

/ BAADER /



**Baader Bank AG**

The Future is now.

Annual Report 2021

[www.baaderbank.de](http://www.baaderbank.de)

## Key figures Baader Bank Group

	2019 EUR'000	2020 EUR'000	2021 EUR'000	Change to previous year <i>Relative</i> %
<b>Income</b>	<b>104,336</b>	<b>212,661</b>	<b>215,475</b>	<b>1.3</b>
of which net interest income <sup>1</sup> and current income	-799	-2,634	-1,626	-38.3
of which net commission income <sup>1</sup>	32,111	30,977	12,889	-58.4
of which net trading income <sup>1,2</sup>	46,149	168,215	185,030	10.0
of which revenue	12,808	11,962	11,048	-7.6
of which other income	14,014	4,141	8,134	96.4
of which net income from interests in associates	53	0	0	-
<b>Expenses</b>	<b>-104,268</b>	<b>-156,642</b>	<b>158,033</b>	<b>0.9</b>
of which personnel expenses	-46,522	-71,239	-73,491	3.2
of which administrative expenses and other operating expenses	-44,604	-48,141	-55,921	16.2
of which amortisation and depreciation	-13,142	-20,425	-10,117	-50.5
of which transfers to fund of general banking risks	0	-16,837	-18,504	9.9
<b>Earnings before taxes (EBT)</b>	<b>68</b>	<b>56,019</b>	<b>57,444</b>	<b>2.5</b>
<b>Operating result<sup>1</sup></b>	<b>-8,017</b>	<b>81,529</b>	<b>70,537</b>	<b>-13.5</b>
<b>Total assets</b>	<b>617,375</b>	<b>888,578</b>	<b>1,819,682</b>	<b>104.8</b>
<b>Balance sheet equity ratio</b>	<b>12 %</b>	<b>14 %</b>	<b>9 %</b>	<b>-</b>
<b>Hard core capital ratio (CET 1)</b>	<b>14 %</b>	<b>15 %</b>	<b>22 %</b>	<b>-</b>

<sup>1</sup> Gross profit less personnel expenses and other administrative expenses as well as amortisation/depreciation on intangible assets and property, plant and equipment.  
In accordance with the provisions of the German Commercial Code (HGB).

## Key data and other information

<b>WKN</b>	508810	<b>Board of Directors (as at 31/12/2021)</b>	<b>Supervisory Board (as at 31/12/2021)</b>
<b>ISIN</b>	DE0005088108	Nico Baader (Chairman)	Dr. Horst Schiessl (Chairman)
<b>Reuters</b>	BLMG.MU	Dietmar von Blücher	Helmut Schreyer (Deputy Chairman)
<b>Bloomberg</b>	BWB@GR	Oliver Riedel	Prof. Dr. Georg Heni
<b>Ticker</b>	BWB		Christoph Mast
<b>Sector</b>	Banks		Ali Cavli
<b>Stock market listing</b>	1/8/1994		Thomas Leidel
<b>Admission segment</b>	Outside market		
<b>Home stock exchange</b>	Munich / m:access		
<b>Other stock exchanges</b>	Berlin Dusseldorf Frankfurt Hamburg Stuttgart XETRA		



- 29.47 % free float
- 5.63 % Ubtrend GmbH & Co. KG
- 64.90 % Baader Beteiligungs GmbH

STANDING STRONG –  
**and looking to the future.**



## #WeEnable FINTECHS

- 40** Digital asset managers
- +86%** Volume of securities accounts
- +290%** Number of accounts
- +10** B2B cooperation partnerships

## #WeEnable TRADING

- > 800,000** Order books
- +155%** Turnover on the gettex stock exchange
- > 20 m** Trades in Market Making
- +130%** Number of trades on all German stock exchanges

## #WeEnable ASSET MANAGEMENT

- Modern infrastructure** + integrated realisation of asset management processes
- 47** Fund mandates
- EUR 6.6 bn** Assets under management

## Dear Shareholders,

We can now look back on another exceptional year for Baader Bank – the second in a row. Following very strong performance in 2020, 2021 did not disappoint and the annual result once again exceeded that of the previous year.

We are, of course, very satisfied with this achievement and are proud of how our Bank has developed over the past quarters. The beginning of 2021 was impressive with a sensational first quarter, followed by a strong second quarter. While there was a significant downturn in performance in the third quarter, the year ended on a high, recording a stronger result in the fourth quarter and extremely positive performance for the year as a whole. The forecast made at the start of financial year 2021 was therefore met in its entirety.

