to pay a large sum (€ 2.9 million) into the fund for general banking risks. In the past four years a total of € 8,837,000 has been paid into the fund which means that this amount cannot be distributed to the shareholders as profit. The business year 2014 is the last time that a large amount of the profits – equivalent to the annual average of the last five business years – has to be retained for the fund. In the following years only adjustments (additions or subtractions) to the fund's average value will be necessary, depending on the course of business. This year, in addition to its tax payments and the allocation to the fund for general banking risks, Tradegate AG has to balance the net loss from last year, so despite a good result the company can only resume dividend payments with a relative small dividend of € 0.05 per share.

The subsidiary Ex-tra Sportwetten AG in Vienna reported a small loss for the year 2013 of € - 23,918.10. This came as a result of the fact that there was no large sporting event during 2013 such as the World or European Cup, and in the German Bundesliga it was clear from an early stage that Bayern München would be the winner, so no appreciable turnover was to be achieved with sport certificates.

In 2013 Ventegis Capital AG was able to improve greatly on the disappointing result of 2012 (€ - 4,356,000) but still recorded a loss for the year of € - 1,373,000. The large part of this loss resulted from general administration costs and value adjustments which could not be offset by any earnings because the advisory service is in decline. The company will therefore not pay any dividend for the year 2013.

The number of employees in the group hardly changed, with four new-comers and five leavers. At the end of the year there were 101 people employed in the group. The age structure changed p.r.t. only slightly. The average age is about 42.1 (last year 41.1) with most people in the age group from 30 to 40. The average job tenure is almost 11 years (last year 9.7 years). More than half the employees have been with the company for ten years or more.

Each company in the group 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. Through flexible remuneration models the group companies prefer to ensure that on the one hand no unacceptably high fixed salaries endanger them in difficult economic situations, and on the other that during successful periods the employees have a suitable share in the success of the business. Apart from their fixed monthly salary, the employees and board members of the respective company receive variable remuneration. The amount received by each employee or board member is calculated by means of several criteria, for example position in the company, length of service, special tasks etc. € 3,294,000 of the total remuneration of € 9,020,000 was paid in the form of variable remuneration to all employees who were employed during the reporting period.

In the past business year new investments were made, particularly to improve the clearing systems for existing customers and extend or renew established IT-systems. Software is usually developed and maintained by company employees. The personnel costs involved are not such that they can be capitalised. Occasionally individual contracts for work are outsourced and, depending on size, can be capitalised. In the areas of networks, data banks, word processing, etc. standard software from large providers is used.

2.2 Business outlook

2.2.1 Results of operations

The Berliner Effektengesellschaft AG Group reported a financial result of € 2,159,000 for the year 2013 (2012: € - 8,306,000). The results of operations of the Group are influenced by the net earnings from securities held for trading, which include the significant earnings coming from specialist activities. The performance-based remuneration on the Frankfurt Stock Exchange is shown in the commission income. The earnings from the private banking business are as yet too small to affect the interest and commission income. The investment business is currently being scaled down and is losing importance in the Group result.

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

	in '000 € 2012	in '000 € 2013
Interest income	357	181
Result from associated companies	- 348	479
Commission income	180	784
Net earnings from securities held for trading	16,852	29,232
General administrative expenses	- 20,067	- 23,036
Result from ordinary business activities	- 6,680	7,746
Allocation to fund for general banking risks	- 1,671	- 2,918
Taxes on income and profit	- 21	- 2,674
Net income / loss for the year	- 8,320	2,159

The interest income is the balance from interest earnings and interest expenses including current income from securities and investments. This has fallen compared with last year due to the low interest rates. The private banking business made no appreciable contribution to the interest income. The results from shares in other companies which are included in the consolidated accounts at equity have improved considerably. This is especially attributed to the development of results of the quirin bank AG. The commission income has improved mainly as a result of the reduction in commission expenses. This is due predominantly to the exact allocation of commission expenses to the securities held for trading and consequently in the reported net earnings from securities held for trading. A significant part of the commission income continues to come from the remuneration for broker and specialist activities. This has stabilised at € 769,000 (2012: € 742,000). The commission expenses included in the net earnings from securities held for trading has risen from € 5,005,000 to € 7,652,000. This was due to increased turnover and corresponding commission expenses as well as the more precise distribution of commission expenses between trading and other business sectors. As last year's results have improved considerably, an increase of 73.5 % was reported in the net earnings from securities held for trading despite higher commission expenses.

