



Summarised Annual Report 2018



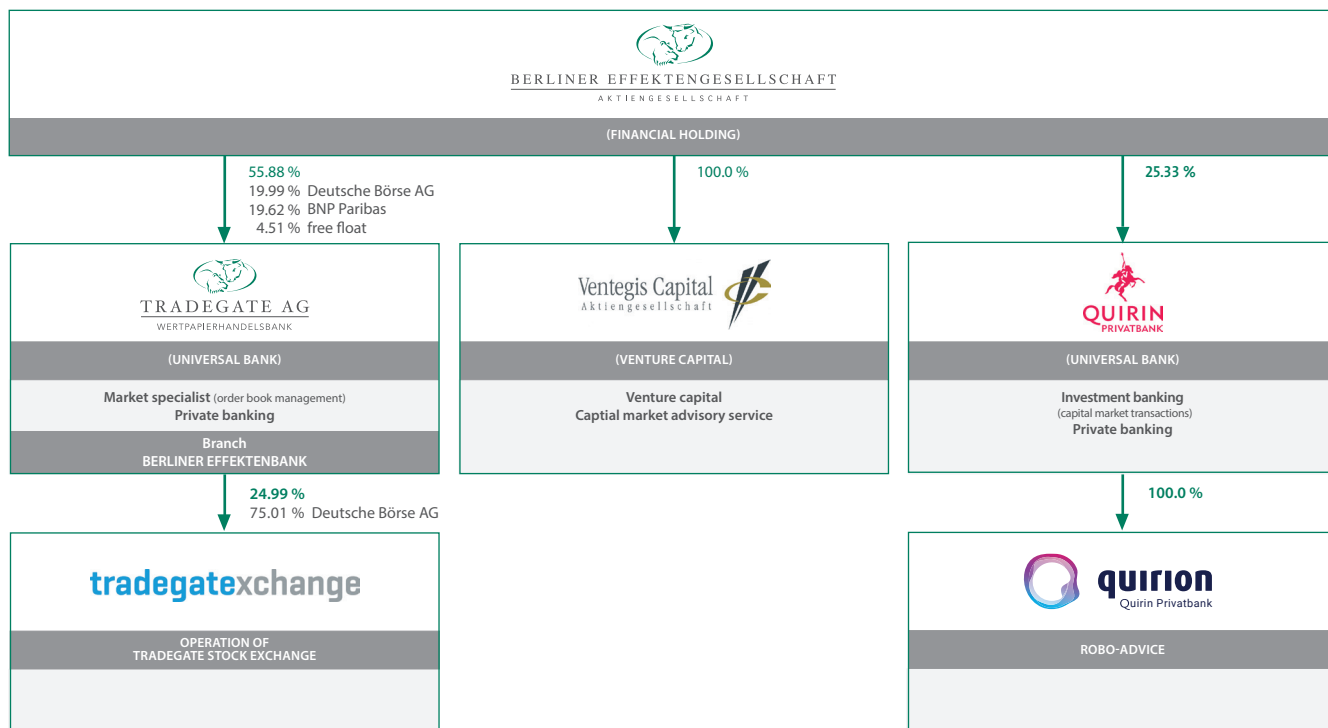
BERLINER EFFEKTEGESELLSCHAFT
AKTIENGESELLSCHAFT



BERLINER EFFEKTENGESELLSCHAFT

AKTIENGESELLSCHAFT

GROUP STRUCTURE (31.12.2018)



WKN 522 130, ISIN DE0005221303 (quoted in Basic Board)

SHAREHOLDERS' STRUCTURE AS AT 31 DECEMBER 2018

29.34 %	H.T.B. Unternehmensbeteiligungen GmbH
53.37 %	Holger Timm
17.29 %	Free float

COMPANY DATA AS AT 31 DECEMBER 2018

Market capitalisation:	241,200,000 €
Number of shares:	13,705,837
Free float:	17.29 % = 2,369,783
Financial accounting:	HGB
Balance sheet total:	181,681,000 T€
Number of employees:	124