With earnings before tax of EUR 57.4 million, net trading income also increased again compared to the previous year, amounting to EUR 185.0 million. The Market Making business line thus continued its **record performance**, processing a total of more than **20 million trades** over the past financial year. This volume reflects Baader Bank's enormous performance capacity and illustrates the potential of **continued high trading volumes on stock exchanges and trading platforms**. The level of trading activity continued to increase, particularly at the end of the year, and reached its annual peak in November.

The number of accounts and securities accounts also significantly increased over the course of the year. Thanks to **automated and digitalised processes**, Baader Bank opened the 500,000th securities account at the end of 2021 – corresponding to growth of almost 300%. As a result, the volume of securities deposits and deposits doubled and tripled respectively compared to the previous year.

To continue building on our successes this year, we are connecting with more customers and cooperation partners with a view to consolidating our **market leadership**. We are constantly optimising our internal processes as well as our external customer interfaces. In addition, we are extending our capital strength in the interests of our stakeholders. In 2022, Baader Bank will look to utilise **momentum in the market** in the best possible way for profitable growth.

This ongoing development is based on clearly defined business line strategies, which underlie the measures implemented to achieve objectives at the level of the Bank as a whole. By measuring **relevant strategic KPIs**, Baader Bank can implement its strategic decision and closely monitor its progress. Based on the five-year roadmap that is still in force, the Board of Directors of Baader Bank will draw up a **new strategic programme**, which will follow on seamlessly from Vision 2022.

The banking and stock market, in which Baader Bank operates as its main market, is continuing its profound transformation internationally and particularly in Germany. For financial year 2022, Baader Bank's basic scenario assumes that market volatility will normalise again compared to the highly volatile previous years 2020 and 2021. At the same time, the number of securities transactions and the volume of sales are expected to continue developing at the same level as in the previous year due to the continuing growth of customers, market volumes and products. In addition to continued strong growth in the number of private investors in the retail client business, the expected increase in business volumes across all business segments also contributes to the stabilisation of unit numbers and volumes.

Subject to the relevant Board resolutions and supervisory requirements, we plan to **distribute a scrip dividend** to our shareholders for financial year 2021.

The Board of Directors of Baader Bank would like to thank you, our shareholders, for your loyalty and confidence in our company. Without your support, we could not have achieved such pleasing performance in 2021. Over the past year, we have built on the strong earnings development achieved in 2020 and have recorded another consecutive exceptional year. The profitability and efficiency of Baader Bank's operating business has also developed at a stable level over the full year. This is reflected in the cost-income ratio of 70.4%. At 38.7%, Baader Bank's return on equity after taxes is extraordinary.

We are proud that Baader Bank is now in a **strong capital and financial position** thanks to its strategic orientation. The strategic decision to develop Baader Bank into an integrated platform operator is proving a success. It is imperative that we continue to consolidate the position established in 2020 and 2021 in the future.

We value the continued stable shareholder structure, comprising private and institutional investors as well as shareholders from among Baader Bank's management and employees and the Baader family. This gives us structural strength vis-à-vis our competitors.

#### From left to right

##### **Nico Baader**

Chairman of the Board of Directors

##### **Responsibility**

Market Making, Strategy, Legal, Human Resources & Company Organisation, Treasury, IT, Communication, Equity Capital Markets

##### **Dietmar von Blücher**

Member of the Board of Directors

##### **Responsibility**

Internal Audit, Compliance, Group Corporate Security Risk Management, Accounting, Controlling, Credit, Backoffice

##### **Oliver Riedel**

Member of the Board of Directors

##### **Responsibility**

Brokerage, Banking Services, Asset Management Services, Research, Corporate Brokerage



Due to the lack of planning certainty, the Board of Directors has once again decided that the shareholders' meeting will be held virtually. This is scheduled for 7 July 2022. As in the previous year, we will establish all technical and organisational framework conditions in the interests of our shareholders so that our shareholders' meeting satisfies the needs of all shareholders.

The Board of Directors would like to thank all employees of the entire Baader Bank Group for the very strong performance in 2021, which was another busy year with extremely high business volumes. The level of professionalism and diligence exhibited is simply unparalleled.