Since last year's results were very good the company was able to reward employees with a share in profits. These special payments and bonuses are the main reason for the € 2,969,000 increase in general administrative expenses. Other components of the general administrative expenses showed an increase in expenses for volume-related system usage offset against a decrease in the allocation of costs for banking supervision. In total, other general administrative expenses fell by € 248,000. New regulations have now come into effect for the allocation of costs for banking supervision in the area of securities. The new allocation regulations, effective 2013, are based on financial results instead of the number of reported securities transactions. The amount paid to the BaFin for the costs of supervision was much higher in 2012, so the final costs for supervision 2013 fell by € 1,990,000. This new allocation regulation means that the costs for supervision now amount to only one hundredth of previous contributions.

2012 was marked by large write-offs on investments (€ - 2,689,000). In the past business year only one write-off of € - 25,000 was necessary.

The subsidiary Tradegate AG Wertpapierhandelsbank pays into the fund for general banking risks according to § 340e IV Handelsgesetzbuch (German Commercial Code). As the amount in the fund has not yet reached 50 % of Tradegate's average net earnings from securities held for trading of the last five years, this year 10 % of the net earnings from securities held for trading of Tradegate AG Wertpapierhandelsbank must be paid into the fund.

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

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

· A turnover equivalent, expressed as the sum of interest earnings, current income, commission earnings, net earnings from securities held for trading and other operating profits,

· Cost income ratio (CIR), expressed as a percentage: the sum of general administrative expenses and write-offs on intangible and tangible assets divided by gross earnings,

· Return on equity (ROE), expressed as a percentage: net profit for the year plus the amount allocated to the fund for general banking risks divided by equity capital,

· Earnings per share (EpS), expressed as a percentage: net profit for the year plus the amount allocated to the fund for general banking risks and the number of shares at the balance sheet date divided by the number of shares.

	2012	2013
Turnover equivalent	19,459,000 €	32,206,000 €
CIR	123.4%	76.8%
RoE	- 12.06%	10.36%
EpS	- 0.479 €	0.366 €

The positive environment on the stock markets and the relative strength compared with competitors has led to a marked increase, especially in the net result from securities held for trading. Unusual events, which could have caused temporary market volatility or extremely high turnover, did not occur during the year. The rise in the net result from securities held for trading also brought about an increase in the general administrative expenses. Along with the turnover-dependent expenses for the clearing and settlement of securities trades, profit-related special payments were made to employees thus increasing expenses for personnel. However, the increase in general administrative expenses was not as strong as the increase in profits, so the cost income ratio improved to 76.8 %.

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

2.2.2 Financial position

The Group is financed primarily from its net assets and the fund for general banking risks. Based on the business of one of its subsidiaries and the ensuing net result in 2013 from securities held for trading, € 2,918,000 was paid into the fund. Following four of the five initial payments due to be made to the fund, € 8,837,000 has so far been accumulated. If business development remains stable a similar amount will be paid in next year. As of 2015, depending on the system, only small changes to the fund are to be expected.

In 2013 the Group companies acquired more own shares within the scope of trading activities. There was no new placement of the shares held directly by the parent company. As a result of trading in own shares the equity capital rose by € 32,000. Compared with last year the Group's equity ratio fell from 81.0 % to 74.4 %. At the balance sheet date the passive balance of securities held for trading and other liabilities, mainly from services for the clearing and settlement of securities transactions, was higher than at the balance sheet date last year, so the percentage equity capital of the balance sheet total is smaller. In addition, the very positive development of results led to an increase in tax provisions. The customer deposits in private banking changed only slightly.

€ 221,000 was invested, primarily to modernise the computer system. Capital was not borrowed for the investment.

The financial position of the company is in good order.

2.2.3 Liquidity

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

In private banking the very small number of account deposits is invested with matching maturities. The amounts are too small for a maturity transformation. Details of the regulatory reference figures for liquidity may be found in the risk report.

The investment business will not be developed further. The investment portfolio is currently being wound down, so there was no noteworthy impact on liquidity.

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

2.2.4 Net assets

This year the balance sheet total of the Group improved by € 7,983,000 compared with last year. On the assets side of the balance sheet the credit balance at the Bundesbank and other banks increased, as did the amount in securities held for trading. Because of new regulations on Liquidity Coverage Ratio, effective 2014, the credit balance at the Bundesbank was raised by € 2,996,000. Owing to the very positive development of results the credit balance at banks increased overall by € 5,422,000. The securities held for trading exceeded last year's by € 978,000. This is due to an upswing in trading compared with last year.

