



1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 **2014**

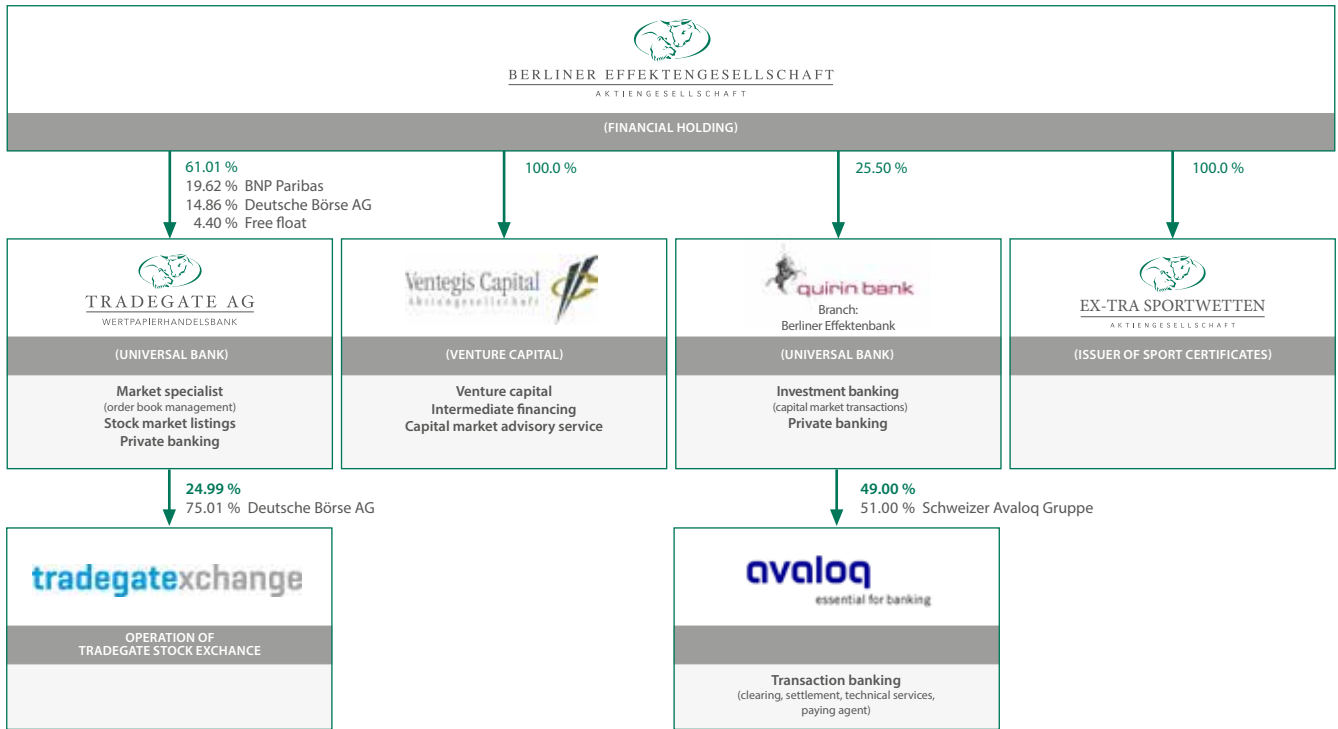
Berliner Effektengesellschaft AG Summarised Annual Report 2014



BERLINER EFFEKTEGESELLSCHAFT

AKTIENGESELLSCHAFT

GROUP STRUCTURE (31.12.2014)



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

SHAREHOLDERS' STRUCTURE AS AT 31 DECEMBER 2014

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

COMPANY DATA AS AT 31 DECEMBER 2014

Market capitalisation:	90,170,000 €
Number of shares:	13,872,337
Free float:	19.09 % = 2,647,651
Financial accounting:	HGB
Balance sheet total:	84,042,000 €
Number of employees:	104