KEY FIGURES AS AT 31 DECEMBER 2018

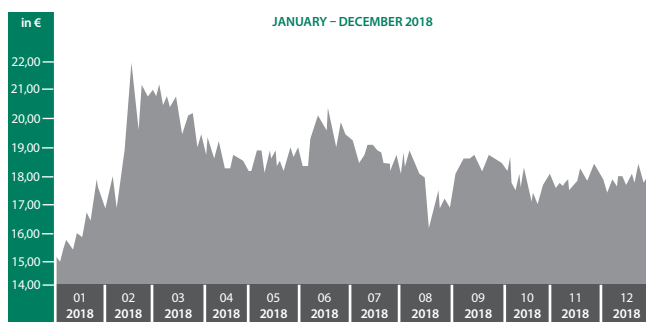
Result per share:	1.540 €
Dividend:	0.60 €
Interest surplus / gross profit:	0.5 %
Commission surplus / gross profit:	1.8 %
Trading result / gross profit:	97.7 %
Cost / Income-Ratio:	58.4 %
Equity ratio*1:	57.8 %

KEY FIGURES AS AT 31 DECEMBER 2017

Result per share:	1.451 €
Dividend:	0.60 €
Interest surplus / gross profit:	0.6 %
Commission surplus / gross profit:	2.2 %
Trading result / gross profit:	97.2 %
Cost / Income-Ratio:	56.8 %
Equity ratio*1:	56.9 %

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 28 DECEMBER 2018

	Number of shares BEG holds 28.12.2018	Share price in Frankfurt 28.12.2018	Calculative value 28.12.2018
Tradegate AG	13,635,391	26.80 €	365,428,479 €
Quirin Privatbank AG	10,996,373	1.50 €	16,494,560 €
Number of BEG shares as at 28.12.2018			13,705,837 Stück
Calculative value of the two listed group companies / holdings 28.12.2018			381,923,039 €
Calculative value of each BEG share 28.12.2018			27.87 €
Price of the BEG share on 28.12.2018			17.60 €

MANAGING BOARD AND SUPERVISORY BOARD

As at: 01.05.2019

Managing Board
Holger Timm, Chairman
Karsten Haesen

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

CALENDAR OF EVENTS

13 June 2019 | 2 pm **Annual General Meeting in Berlin**
6 December 2019 | 5 pm **Shareholders' Forum in Berlin**

*1 incl. fund for general banking risks



BERLINER EFFEKTENGESELLSCHAFT
AKTIENGESELLSCHAFT

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GROUP BALANCE SHEET: ASSETS BERLINER EFFEKTEGESELLSCHAFT AG, Berlin as at 31 December 2018	in €	in €	in '000 € last year
1. Cash reserves			
a) cash balance	235,637.93		202
b) balance at Deutsche Bundesbank	41,721,027.99	41,956,665.92	40,039
2. Receivables from banks			
a) due daily	101,533,761.35		99,075
b) other receivables	0.00	101,533,761.35	0
3. Receivables from customers		5,035,842.96	4,449
<i>of which:</i>			
<i>secured by land charges € 0.00</i>			
<i>local authority loans € 0.00</i>			
<i>financial services institutions € 0.00</i>			(4)
4. Bonds and other fixed-interest securities			
a) bonds and debentures			
aa) from other issuers	131,194.96	131,194.96	272
<i>of which lendable at the Deutsche Bundesbank € 0.00</i>			
5. Shares and other non fixed-interest securities		2,825.00	15
a) Securities held for trading		8,780,069.49	9,768
6. Investments		2,596,117.64	2,310
<i>of which:</i>			
in banks € 0.00			
in financial services institutions € 0.00			



	in €	in €	in '000 € last year
7. Investments in associates		13,497,271.08	12,927
<i>of which:</i>			
<i>in banks € 12,970,093.10</i>			(12,481)
<i>in financial services institutions € 0.00</i>			
8. Intangible assets			1,537
a) acquired concessions, industrial property rights and similar rights and assets, including licences for such rights and assets	1,309,612.00		1,416
b) goodwill	414,008.00	1,723,620.00	121
9. Tangible fixed assets		1,304,474.00	1,282
10. Other current assets		4,942,107.24	4,196
11. Prepaid and deferred expenses		75,553.13	77
12. Deferred tax assets		101,438.97	82
Total assets		181,680,941.74	176,231