On the passive side of the balance sheet the securities held for trading developed in line with those on the asset side. The amount increased by € 1,015,000 compared with last year. The provisions come to € 3,557,000 compared with € 1,705,000. The change is due to the improved results of operations. The explanation of the fund for general banking risks may be found in the paragraph on results of operations (2.2.1). The increase in equity capital comes from the net income for the year.

The company's net assets are in good order.

3. Supplementary report

No significant events were reported after the balance sheet date.

4. Outlook, opportunities, risk report

4.1 Risk report

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

4.1.1 Organisation of risk management

The Group is active in a field that is subject both to dramatic fluctuations regarding the amount of business and to changes in general conditions. In this environment it is necessary to continuously develop the means to manage, monitor and control the relevant risks. With the minimum requirements for risk management (MaRisk) a strict legal framework for monitoring and control mechanisms and their documentation is in place. For the Group the Tradegate AG Wertpapierhandelsbank is legally defined as the highest level company. It has the task of making sure the Group has an appropriate risk control system 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. With its subsidiary Tradegate AG Wertpapierhandelsbank the Group sees itself as a liquidity provider or a market specialist in which case it is not company strategy to build up and assume securities positions in anticipation of a positive market price development. Rather the business activity is geared towards enabling as many dealings in securities as possible. In doing so, during the course of a day the subsidiary assumes an interim position as buyer or seller with the aim largely of continuing to trade these positions up to the close of trading. The number of positions that are held until the start of trading on the next day is small compared with the trading volume. If any one position worthy of note is held open, then this happens strictly within the scope of investments in liquid assets. The development on the German and European stock exchanges is an important influencing factor for business activity and the connected technical development and surrounding conditions. Trends are monitored at an early stage for any possible impact on the company's field of business and for technical necessities. Above all, wrong decisions can lead to high costs, loss of earnings and delays.

The basis of the risk management system is the classification of risks into market price risk, operational risk, counterparty default risk and liquidity risk. The risk management system differentiates between the areas most exposed to risk, risk management in the narrower sense and risk controlling.

According to the responsibilities laid down by company law the highest level of risk management is the entire managing board of the Tradegate AG Wertpapierhandelsbank, whose members regularly discuss the general business conditions and the company's development. The operative business areas have freedom of action and leeway in decision-making based on the guidelines and risk strategy decided by the whole managing board. Risk Controlling 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 controlling 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. An upper limit loss was decided for 2013 which remained unchanged for the whole year.

4.1.2 Institutional supervision

Tradegate AG Wertpapierhandelsbank and consequently the Berliner Effektengesellschaft AG Group have a permit for banking and financial services, so they are subject to supervision by the Federal Financial Supervisory Authority. Accordingly, an interim return and the calculations for the Liquidity Regulation are prepared monthly, calculations for the Solvency Regulation 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 5 of the Solvency Regulation certain information on the risk management system and the Solvency Regulation must be disclosed. The Tradegate AG Wertpapierhandelsbank fulfils this disclosure requirement in a separate report.

The financial holding group Berliner Effektengesellschaft AG must adhere to the group-level regulations of the Solvency Regulation which govern consolidated monthly reports and large loans from institutional groups. The Tradegate AG Wertpapierhandelsbank is by law the highest-level company in the financial holding group. The regulatory group basically comprises all companies that are included in the group financial statements according to commercial law. In accordance with the German Banking Act, only group companies that fall under the category "other companies" and separate assets should not be incorporated in the reports. In the case of the financial holding group Berliner Effektengesellschaft AG, the company Ex-tra Sportwetten AG, Vienna, is included in the HGB (German Commercial Code) group accounts within the scope of a full consolidation and therefore not included in the report. No regulatory deduction of the book value is made in the report. The quirin bank AG and its subsidiaries are, according to commercial law, included in the HGB group accounts at equity. For the purpose of regulatory reporting the bank only represents a shareholding of the Berliner Effektengesellschaft AG. The quirin bank AG is an independent group and itself subject to reporting rules.

The capital resources of the financial holding group are made up of the subscribed stock of the Berliner Effektengesellschaft AG, its capital reserves and other reserves insofar as they are not reduced within the scope of a capital consolidation. Own shares, debit differences from the capital consolidation and intangible assets are deducted from this. The item intangible assets includes software and acquired assets. The group's capital resources consist exclusively of core capital. As at 31 December 2013 the capital requirement and capital resources were as follows:

	Amount in '000 €
Capital requirements for	
Counterparty default risks	1,898
Settlement risks	10
Market price risks	982
Operational risks	3,355
Total	6,245

	Amount in '000 €
Description	
Paid-in capital	13,872
Own shares	- 252
Capital reserves	31,556
Other reserves	9,656
Minority interests	7,956
Special item for general banking risks	5,920
Debt differences	- 12,873
Intangible assets	- 260
Core capital	55,575

The report for the financial holding group Berliner Effektengesellschaft AG is made according to the Solvency Regulation. Between January and December 2013 the total key reference figures of the Solvency Regulation at group level lay between 81.33 and 97.60.