KEY FIGURES AS AT 31 DECEMBER 2014

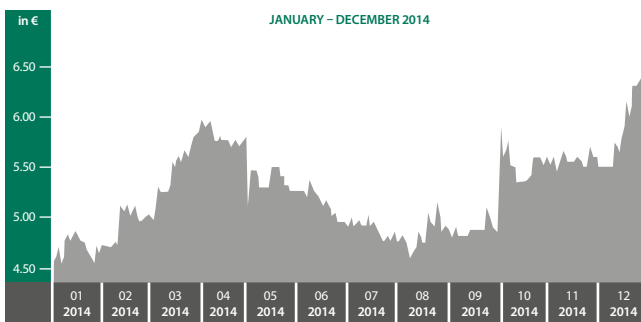
Result per share:	0.949 €
Dividend:	0.20 €
Interest surplus / gross profit:	2.5 %
Commission surplus / gross profit:	3.1 %
Trading result / gross profit:	94.3 %
Cost / Income-Ratio:	68.6 %
Equity ratio*1:	87.9 %

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 %

SHARE PRICE DEVELOPMENT

BERLINER EFFEKTEGESELLSCHAFT AG (WKN 522 130, ISIN DE0005221303)



"NET-ASSET-VALUE"

OF THE LISTED GROUP COMPANIES AND HOLDINGS OF THE BERLINER EFFEKTEGESELLSCHAFT AG AS AT 30 DECEMBER 2014

	Number of shares BEG holds	Share price in Frankfurt	Calculative value 30 · 12 · 2014
Tradegate AG	14,888,799	6.20 €	92,310,554 €
quirin bank AG	10,996,373	1.44 €	15,834,777 €
Ventegis Capital AG	3,569,270	2.70 €*2	9,637,029 €

Number of BEG shares as at 30.12.2014	13,872,337
Calculative value of the three listed group companies / holdings 30.12.2014	117,782,360 €
Calculative value of each BEG share 30.12.2014	8.49 €
Price of the BEG share on 30.12.2014	6.50 €

MANAGING BOARD AND SUPERVISORY BOARD

As at: 01.05.2015

Managing Board
Holger Timm, Chairman
Karsten Haesen

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

CALENDAR OF EVENTS

11 June 2015 | 2 pm **Annual General Meeting in Berlin**
4 December 2015 | 5 pm **Shareholders' Forum in Berlin**



BERLINER EFFEKTENGESELLSCHAFT
AKTIENGESELLSCHAFT

GROUP FINANCIAL STATEMENT

08 ASSETS

11 LIABILITIES AND SHAREHOLDERS' EQUITY

12 GROUP INCOME STATEMENT

GROUP MANAGEMENT REPORT

GROUP BALANCE SHEET: ASSETS BERLINER EFFEKTEGESELLSCHAFT AG, Berlin as at 31 December 2014	in €	in €	in €	in '000 € last year
1. Cash reserves				
a) cash balance		1,534.58		2
b) balance at Deutsche Bundesbank		5,147,786.12	5,149,320.70	3,154
2. Receivables from banks				
a) due daily		52,539,174.46		39,191
b) other receivables		2,070,143.75	54,609,318.21	2,071
3. Receivables from customers			277,618.62	518
<i>of which:</i>				
<i>secured by land charges € 0.00</i>				
<i>local authority loans € 0.00</i>				
<i>financial services institutions € 25,960.64</i>				(5)
4. Bonds and other fixed-interest securities				
a) commercial papers				
aa) from other issuers	0.00	0.00		0
<i>of which lendable at the Deutsche Bundesbank € 0.00</i>				
b) bonds and debentures				
ba) from public sector issuers	0.00			0
<i>of which lendable at the Deutsche Bundesbank € 0.00</i>				
bb) from other issuers	688,385.45	688,385.45	688,385.45	1,337
<i>of which lendable at the Deutsche Bundesbank € 0.00</i>				
5. Shares and other non fixed-interest securities			114,900.22	231
a) Securities held for trading			4,247,463.70	4,116
6. Investments			3,625,665.56	2,840
<i>of which:</i>				
<i>in banks € 0.00</i>				
<i>in financial services institutions € 0.00</i>				



	in €	in €	in €	in '000 € last year
7. Investments in associates			10,706,564.57	9,924
<i>of which:</i>				
<i>in banks € 10,422,220.81</i>				(9,679)
<i>in financial services institutions € 0.00</i>				
8. Shares in affiliated companies			0.00	0
<i>of which:</i>				
<i>in banks € 0.00</i>				
<i>in financial services institutions € 0.00</i>				
9. Intangible assets			764,299.30	819
a) acquired concessions, industrial property rights and similar rights and assets, including licences for such rights and assets			409,928.00	142
b) goodwill			354,371.30	677
10. Tangible fixed assets			395,152.00	364
11. Other current assets			3,422,163.74	2,619
12. Prepaid and deferred expenses			14,844.54	7
13. Deferred tax assets			26,780.61	29
Total assets			84,042,477.22	67,222