GROUP BALANCE SHEET: LIABILITIES AND SHAREHOLDERS' EQUITY BERLINER EFFEKTENGESELLSCHAFT AG, Berlin as at 31 December 2018	in €	in €	in €	in '000 € last year
1. Liabilities to banks				
a) due daily		3,019,827.01		6,419
b) with agreed maturity or period of notice		0.00	3,019,827.01	0
2. Liabilities to customers				
a) other liabilities				
aa) due daily	34,987,328.94			28,280
<i>of which:</i>				
<i>to financial services institutions € 411.02</i>				(10)
ab) with agreed maturity or period of notice	23,544,491.78	58,531,820.72	58,531,820.72	27,811
3. Securities held for trading			3,207,852.94	2,771
4. Other liabilities			2,677,167.47	3,155
5. Accruals and deferred income			2,565.64	22
6. Provisions and accruals				
a) tax provisions		4,307,691.92		2,040
b) other provisions		4,991,875.33	9,299,567.25	5,468
7. Fund for general banking risks			25,181,810.85	21,707
<i>of which: € 25,181,810.85 according to § 34e (4) HGB</i>				(21,707)
8. Equity capital				
a) subscribed stock	13,705,837.00			13,706
own shares	- 92,504.00	13,613,333.00		- 18
b) capital reserves		31,934,695.83		31,848
c) other revenue reserves		2,988,251.61		3,857
d) net profit of the Group		9,991,244.72		8,691
e) non-controlling interests		21,232,804.70	79,760,329.86	20,475
Total liabilities and shareholders' equity			181,680,941.74	176,231
1. Contingent liabilities				
a) Liabilities resulting from guarantees and warranties		55,258.00	55,258.00	55





GROUP INCOME STATEMENT BERLINER EFFEKTENGESELLSCHAFT AG, Berlin for the period from 1 January to 31 December 2018	in €	in €	in €	in €	in '000 € last year
1. Interest earnings					
a) credit and money market business	101,336.56				84.3
<i>less negative interest from money market business</i>	- 479,039.12	- 377,702.56			- 424.6
b) fixed-interest securities and government					
ledger bonds		2,557.55	- 375,145.01		3.3
2. Interest expenses			- 276,035.67	- 651,180.68	- 214.7
3. Current income from					
a) <i>shares and other non fixed-interest securities</i>			3,000.00	3,000.00	0.0
4. Result from associated companies				1,000,175.49	940.3
5. Commission earnings			1,487,109.34		1,655.5
6. Commission expenses			- 327,024.15	1,160,085.19	- 321.5
7. Net earnings from securities held for trading				63,863,068.35	59,669.2
8. Other operating profits				4,854,768.43	2,849.4
9. General administrative expenses					
a) personnel expenses					
aa) wages and salaries		- 17,923,018.23			- 16,925.7
ab) social security payments and expenses for retirement					
provisions and for support		- 1,614,436.93	- 19,537,455.16		- 1,597.2
<i>of which: € 00.00 for retirement provisions</i>					0.0
b) other administration expenses			- 17,967,560.45	- 37,505,015.61	- 15,726.6
10. Write-offs and value adjustments on intangible assets and tangible fixed assets				- 663,187.15	- 598.4
11. Other operating expenses				- 2,072,046.15	- 761.0
12. Write-offs and value adjustments on receivables and certain securities as well as allocations to provisions for credit business				- 57,878.84	- 165.2
13. Earnings from write-ups to receivables and certain securities, as well as release of provisions in credit business				119,693.45	216.8



	in €	in €	in €	in €	in '000 € last year
14. Write-offs and value adjustments on investments, shares in affiliated companies and securities treated as fixed assets				0.00	0.0
15. Result from ordinary business activities				30,051,482.48	28,683.9
16. Allocation to fund for general banking risks				-3,475,178.01	-4,294.8
17. Taxes on income and profit				-8,950,799.10	-8,802.4
18. Other taxes not shown under 11				9,109.15	8.6
19. Net income of the Group				17,634,614.52	15,595.3
20. Share of non-controlling interests in the net income				-7,643,369.80	-6,905.0
21. Net profit of the Group				9,991,244.72	8,690.3
22. Profit brought forward				476,408.56	3,812.1
23. Allocations to revenue reserves					
a) to reserves for shares in a controlling company				0.00	0.0
b) to other revenue reserves				-476,408.56	-3,768.6
24. Allocations to capital reserves				0.00	-43.5
25. Net profit of the Group				9,991,244.72	8,690.3



MANAGEMENT REPORT OF THE BERLINER EFFEKTEGENESCHAFT AG GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

1. Basic principles

1.1 Preamble

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

1.2 Organisation and business areas

The 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 55.9 %**, licensed as a deposit bank. The main business is securities trading, particularly 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 and general financial and structuring advice,

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 Privatbank AG.