We would also like to thank all our business partners for the trust they placed in us and for the successful and future-oriented cooperation, which plays a key role in Baader Bank's overall success.

For the current financial year, we have set ourselves the goal of generating long-term participation potential for our stakeholders, achieving market and price leadership in the client business and making further improvements at the organisational and procedural level.

Over the past two years, Baader Bank has set a strategic course and built up the necessary financial traction. On this basis, we will align our business model with constant change and make our business even more scalable. Baader Bank is no longer just a beneficiary but a driving force, actively shaping a new stock exchange culture. The positive framework conditions for this development will continue to exist in the future and will also offer new business potential, which we will incorporate into our strategic orientation.



Kind regards, Nico Baader,  
Chair of the Board of Directors of Baader Bank AG



## #WeEnable INSIGHTS

**Our research** regularly receives **multiple awards**

> **600** European stocks

+**11%** New research clients

Offer expanded with  
**ESG and Credit research**

Our **investment conferences**  
are **leading in Europe**

/ **Baader** CONFERENCE 

/ **Baader** SWISS EQUITIES 

## #WeEnable BUSINESS

**106** Special Execution transactions

**6** Equity Capital Markets transactions

+**8%** Corporate Brokerage clients



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# 1. General information about the Baader Bank Group

## 1.1 Organisational and legal structure

Baader Bank Aktiengesellschaft (Baader Bank or Baader Bank AG) is a majority family-owned, listed investment bank. It has a full banking licence, is a member of the Association of German Banks (Bundesverband deutscher Banken e.V.) and is part of its deposit protection scheme.

As at the balance sheet date, the Baader Bank Group comprised the parent company and six fully consolidated companies – of these, three are subsidiaries and three sub-subsidiaries. The Group is headquartered in Unterschleissheim near Munich. There are further German offices of Baader Bank located in Frankfurt am Main and Stuttgart.

Baader Helvea AG, the wholly owned Swiss subsidiary of Baader Bank, has its headquarters in Zurich. Baader Helvea AG holds a 100 % interest in Baader Helvea Ltd. which has its headquarters in London and Baader Helvea Inc. which has its headquarters in New York. Together with Baader Helvea AG, these companies form the Baader Helvea Group.

Baader Bank holds a 100 % interest in Selan Holding GmbH, with its headquarters in Unterschleissheim. This company in turn holds a 100 % interest in the Croatian wind farm operator Selan d.o.o. and in Vjetropark Vrataruša d.o.o., which together with Selan Holding GmbH form the Selan Group. Due to the low volume of business of Vjetropark Vrataruša d.o.o. and a lack of business activities, it remains the case that this company is not included in the consolidated financial statements.

The subsidiary Baader & Heins Capital Management AG (Baader & Heins AG), in which Baader Bank has a 75 % interest, has its headquarters in the same building as the Group's headquarters in Unterschleissheim.

Baader Bank increased its stake in research provider AlphaValue S.A., France (AlphaValue) from 5.39 % previously to 13.30 % in the 2021 financial year. The strategic investment in and cooperation with AlphaValue was first implemented in 2019, and will be further expanded in the future. AlphaValue is the exclusive partner for the market alignment of the research service provided by the Baader Bank Group.

Baader Bank holds a 19.90 % stake in Conservative Concept Portfolio Management AG (CCPM AG or CCPM). CCPM AG has its headquarters in Frankfurt am Main.

At the end of 2021, a total of 485 staff members were employed at the Baader Bank Group and 451 employees at Baader Bank AG.

During the reporting period, Baader Bank's management team was strengthened thanks to Dietmar von Blücher's appointment as Executive Manager. As a result, Dieter Brichmann's CFO successor was appointed early. Following the approval of the banking supervisory authority, Dietmar von Blücher assumed his office as Chief Financial Officer and as a member of the Executive Board on 1 July 2021. Dieter Brichmann resigned from his position as CFO on 30 June 2021 in order to retire.

There were no changes to the Supervisory Board of Baader Bank during the reporting period. In order to implement the requirements of the German Financial Market Integrity Strengthening Act (FISG), an audit committee was formed by the supervisory board, whose scope of duties is defined by Section 107 (3) sentence 2 of the German Stock Corporation Act (Aktiengesetz – AktG).

Baader Bank's shares are traded on the open market on the Munich stock exchange in the m:access market segment as well as on the open market on the Berlin, Dusseldorf, Frankfurt am Main, Hamburg, Hanover and Stuttgart stock exchanges.