GROUP BALANCE SHEET: LIABILITIES AND SHAREHOLDERS' EQUITY BERLINER EFFEKTEGESELLSCHAFT AG, Berlin as at 31 December 2014	in €	in €	in €	in '000 € last year
1. Liabilities to banks				
a) due daily		309,020.73		362
b) with agreed maturity or period of notice		0.00	309,020.73	0
2. Liabilities to customers				
a) other liabilities				
aa) due daily	1,767,430.86			941
<i>of which:</i>				
<i>to financial services institutions € 8,297.93</i>				(8)
ab) with agreed maturity or period of notice	0.00	1,767,430.86	1,767,430.86	0
3. Securities held for trading			1,410,244.18	2,043
4. Other liabilities			1,770,916.83	1,460
5. Deferred tax liabilities			39,318.74	38
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		1,321,974.95		1,297
c) other provisions		2,768,825.48	4,090,800.43	2,261
8. Fund for general banking risks			12,191,242.14	8,837
<i>of which: € 12,191,242.14 according to § 34e IV HGB</i>				(8,837)
9. Equity capital				
a) subscribed stock	13,872,337.00			13,872
own shares	- 58,427.00	13,813,910.00		- 44
b) capital reserves		31,583,477.49		31,563
c) consolidated retained earnings		3,315,113.32		- 4,441
d) adjustment item for minority interests		13,751,002.50	62,463,503.31	9,034
Total liabilities and shareholders' equity			84,042,477.22	67,222



GROUP INCOME STATEMENT BERLINER EFFEKTENGESELLSCHAFT AG, Berlin for the period from 1 January to 31 December 2014	in €	in €	in €	in '000 € last year
1. Interest earnings				
a) credit and financial market business	30,326.98			103.1
b) fixed-interest securities and government ledger bonds	50,302.81	80,629.79		90.5
2. Interest expenses		- 7,223.80	73,405.99	- 12.7
3. Current income from				
a) shares and other non fixed-interest securities		0.00	0.00	0.0
4. Result from associated companies			832,806.07	479.3
5. Commission earnings		1,329,970.29		980.6
6. Commission expenses		- 214,019.62	1,115,950.67	- 196.4
7. Net earnings from securities held for trading			33,703,202.90	29,231.5
8. Other operating profits			5,806,608.71	1,320.9
9. General administrative expenses				
a) personnel expenses				
aa) wages and salaries	- 10,500,685.90			- 9,020.1
ab) social security payments and expenses for retirement provisions and for support	- 1,153,681.84	- 11,654,367.74		- 1,084.0
<i>of which: € 133.57 for retirement provisions</i>				0.3
b) other administration expenses		- 12,327,094.36	- 23,981,462.10	- 12,932.4
10. Write-offs and value adjustments on intangible assets and tangible fixed assets			- 530,725.62	- 514.1
11. Other operating expenses			- 71,995.53	- 511.8
12. Write-offs and value adjustments on receivables and certain securities as well as allocations to provisions for credit business			- 75,250.77	- 307.0
13. Earnings from write-ups to receivables and certain securities, as well as release of provisions in credit business			150,988.17	143.6



	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	- 25.0
15. Earnings from write-ups to investments, shares in affiliated companies and securities treated as fixed assets			33,486.70	0.0
16. Result from ordinary business activities			17,057,015.19	7,746.0
17. Allocation to fund for general banking risks			- 3,353,823.58	- 2,917.8
18. Taxes on income and profit			- 3,895,333.08	- 2,673.8
19. Other taxes not shown under 11			1,894.13	5.1
20. Net income			9,809,752.66	2,159.5
21. Associates' minority in net income			- 1,292,686.48	- 1,210.9



**MANAGEMENT REPORT OF THE
BERLINER EFFEKTEGESELLSCHAFT AG GROUP
FOR THE YEAR ENDED 31 DECEMBER 2014**

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 61.1 %**, 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 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 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 competitive position of the most important subsidiary, Tradegate AG Wertpapierhandelsbank, has further improved since the company's own trading system, TRADEGATE®, was established as a new stock exchange, TRADEGATE EXCHANGE. The company has also benefited from the past year's strategic partnership with the Deutsche Börse AG. Following a very noticeable increase in 2013 of 34.5 % in the number of equity trades on the TRADEGATE EXCHANGE, 2014 again saw a positive growth rate of 9.76 % with 8,151,133 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 2014. TRADEGATE EXCHANGE'S market share in equity trading, however, continued to grow, at times reaching up to 62 %. 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.