The Berliner Effektengesellschaft AG currently holds an interest of 25.3 % in the Quirin Privatbank AG. According to HGB-regulations (German Commercial Code) the Quirin Privatbank AG is therefore an associated company of the BEG Group.

Where necessary, the company also supports its 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 two 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 Privatbank 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 competitive position of the most important subsidiary, Tradegate AG Wertpapierhandelsbank, has continued to improve since the company's own trading system, TRADEGATE®, was established as a stock exchange called TRADEGATE EXCHANGE and the company entered into a strategic partnership with the Deutsche Börse AG. Following the high increase in 2017 of 25.96 % in the number of equity trades completed on the TRADEGATE EXCHANGE the company was once again able to report an unexpected growth spurt of 13.67 % in 2018 with 16,370,936 single transactions. All other relevant competitors reported significantly less growth, so TRADEGATE EXCHANGE'S market share in equity trading increased further to 77 % compared with the other seven German regional stock exchanges. With regard to the market segment equity trading, TRADEGATE EXCHANGE has thus held and consolidated its position as the leading trading platform for private investors in Germany.

1.4 Development of general market conditions

The general market conditions for securities trading companies, especially in trading with private investors, showed no sustained improvement in 2018. Nevertheless, the amount of trading in equities by private investors remained stable last year compared with the previous year, although especially towards the year end it was clear that investors were unsettled and restrained in the face of the uncertain outcome of the so-called BREXIT negotiations and the threat of a trade war between the USA and China.



There is still great increased pressure among the remaining securities trading firms and trading platforms/exchanges that are all competing for a dwindling number of trades. The competitive pressure has once again led to a drop in the attainable gross and net margins. Happily, the average gross margin per trade for 2018 did not fall significantly. This was most likely due to the very volatile share markets in certain months and a shift in customers' interest to high-margin foreign securities. The urgently awaited market shakeout which would make long term profitable business possible for the remaining companies has yet to materialise. In fact the successful business model of the TRADEGATE EXCHANGE is now being widely copied by three other stock exchanges with the aim of trying to regain market share, but up to now these new platforms have not been able to achieve any significant turnover. The wide range of services offered by the TRADEGATE EXCHANGE with its many advantages for both banks and private investors is still on the whole unique and holds numerous competitive advantages with a secure future.

The business climate for private and business banking remains difficult due to the current phase of low interest rates. Apart from the challenging profit situation the imminent introduction of new regulations will make it necessary to make considerable investments, especially in IT-infrastructure.

2. Economic report

2.1 Business development

In 2017 the group subsidiary Tradegate AG Wertpapierhandelsbank reported a very good result in ordinary business activities of € 28,691,000. In the business year 2018 the result in ordinary business activities could be improved once more to € 29,614,000. On the basis of this higher profit in trading the company was again obliged to pay a large sum (€ 3,475,000) into the fund for general banking risks. Meanwhile, a total of € 25,182,000 has been paid into the fund which means that this amount cannot be distributed to the shareholders as profit. The company achieved a very good net profit in spite of this and is therefore able to increase the dividend payment from last year's € 0.63 to € 0.67 per share.

Ventegis Capital AG recorded a small profit for the year of € 470,000 and will not, therefore, pay out a dividend for 2018.

As at 31 December 2018 the number of employees in the Group had changed marginally, with thirteen new-comers and ten leavers. At the end of the year there were 124 people employed in the Group. The age structure changed p.r.t. only slightly. The average age is about 42.8 (last year 43.7). The average job tenure is 11.4 years (last year 12.1 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 receive variable remuneration from their respective company. 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. € 10,107,000 of the total remuneration of € 17,923,000 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. The investments made in intangible assets were for trademark rights and customer relations. 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 € 17,635,000 for the year 2018 (2017: € 15,595,000). The results of operations of the Group are influenced by the net earnings from securities held for trading, which include the significant amount of 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 three years.