Baader Beteiligungs GmbH, Munich, holds 64.90 % of shares in Baader Bank, Ubtrend GmbH & Co. KG holds 5.63 %, and the remaining 29.47 % of shares are held by free float shareholders.

## 1.2 Business model of the Baader Bank Group

Baader Bank's core business consists of providing services in the business lines of Market Making, Equity Capital Markets and Multi Asset Brokerage. These core business lines are complemented by the support business lines of Banking Services, Asset Management Services, and Research Services, which extend the range of services to include complementary services for customer groups from the core business lines. The basic structure of six client- and market-focused business lines continued throughout financial year 2021 in a structurally unchanged manner. With its capital market services, Baader Bank acts as a partner for companies, stock exchanges and trading partners (including direct banks, institutional investors, companies, asset managers, fintechs, institutional buyers, and portfolio managers).

### 1.2.1 Core business lines

#### 1.2.1.1 Market Making business line

As a market maker, Baader Bank undertakes intermediary activities on regulated exchanges, and on over-the-counter trading platforms.

Market Making comprises all the business activities that are defined as order book broker, specialist or quality liquidity provider or specialist activities, depending on the trading model of the respective stock exchange. Market Making is carried out by Baader Bank on a total of six

regulated stock exchanges in Germany (Berlin Stock Exchange, Frankfurt Stock Exchange, Stuttgart Stock Exchange, Munich Stock Exchange and gettex, and Frankfurt Certificates Stock Exchange), as well as the Vienna Stock Exchange in Austria. Depending on the respective market model, Baader Bank quotes prices and executes orders for exchange-traded domestic and foreign shares, bonds, funds, participation certificates, Exchange Traded Products (ETPs), and securitised derivatives. This service is provided on the basis of uniform internal standards, stock exchange regulations and regulatory requirements. Baader Bank's stated objective is to ensure continuous liquidity, even with increasing demand, at consistently high quality on all stock exchanges and in all classes of securities.

In OTC securities trading, Baader Bank cooperates with partner banks, usually direct banks or online brokers, quotes prices on OTC trading platforms as market makers during trading hours, and enters into bilateral trading relationships as a counterparty. Trading partners' end clients, mainly private investors, generate trading revenue in equities, bonds, funds and ETPs.

#### **1.2.1.2 Equity Capital Markets business line**

In the Equity Capital Markets division, Baader Bank serves corporate customers in the primary and secondary markets, who act to seek or issue capital. The range of services comprises independent advice on capital market transactions, as well as the execution and, if necessary, structuring of equity transactions or hybrid financing alternatives.

The services offered within the scope of securities technology (Special Execution) cover all tradable instruments, ranging from all forms of capital increases against cash or non-cash contributions, including debt-equity swaps, public offers of securities, establishment of the fungibility of securities on the stock exchange, and in the bond and participation certificate area, to capital reductions and squeeze-outs. In addition, the Special Execution Team accompanies segment changes and class changes, provides ongoing support in the m:access market segment, and acts as the paying agent for shares, bonds and ETPs.

Furthermore, there are intersections with the Multi Asset Brokerage division in the form of the additional corporate brokerage services offered. Depending on the customer, these include comprehensive support for the capital market presence of listed companies or support in Designated Sponsoring.

#### **1.2.1.3 Multi Asset Brokerage business line**

The Multi Asset Brokerage segment comprises all the services to be provided for clients on the secondary market as well as the placement and sale of (own) primary market transactions. Baader Bank's main services in this area include low-touch trading (brokerage) for customers on national and international stock exchanges and trading platforms to which Baader Bank is directly connected. This includes automated order execution in equities, bonds, ETPs and securitised derivatives, as well as derivatives. Additionally, high-touch trading is offered as individual support and order execution.

The sales activities in this business segment include actively approaching end-customers, as well as selling research products and trading ideas. As an independently offered service package, Baader Bank's Corporate Brokerage provides independent advice and assistance on the capital market, as well as the management of shares in the event of a stock market listing through active designated sponsoring via a mandate on the Xetra stock exchange platform (Frankfurt Stock Exchange) and the Vienna Stock Exchange.