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 2014. 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 that are all competing for a dwindling number of trades. Nevertheless, it was still possible to achieve a slight increase in the average gross margin per trade for 2014. Unfortunately in the second half of the year a downward turn became evident. The urgently needed market shakeout which would make long term profitable business possible for the remaining companies did not materialise last year. In fact the successful business model of the TRADEGATE EXCHANGE is now being widely copied by other stock exchanges with the aim of trying to regain market share.

2. Economic report

2.1 Business development

In 2013 the group subsidiary Tradegate AG Wertpapierhandelsbank reported a very good result in ordinary business activities of € 9,705,000. In the business year 2014 the result in ordinary business activities was improved further to € 12,660,000. On the basis of the German Accounting Law Modernisation Act the company was once again obliged to pay a large sum (€ 3.35 million) into the fund for general banking risks. In the past five years a total of € 12,191,000 has been paid into the fund which means that this amount cannot be distributed to the shareholders as profit. In the business year 2015 and in the following years only small adjustments – additions or subtractions – will be necessary depending on the company's average

trading profit of the last five years. This year, the company achieved a very good net profit and is therefore able to increase the dividend payment from last year's € 0.05 to € 0.21 per share.

The subsidiary Ex-tra Sportwetten AG in Vienna reported a profit for the year 2014 of € 95,535.26 due to the football World Cup. There was brisk trading of the sport certificates during the event and this contributed largely to the result.

In 2014 Ventegis Capital AG was able to improve on the result of 2013 (€ 1,373,000) by increasing earnings from its advisory service but still recorded a loss for the year of € - 390,000. The loss resulted from general administration costs and a value adjustment to the company's portfolio. The company will therefore not pay any dividend for the year 2014.

The number of employees in the Group hardly changed, with eight new-comers and four leavers. At the end of the year there were 104 people employed in the Group. The age structure changed p.r.t. only slightly. The average age is about 40.9 (last year 42.1) with most people in the age group from 30 to 40. The average job tenure is almost 10.4 years (last year 11 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. € 4,176,000 of the total remuneration of € 10,501,000 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 € 9,810,000 for the year 2014 (2013: € 2,159,000). 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 three years.

	in '000 € 2012	in '000 € 2013	in '000 € 2014
Interest income	357	181	73
Result from associated companies	- 348	479	833
Commission income	180	784	1,116
Net earnings from securities held for trading	16,852	29,232	33,703
General administrative expenses	- 20,067	- 23,036	- 23,982
Result from ordinary business activities	- 6,680	7,746	17,057
Allocation to fund for general banking risks	- 1,671	- 2,918	- 3,354
Taxes on income and profit	- 21	- 2,674	- 3,895
Net income / loss for the year	- 8,320	2,159	9,810

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 again this year. This is especially attributed to the development of results of the quirin bank AG. The commission income has improved mainly as a result of increased earnings from advisory services in the business area Venture Capital. A significant part of the commission income continues to come from the remuneration for broker and specialist activities. This has changed only slightly to € 742,000 (2013: € 769,000). The commission expenses included in the net earnings from securities held for trading have risen from € 7,652,000 to € 8,043,000. This was due to increased turnover and corresponding higher commission expenses. Despite these higher commission expenses an increase of 15.3 % was reported in the net earnings from securities held for trading thanks to last year's improved results.

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 € 945,000 increase in general administrative expenses. In total, other general administrative expenses fell by € 605,000 mainly because of more cost effective settlement processes.



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, 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 and write-offs on intangible and tangible assets divided by gross earnings
- Return on equity (ROE), expressed as a percentage: net profit for the year plus the amount allocated to the fund for general banking risks divided by equity capital
- Earnings per share (EpS), expressed as a percentage: net profit for the year plus the amount allocated to the fund for general banking risks divided by the number of shares at the balance sheet date

	2012	2013	2014
Turnover			
equivalent	19,459,000 €	32,206,000 €	41,753,000 €
CIR	123.4 %	76.8 %	68.6 %
RoE	- 12.06 %	10.36 %	23.56 %
EpS	- 0.479 €	0.366 €	0.949 €

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. 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 68.6 %.