4.1.3 Market price risks

Market price risks are understood to be the negative differences of the expected market price development. Market prices are interest rates, stock prices and foreign exchange rates. Any change brings about changes in the value of the financial instruments within the portfolio, such as stocks, bonds or bank balances in foreign currency which in turn can lead to write-offs affecting results. Since one focal point of business activities lies in the trading and relaying of transactions of shares in foreign companies, especially US-American stocks, an indirect foreign currency risk also has an effect. For example, in an ideal market, changes in the US-$ exchange rate bring about corresponding changes in the stock price in €. In the context of the risk management system of securities trading, the risk arising from securities transactions is considered to be implicit in the share price risk.

Last year the controlling limits were monitored in line with supervision requirements. On the basis of the expected results for 2013 and the capital resources, an absolute upper loss limit for all the company's transactions was set by the managing board. In addition, risk limits were allocated to other companies belonging to the Group in agreement with their management. One part of this upper loss limit was divided as a control limit between the individual trading areas. Using these control limits, pending losses from open positions were limited. The pending losses are calculated from the value of the open position and the current value on the basis of a reference price. This reference price is determined on an ongoing basis and entered into the control system. In 2013 the limit was mostly only marginally used and exceeded occasionally for a short period of time. In nearly all cases, the reason for exceeding the limit was that the monitoring system was provided with incorrect reference prices. If risk control notifies a limit exceedance, the cause is investigated and the board member responsible for controlling is informed accordingly. The board member responsible for controlling discusses the steps to be taken with the board member responsible for trading, and informs risk control of the result. If losses are actually incurred which exceed a certain threshold value, the limit concerned is lowered automatically. In a subsequent comparison of the actual and planned result of the company, a decision is made on the retention or change of the limit alignment. In 2013 no adjustment was made to the controlling limit.

In addition, a limit is set especially for the risks coming from potential assets in the liquidity reserve. The assessment of the amount of risk is handled analogue to the observation of trade securities. If the limit is exceeded, the managing board is informed immediately and then decides on the further handling of the securities in the liquidity reserve.

A further controlling limit exists for receivables and liabilities which are not in € against banks, customers and suppliers. The risks at domestic banks from deposits in US dollars are to be noted in particular. No limits were exceeded here. If limits are exceeded during the business year the board members responsible for controlling and trading are informed. They then decide on any further steps to be taken. Currency swaps for the management of currency risk were not used last year.

4.1.4 Operational risks

Operational risks are understood to be such risks arising out of inappropriate or faulty company operations or those caused by employees, systems or external occurrences, legal risks included.

The existing risk matrix was reassessed for risks, early warning indicators and possible counter measures. If there were any new values the early warning indicators in the risk matrix were renewed or adjusted. In order to create an overview of any damages occurring, employees were required to report to risk control the cases of damages that exceeded a defined minimum limit. The damages arising were due to an increased amount of work and rated as minimal. In the area of IT-operations a list of system changes, faults and failures is kept which is regularly checked against the incident database. Last year there were no significant faults which caused definable or noteworthy damages.

The management of operational risks is the responsibility of the respective manager or department head. They monitor the work processes and, if necessary, make interventions or adjustments. Part of the upper loss limit was reserved for operational risks based on the capital requirements according to the Solvency Regulation.

4.1.5 Other risks

The other risks include counterparty default risks and liquidity risks. The counterparty default risk is the danger that liabilities are fulfilled too late, incompletely or not at all. The Group has predominantly receivables from banks. The most important bank connection, where a large part of the investments in liquidity funds are made, is with the quirin bank AG. Because of its associated relationship to the Group the quirin bank AG is integrated into the monthly reports and Mr. Timm is a member of the supervisory board of the bank, so sufficient realtime information on the economic situation is always available. Further accounts exist at other domestic banks and at one foreign bank. Apart from these bank accounts, which are used for payment transactions and cash deposits, the company has receivables from tax repayments and receivables from other brokers for securities transactions. The risks here are considered to be low as they are regulated by the stock exchange systems and the market participants are subject to supervision by the stock exchanges and the Federal Financial Supervisory Authority.