### **1.2.2 Support business lines**

#### **1.2.2.1 Banking Services business line**

Baader Bank includes the deposit and securities account business under Banking Services, with all original banking functions and services provided exclusively within the framework of B2B2C cooperation agreements with traditional asset managers, fintechs, neobrokers and institutional buyers. Its cooperation partners benefit from Baader Bank's global trading connections and modern IT infrastructure. As a full-service bank and platform provider, Baader Bank follows an intermediary approach and acts as a B2B partner in account and securities account management and the systematic processing of all order management and reporting processes in compliance with MiFID II requirements, providing links to a broad international trading network.

#### **1.2.2.2 Asset Management Services business line**

In the Asset Management Services division, Baader Bank provides services in the area of financial portfolio management as defined under the applicable regulatory requirements. As an outsourcing partner for portfolio management companies, it supports the portfolio management of fund products such as UCITS funds, special funds, offshore funds and derivatives overlay mandates. In addition, Baader Bank provides comprehensive support for investment advisors, asset managers and insurance companies in executing fund mandates. Baader Bank also assumes the buy-side trading desk function, numerous order management services and administrative pre- and post-trade processes.

### 1.2.2.3 Research Services business line

Within the framework of a fundamental, technical and quantitative top-down approach, Baader Bank's Equity Research team develops index targets, analyses relevant macroeconomic topics, defines economic scenarios and makes statements on market timing (strategy research) and European sector trends.

At the individual value level, sector specialists from the Baader Bank Group regularly prepare comprehensive studies for investors and provide estimates for investments. The focus is on analysing companies in Germany, Austria and Switzerland. Coverage has been successively expanded to include a pan-European product range as part of the cooperation with French research provider AlphaValue. In addition to equity research, Baader Bank's ETF research product supports institutional investors in making decisions on asset allocation and implementing investment strategies. ESG research is also included in the service portfolio.

The research offering forms the interface between two client groups that are of particular relevance to Baader Bank: corporate clients, most of whom come from the GSA-Region (Germany, Switzerland and Austria), and international institutional investors who generate investment ideas and derive investment decisions from analyses.

### 1.2.3 Subsidiaries' business lines

The Baader Bank Group's offering is rounded off by the range of products and services offered by its subsidiaries. This essentially includes the research and brokerage activities with institutional investors by the Baader Helvea Group and the brokerage of promissory note loans, registered securities, and money market investments to German institutional investors by Baader & Heins AG.

The Selan Group generates income from the supply of wind energy produced by the wind turbines belonging to Selan d.o.o., located in Croatia, and develops concepts for the expansion and further development of the Vrataruša/Senj site for the purposes of wind and solar energy production.

## 2. Report on the economic position

### 2.1 Macroeconomic and sector-specific environment

#### 2.1.1 Macroeconomic environment in financial year 2021

In 2021, the global economy continued to recover from the effects of the COVID-19 pandemic. For the most part, this was due to the increasing availability of several vaccines that were gradually approved at the beginning of the year. Despite a limited supply situation at the outset, especially in Europe – initially resulting in persistent contact and activity restrictions in many countries – there was a gradual relaxation towards the end of spring thanks to increasing vaccination progress and the seasonal decline in the incidence of infection. As a result, economic activity significantly picked up the pace from the second quarter onwards, as business in the services sector in particular recovered.

In contrast, the recovery in the manufacturing sector weakened somewhat over the summer months. This was due to a gradual slowdown of growth in China, as well as increasingly evident problems in the supply availability of intermediate products (semiconductors in particular). After a renewed rise in case numbers in some countries from the autumn onwards, and after several governments (such as in Germany) imposed new restriction measures, growth again slowed during the fourth quarter. The appearance of the omicron variant towards the end of the year also weighed down on Christmas trade in stationary retail. In contrast, the industry recovered moderately towards the end of the year, as the first signs of a slight easing in supply chain problems emerged.

Although economic growth was very strong in most countries in 2021 as a whole, the development in many areas was tempered by disappointments, at least temporarily. Hopes of regional growth were also dashed in part, as the stimulus programs adopted in the US fell short of expectations due to a lack of congressional approval, and slower growth in China led to payment problems for several highly indebted real estate development companies.

Overall, the German economy recorded real GDP growth of 2.8 % in 2021, the highest since 2011. However, in many other countries, the growth dynamic was even more spectacular (Eurozone: 5.2 %, USA: 5.7 %, China: 8.1 %).