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 2014 from securities held for trading, € 3,354,000 was paid into the fund. The last five years' payments now amount to € 12,191,000.

In 2014 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 € 20,000. Compared with last year the Group's equity ratio fell from 74.4 % to 73.4 %. The customer deposits in private banking changed only slightly.

€ 524,000 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 along with the sale of interests in Tradegate AG Wertpapierhandelsbank 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 € 16,820,000 compared with last year. On the assets side of the balance sheet the credit balance at the Bundesbank and other banks increased. Owing to the very positive development of results and the sale of interests in Tradegate AG Wertpapierhandelsbank the credit balance at banks increased overall by € 13,347,000.

On the passive side of the balance sheet the fund for general banking risks and the equity capital increased. 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 the Group's equity capital comes from the net income for the year and the sale of interests in the Tradegate AG Wertpapierhandelsbank. The sale led to an increase in the balancing item for shares held by other shareholders.

The company's net assets are in good order.

3. Supplementary report

No significant events were reported after the balance sheet date.

4. Risk report, outlook, opportunities

4.1 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.

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, 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 develop-

ment 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 2014 which remained unchanged for the whole year.

4.1.2 Institutional supervision

Tradegate AG Wertpapierhandelsbank and consequently the Berliner Effktengesellschaft 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 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 26th 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.

The financial holding group Berliner Effktengesellschaft AG must adhere to the group-level regulations of the CRR which govern consolidated monthly reports. It must also observe the regulations on submitting information on financials and risk bearing ability according to the German Banking Act. 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 Effktengesellschaft 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 2014 the capital requirement and capital resources were as follows:

	Amount in '000 €
Capital requirements for	
Counterparty default risks	51,617
Market price risks	10,536
Operational risks	48,070
Total	110,223

	Amount in '000 €
Description	
Paid-in capital	13,872
Capital reserves	31,533
Own shares	- 59
Retained earnings	- 7,699
Special item for general banking risks	5,403
Minority interests	1,170
Temporary provisions for minority interests	14,821
Goodwill	- 390
Intangible assets	- 410
Other adjustments	- 2,466
Core capital	55,775

The report for the financial holding group Berliner Effektengesellschaft AG is made according to the CRR. Between January and December 2014 the total capital ratio at group level lay between 38.88 and 50.60.



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 2014 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 2014 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 2014 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 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. 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 report-



ed 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 5.21 and 11.88, the minimum figure being 1. As of 1st January 2014 financial institutions have to fulfil a liquidity coverage ratio (LCR) and provide for a stable funding ratio. Within the requirements of the liquidity coverage ratio banks are required to hold liquid assets at least to an amount which covers the total value of liquidity outflow defined in the liquidity coverage ratio, less the inflow of liquidity under stress conditions also defined therein. The ratio of liquid assets to the net liquidity outflow was between 2.36 and 15.11 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.

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 2015 the subsidiary aims to achieve at least the same level of earnings as in 2014. It has already made a very good start to the year with an increase in the volume

of transactions for January and February. 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 2015 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. In 2015 the company intends to sell a current investment within an external M&A process. Apart from this potential sale the aim is at least for a balanced result.

The third significant investment of the Berliner Effektengesellschaft is the quirin bank AG. The bank increased its net profit for the year 2014 by almost 80 %. 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 that there is to be no football World Cup or European Cup event in 2015 it is expected that the subsidiary Ex-tra Sportwetten AG in Vienna will be not be able to generate any earnings.

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, good operative business results can be expected in 2015. Taking into account special items arising in 2014 from changes in the shareholders of Tradegate AG Wertpapierhandelsbank the Group's annual net profit will probably be lower next year.

Berlin, 20 March 2015

Berliner Effektengesellschaft AG

Holger Timm

Karsten Haesen





BERLINER EFFEKTEGESELLSCHAFT
AKTIENGESELLSCHAFT

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

Internet: www.oeffektengesellschaft.de
email: info@oeffektengesellschaft.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 bank AG | Kurfürstendamm 119 | D-10711 Berlin
Telephone: +49 (0)30-890 21-300
Fax: +49 (0)30-890 21-301

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