	in '000 € 2016	in '000 € 2017	in '000 € 2018
Interest income	- 304	- 552	- 648
Result from associated companies	948	940	1,000
Commission income	967	1,334	1,160
Net earnings from securities held for trading	50,810	59,669	63,863
General administrative expenses	- 31,763	- 34,250	- 37,505
Result from ordinary business activities	24,874	28,684	30,052
Allocation to fund for general banking risks	- 2,648	- 4,295	- 3,475
Taxes on income and profit	- 6,551	- 8,802	- 8,951
Net income / loss for the year	15,624	15,595	17,635

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 negative interest rates for short-term investments. The results from shares in other companies which are included in the consolidated accounts at equity have hardly changed. A significant part of the commission income comes from the remuneration for broker and specialist activities. The commission income in the business area private and business banking has continued to develop positively. The commission expenses included in the net earnings from securities held for trading have risen from € 19,773,000 to € 23,119,000. This was due to the continuing rise in turnover and the corresponding increase in commission expenses. As the business year's results have improved once again, an increase of 7.0 % was reported in the net earnings from securities held for trading despite the higher commission expenses.

Since last year's results were very good the company was able to reward employees with a share in profits. These special payments and bonuses are the main reason for the € 1,015,000 increase in personnel costs. In total, other administrative expenses have increased by € 2,241,000 due to a larger volume of business and the general rise in expenses.

Reported under other operating profits are mainly the profits from foreign exchange transactions in the area private and business banking.

The subsidiary Tradegate AG Wertpapierhandelsbank pays into the fund for general banking risks according to § 340e (4) Handelsgesetzbuch (German Commercial Code).

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, result from associated companies, commission earnings, net earnings from securities held for trading and other operating profits,



- Cost income ratio (CIR), expressed as a percentage: the sum of general administrative expenses, write-offs and the sum of interest income, commission income and net earnings from securities held for trading,
- Return on equity (ROE), expressed as a percentage: net profit for the year plus the amount allocated to the fund for general banking risks divided by equity capital,
- Earnings per share (EpS), expressed as a percentage: net profit for the year plus the amount allocated to the fund for general banking risks divided by the number of shares at the balance sheet date.

	2016	2017	2018
Turnover equivalent	59,686,000 T€	64,777,000 T€	70,833,000 T€
CIR	61.8 %	56.8 %	58.4 %
RoE	27.22 %	25.86 %	26.67 %
EpS	1.317 €	1.451 €	1.540 €

The positive environment on the stock markets and the relative strength compared with competitors has led to another increase, especially in the net result from securities held for trading. The rise in the net result from securities held for trading also brought about a slight increase in the general administrative expenses. Mainly the personnel costs rose due to profit-related special payments and general administrative expenses increased due to turnover-related expenses.

The results of operations have developed very positively during the last business year and were much better than planned.

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 2018 from securities held for trading, € 3,475,000 was paid into the fund. The fund now contains € 25,182,000.

In 2018 the Group companies continued to buy and sell own shares within the scope of trading activities. There was no new placement of those shares held directly by the parent company. Compared with last year the Group's equity ratio fell slightly from 44.6 % to 43.9 %. As the allocation to the fund for general banking risks has increased the ratio of equity capital on the balance sheet has decreased.

Significant investments were made, mainly in the computer system. Capital was not borrowed for the investments.

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 therefore also classed as liquidity. The very positive development of results has led to a corresponding accrual of liquidity.

In private banking the account deposits are kept liquid or at most 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 was not developed further, 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 € 5,450,000 on last year's result. On the assets side of the balance sheet the main increase was to the credit balance at the German Bundesbank and other banks. The credit balance at the Bundesbank was raised to control large credit exposures and to serve the Liquidity Coverage Ratio, which is monitored by the banking supervisory authorities. The passive side of the balance sheet shows an increase mainly in the liabilities to customers, provisions and accruals and the fund for general banking risks. The amount in liabilities to banks fell at the end of the reporting period. The positive results of operations, especially the net result coming from securities trading, led to an increase in provisions and accruals for personnel expenses and in the fund for general banking risks.

The Group's net assets are in good order.