The scarcity of various input factors was also reflected in the uptick in commodity prices. The oil price rose from around USD 50 at the beginning of the year to over USD 85 at times, while other energy prices (especially gas) also increased significantly. Against this backdrop, there was a significant, sustained rise in inflation rates globally. Increasingly, skyrocketing energy prices from autumn onwards were accompanied by a clear rise in core inflation rates, which measure the normally relatively stable price development of industrial goods and services. The further increase in inflationary pressure also occurred given that, in view of limited capacities, both logistics and personnel costs rose significantly for many companies. At the end of the year, consumer prices rose by 5.3 % in Germany, by 5.0 % in the eurozone and by 7.0 % in the USA.

While central banks initially viewed the rise in global inflation rates as a welcome normalisation and deemed temporary the overshooting of longer-term targets, they were obliged to adjust their inflation forecasts upwards several times and increasingly revise their assessment to anticipate more sustained price pressure. Against this backdrop, both the Fed and the ECB announced the gradual winding-down in the monthly net purchases of their pandemic bond-buying programmes toward the end of the year. However, both central banks stressed that they would not start interest rate hikes until this process was complete. In contrast, as a result of the slowdown in growth, the Chinese central bank took measures in the second half of the year to stimulate lending (two cuts in the minimum reserve requirement ratio, and a lower loan prime rate).

In this environment, equity markets developed very favourably. On balance, the DAX rose by 15.8 % in 2021, while the STOXX Europe 600 gained 22.2 % and the S&P 500 shot up 26.9 %. In addition, the move into autumn was characterised by low volatility. This was mainly due to a sharp rise in corporate profits which was above consensus expectations, and supported by the successive appreciation of the US dollar over the course of the year. As such, falling P/E valuations due to declining economic expectations did not act as a major stumbling block for the price trends on equity indices. Only the threat of insolvency of a number of Chinese property developers in

September and the emergence of the omicron variant in November temporarily caused some uncertainty among investors. That said, the maximum price falls recorded during the year for many equity indices remained extremely moderate in historical comparison, also helped by persistent rotations.

While cyclical and very low-valued value stocks outperformed at the beginning of the year, a revival in quality stocks was seen from spring into autumn. This was also due to the fact that the rise in yields of some 50 basis points for long-term government bonds, which began at the beginning of the year, fell back partially in the summer months. Towards the end of the year, bond yields again rose to a degree, favouring a renewed outperformance phase for value stocks.

### **2.1.2 Business, market position, and changes in competitive position**

Baader Bank acts as a market maker on exchange and over-the-counter trading venues as well as in bilateral direct trading in Germany, Austria and Switzerland. In this environment, fee-optimised best execution platforms ("neo stock exchanges"), which implement free or flexible pricing strategies for end-customers, are taking market share from classic German regional exchanges. Nationally in Germany, the distribution between classic stock exchanges such as those in Frankfurt and Stuttgart has changed noticeably in relation to neo stock exchanges. The "gettex" electronic market place, a service offered by the Munich stock exchanges in cooperation with Baader Bank, recorded significant growth rates.

The newer retail outlets are mainly used by mobile and online brokers and their end-customers. The group of private investors continued to invest in shares at a high level in 2021 – driven, inter alia, by specific equity themes. In this environment, Baader Bank was able to benefit from increasing trading activities during the reporting period, and sustainably expand its own market position, again thanks to new B2B partnerships.

In German-speaking countries, competition for order-book-leading market makers continues to develop intensively in an increasingly fragmented market environment. The advancing international establishment of so-called multi-market maker models is leading to an open competitive situation in international competition between several price-setting market makers, all of whom are in permanent competition with each other as regards speed and the narrowest possible spreads in pricing.

Baader Bank's brokerage business as a trading partner, particularly for cash equity products in the GSA region, is occurring in a consolidating market. The market environment developed positively during the reporting period, though heightened competition and consolidations were still in evidence. Competitors (mainly big banks) are withdrawing from the market, while other players are relying on growth, with business strongly driven by quality and tools (additional services).

In the market for capital market services, the number of IPOs in 2021 increased significantly compared to the previous year, despite the ongoing COVID-19 pandemic. In Germany, there were a total of 30 IPOs, of which 22 companies chose a German stock exchange. In terms of the number of IPOs and the volume of issues, 2021 was a record year worldwide since 2000. Competition for capital market mandates that influence profits, driven by competition in prices and services, continues to occur. In addition, the trend of the SPAC (Special Purpose Acquisition Company) emerged, whereby a shortened IPO takes place as a merger with an empty corporate shell. A number of companies also postponed or initially withdrew their IPO plans.