In order to minimise counterparty default, all transactions with addresses which do not have admission to a German, West European or American stock exchange are subject to separate supervision directly by the managing board. This applies mostly to East European trading addresses.

Liquidity risk is understood to be the danger that payment obligations might be made not at all, too late or incompletely, or that due to illiquid markets assets cannot be sold, or sold at the expected price. Control of solvency is decentralised in the individual companies. Among other things, payments received and payments outgoing are estimated for the following twelve months. The first quarter is reported on a monthly basis, thereafter reports are made on a quarterly basis. If there are any shortfalls, reports are made more often than usual. In the last year there were no shortfalls of these self-imposed limits. Additionally, the Tradegate AG Wertpapierhandelsbank is subject to the terms of the Liquidity Regulation, which sets certain minimum requirements with relation to capital and financial liabilities. Last year's reference numbers moved between 4.43 and 8.97, the minimum figure being 1. The market liquidity risk is controlled and monitored through the choice of where to trade, consideration of the current market situation when completing transactions and the limitation of open positions.

4.1.6 Reporting

The whole managing board receives a daily risk report which contains the realised results of the last day of trading, the current month and the current year, as well as information on limit adjustments and special issues, such as significant exceedance of limits and unusual transactions as regards business partners, volume or conditions. Information on other significant risks to the company is also included in the report. Data on cases of damage from operational risks, specific incidents and steps undertaken are recorded in particular. This risk report complements the economic development report supplied to the managing board each month. Apart from the balance sheet and profit and loss statement, the latter contains employee statistics, the development of securities transactions and some key business figures. At the moment the managing board receives a detailed quarterly summary of the company's payment reserves. In order to increase the transparency of general administration expenses the managing board and department heads are provided with a report on the costs allocated to each area. Any questions and necessary measures are discussed in meetings. Besides increased transparency, the aim is to encourage the awareness of those responsible.

4.2 Outlook and opportunities

At the moment the Group is not planning to make any significant changes to its business strategy. It will continue to operate as a financial holding without its own operative business and as an investment company. The outsourcing of various operative business areas with their different risks, different permit needs and different capital requirements, which from time to time can also be covered by the inclusion of new shareholders, has proved to be correct and practicable.

Tradegate AG remains the most important company within the Berliner Effektengesellschaft Group. In 2014 the subsidiary aims to achieve at least the same level of earnings as in 2013. It has already made a good start to the year with a growth rate of 62 % in the volume of transactions for January. Tradegate's position in the market compared with its competitors remains excellent and it should be possible to build on this. An unknown factor is the possible introduction of a European tax on financial transactions. Depending on its exact form such a tax could have very negative effects on the company's activities, especially in the business of trading with private investors. The implementation of the tax in 2014 is, however, very unlikely.

Following the squeeze-out in 2013, Ventegis Capital AG will not take up any new investments but will instead concentrate on developing the few remaining shareholdings. It should be possible to at least cover the already reduced general administration costs with income from the general advisory business. Further depreciation potential on the remaining investment portfolio is not evident at the moment. On the other hand, lucrative exits in 2014 are not likely either. For the time being the company is aiming for a balanced result.

The third significant investment of the Berliner Effektengesellschaft is the quirin bank AG. The bank achieved a positive result in 2013, mainly due to extraordinary events. Its innovative business model continues to present a challenge in view of the difficult situation on the capital markets and the strict business philosophy of not taking on any incalculable risks for its own business or its customers. This investment has enormous growth potential if the innovative business concept can be implemented successfully. Dividend payments from the investment are not to be expected in the medium term.

Given the upcoming football World Cup it is expected that the subsidiary Ex-tra Sportwetten AG in Vienna will be able to achieve better sales and earnings than in 2013.

In the medium term the Berliner Effektengesellschaft does not need capital inflow in order to implement its strategic goals and therefore has no plans for a capital increase. The available liquidity and any possible inflow of liquidity shall be used in part to pay appropriate dividends and to finance further share buybacks at a favourable share price. Most of the liquidity will however be kept in the company as an investment reserve to allow freedom of action in the strategic development of the business.

With its subsidiaries and investments in the financial sector the Group remains to a large extent dependent on a positive capital markets environment. As long as the situation on the capital markets does not get any worse and without taking into account the effects of a possible financial transaction tax, better operative business results can be expected in 2014, especially from dividend payments coming from the Tradegate AG Wertpapierhandelsbank.

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