3. Risk report, outlook, opportunities

3.1 Risk report

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

3.1.1 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. Through its subsidiary Tradegate AG Wertpapierhandelsbank the Group sees itself as a liquidity provider or, as the case may be, a market specialist and 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. The risk control department reports to the Chairman of the Board and monitors the risk situation and supports risk management, in particular with information on assumed risks. Risk control is also largely responsible for the further development of the risk management system. The basis for the limit system is the expected result of the business year, taking into account the current total amount of capital and reserves and the effective result of the business year. An upper limit loss was decided for 2018 which was increased slightly during the year to accommodate the risk arising from foreign exchange due to extensive trading in foreign securities.

3.1.2 Institutional supervision

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 and the German Bundesbank. Accordingly, an interim return and the calculations for the Liquidity Regulation are prepared monthly; calculations on solvency, debt and liquidity and reports on any large loans and loans in millions are submitted quarterly. If any unusual events occur, they are to be reported separately. By virtue of its authorisation to carry out certain types of banking business, the company is duty bound to support an internal audit according to the minimum requirements for risk management.

In accordance with part 8 of the directive (EU) 575/2013 of the European Parliament dated 26 June 2013, also known as the Capital Requirement Regulation (CRR), certain information must be disclosed. The Tradegate AG Wertpapierhandelsbank fulfils this disclosure requirement in a separate report, which is available on the company's website at www.tradegate-ag.de.

The financial holding group Berliner Effektengesellschaft AG must adhere to the group-level regulations of the CRR which govern con-



solidated monthly reports. It must also observe the regulations on submitting information on financials and risk bearing ability according to the German Banking Act. According to § 10a subsection 1 clause 2 of the German Banking Act the Tradegate AG Wertpapierhandelsbank is by law the highest-level company in the financial holding group. The regulatory group basically comprises all companies that are included in the group financial statements according to commercial law. The Quirin Privatbank AG is included in the HGB-accounts of the Group 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 institute and itself subject to reporting rules. The Tradegate Exchange GmbH, in which Tradegate AG Wertpapierhandelsbank has almost a 25 percent share, is also included in the HGB group accounts at equity. For the purpose of regulatory reporting Tradegate Exchange only represents a shareholding of the Tradegate AG Wertpapierhandelsbank.

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 2018 the capital requirement and capital resources were as follows:

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



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

The report for the financial holding group Berliner Effektengesellschaft AG is made according to the CRR. Between January and December 2018 the total capital ratio at group level lay between 26.09 % and 30.30 %.

3.1.3 Market price risks

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



Last year the controlling limits were monitored in line with supervision requirements. On the basis of the expected results for 2018 and the capital resources, an absolute upper loss limit for all 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 2018 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 2018 the control limit for the securities held for trading was not changed.

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

A further controlling limit exists for non-€ receivables and liabilities from banks, customers and suppliers. The risks at domestic banks from deposits in US dollars are to be noted in particular. No limits were exceeded here. If limits are exceeded during the business year the board members responsible for controlling and trading are informed. They then decide on any further steps to be taken.

3.1.4 Operational risks

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

The existing risk matrix was reassessed for risks, early warning indicators and possible counter measures. If there were any new values the early warning indicators in the risk matrix were renewed or adjusted. In order to create an overview of any damages occurring,

employees were required to report to risk control the cases of damages that exceeded a defined minimum limit. The damages arising were due to an increased amount of work and trading losses. They were addressed appropriately and operational processes were adjusted. In the area of IT-operations a list of system changes, faults and failures is kept which is regularly checked against the 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 Capital Requirement Regulation.

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 Group has predominantly receivables from banks. The most important bank connections are with the Quirin Privatbank AG and the BNP Paribas S.A. Group. Because of its associated relationship to the Group the Quirin Privatbank AG is integrated into the monthly reports and Mr. Timm is a member of the supervisory board of the bank, so sufficient realtime information on the economic situation is always available. Apart from bank accounts that 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 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 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. Financial institutions have to fulfil a liquidity coverage ratio (LCRDR) and provide for a stable



funding ratio. Within the requirements of the liquidity coverage ratio banks are required to hold liquid assets at least to an amount which covers the total value of liquidity outflow defined in the liquidity coverage ratio, less the inflow of liquidity under stress conditions also defined therein. The ratio of liquid assets to the net liquidity outflow at group level was between 3.11 and 8.85 throughout the whole business year. Within the stable funding ratio financial institutions must make sure that long term liabilities are backed appropriately by stable funding. Due to the business structure and the available own assets the company's long term funding was guaranteed at all times. The market liquidity risk is controlled and monitored through the choice of where to trade, consideration of the current market situation when completing transactions and the limitation of open positions.

3.1.6 Reporting

The whole managing board of the highest-level company in the Group 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 daily risk report is supplemented by a monthly economic development report and a quarterly report on the Group's risks.

3.2 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.

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

- The subsidiary Tradegate AG Wertpapierhandelsbank does not expect a further rise in earnings for the business year but aims to stabilise turnover and earnings at a high level.
- Ventegis Capital AG is aiming at least for a balanced result.
- Berliner Effektengesellschaft AG expects to match last year's operative business result, mainly as a result of dividend payments from Tradegate AG Wertpapierhandelsbank.

Contrary to expectations the results of Tradegate AG Wertpapierhandelsbank improved even further, so a higher dividend payment will follow. Ventegis Capital AG achieved a profit of € 470,000 which came from the sale of the investment in opTricon GmbH. The year's results of Berliner Effektengesellschaft AG decreased due to the unplanned but necessary write-down of its investment in Ventegis Capital AG.

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

The pressure of competition is likely to remain high in 2019, even though there are growing signs that the necessary market shakeout has at last begun. The company wants to defend and expand its market position as the leading exchange for private investors and will probably have to accept increasing variable costs per trade and a further decrease in the gross and net margin. Therefore, a slight drop in the year's results is to be expected compared with the record year 2018. An unknown factor is the possible introduction of a European tax on financial transactions which is still being discussed. And as it is still unclear what form the so-called BREXIT will take, at the moment the company sees no immediate negative or positive effects for the development of its business.

The squeeze-out process of Ventegis Capital AG, which began in 2013, finally came to an end in 2018, so the company will now concentrate on the development of its last remaining investment, Humedics. It should be possible at least to cover the already reduced general administration costs with income from the general advisory business. Depreciation potential on the remaining investment is not evident at the moment. In the next two years the company intends to try and sell Humedics if possible; in the case of the penultimate investment, opTricon, a sale was successfully completed in October 2018. Should more financing rounds for Humedics come up in 2019/20, Ventegis Capital AG will participate as far as its financial resources allow in order to avoid further dilution. Aside from this potential sale the company is aiming at least for a balanced result.

The third significant investment of the Berliner Effektengesellschaft is the Quirin Privatbank AG. Following a positive result in the previous year the bank was also able to report a good net profit for the year 2018. The Quirin Privatbank will therefore be able to pay out a small dividend in 2019. 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. The fintech arm of the Quirin Privatbank AG, "Quirion", a robo-advisor which provides online financial advice for private investors, is making good progress but has not yet reached the critical number of customers needed for a profitable business.



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, a slightly reduced result for the Group is to be expected in 2019.

Berlin, 25 April 2019

Berliner Effektengesellschaft AG

Holger Timm

Karsten Haesen





BERLINER EFFEKTENGESELLSCHAFT
AKTIENGESELLSCHAFT

BERLINER EFFEKTENGESELLSCHAFT AG | Kurfürstendamm 119 | D-10711 Berlin
Telephone: +49 (0)30-890 21-100
Fax: +49 (0)30-890 21-199

Internet: www.effektengesellschaft.de
email: info@effektengesellschaft.de

Branch:
c/o IHK building
Börsenplatz 4
D-60313 Frankfurt / Main



TRADEGATE AG
WERTPAPIERHANDELSBANK

Tradegate AG Wertpapierhandelsbank | Kurfürstendamm 119 | D-10711 Berlin
Telephone: +49 (0)30-890 21-100
Fax: +49 (0)30-890 21-199

Internet: www.tradegate-ag.de
email: info@tradegate.de

Branch:
c/o IHK building
Börsenplatz 4
D-60313 Frankfurt / Main



Quirin Privatbank AG | Kurfürstendamm 119 | D-10711 Berlin
Telephone: +49 (0)30-890 21-300
Fax: +49 (0)30-890 21-301

Internet: www.quirinprivatbank.de
email: berlin@quirinprivatbank.de



VENTEGIS CAPITAL AG | Kurfürstendamm 119 | D-10711 Berlin
Telephone: +49 (0)30-890 21-180
Fax: +49 (0)30-890 21-189

Internet: www.ventegis-capital.de
email: info@ventegis-capital.de

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