As a provider of equity research, Baader Bank has been in a highly price-driven competitive environment since the MiFID II Directive came into force. Pricing models must meet the needs of customers, be competitive with other providers, and meet regulatory requirements.

Baader Bank continues to see sustained high potential in the expansion of its business relationships with online brokers, asset managers, family offices and fintechs. With its IT infrastructure and its comprehensive banking service offering, from account and custody business through to trade connections, order management and reporting, Baader Bank is not in competition with, but supplements the range of services provided by online brokers, asset managers, family offices and fintechs. In this segment, Baader Bank acts as a capable business partner and platform provider for the respective client groups.

As regards comprehensive services in the area of asset management functions and trading desk services, the overarching trend of increased regulatory requirements is having a positive effect on new launches of fund products, and thus on demand for the services offered by Baader Bank in this area.

## 2.2 Business developments

### 2.2.1 Development of the key performance and profit drivers

Net trading income and net commission income account for a substantial share of Baader Bank's total net banking income, and are the key performance and profit drivers. These are subject both to the exogenous developments in relevant markets described below, i.e. the prevailing mood and volatility, as well as to internal process optimisation and pricing models.

The second consecutive year of pandemic in 2021 was still marked by political, economic and social challenges. However, the surprising moment of the virus outbreak seems to have been overcome in the long term, as reflected by the development of global market indices. The level of volatility, measured by the CBOE Volatility Index (VIX), recorded relatively high swings, especially in the first and fourth quarters, but did not reach the extreme levels of March 2020. Overall, the range of variation was slightly higher than before the outbreak of the COVID-19 pandemic. The continued moderate increase in trading activity had a direct impact on Baader Bank's securities trading and corporate profits. At the beginning of the year, so-called meme stocks in particular, as well as the vaccine issue, for instance, caused huge share price developments in individual stocks, and the associated extraordinary trading activities.

Baader Bank's total income at Group level increased from EUR 212.7 million in 2020 to EUR 215.4 in 2021, thus falling within the forecast range. With EBT of EUR 57.4 million, the Baader Bank Group exceeded the previous year's result (2020: EUR 56.0 million) thus recording another successful full year.

Despite the growth, Baader Bank was able to maintain cost discipline within its business organisation. The cost/income ratio for 2021 is 70.4 %, which is almost unchanged on the previous year (2020: 69.4 %). At 38.7 %, Baader Bank's return on equity after taxes is extraordinary. Capital strengthening, or the ratio of hard core capital to risks on the bank balance sheet, has also improved, reflected in a CET1 ratio of 22.1 % (2020: 14.6 %).

Driven by the effects outlined above, trading income at Group level rose by a further 10.0 % on the previous year which was already very strong, to EUR 185.0 million. This is accompanied by rising trading-induced commission expenses, which can be attributed, inter alia, to an increase in transactions and orders, resulting in a fall in the Group's net commission income to EUR 12.9 million.

On the other hand, the developments in multi-asset brokerage, supplemented by commission income from the Capital Markets, Asset Management Service and Research Service businesses, are the main driver of commission income across the Group. In addition, in business, both cross-selling effects on trading income and contributions to commissions were generated. Overall, Baader Bank was able to expand its market position in all business segments and increase commission income at Group level by some 19 % from EUR 94.5 million to EUR 112.0 million.

## **2.2.2 Business development in the core business lines**

### **2.2.2.1 Market Making business line**

The continued deflection of sales volumes – away from the traditional stock exchanges with remuneration models and towards free trading venues – progressed further in 2021. Buoyed by the growing range of neo-brokers and online asset managers, investor behaviour in Germany has continued to change in 2021, tending towards a structural change in the national brokerage business. This was reflected in trading activity during the reporting period, particularly in terms of private investors, and was strengthened by the recovery of underlying market sentiment. Special themes such as vaccine stocks, short-seller attacks and crypto stocks also had a positive impact on the environment in 2021. The effects focus mainly on newer stock exchanges, allowing Baader Bank, with its OTC (“over-the-counter”) products and market making on the gettex market place, to benefit from the expansion of its services in this business segment. This development is based on the latest strategic orientation and supports further diversification in the business segment. Thus, Baader Bank aims to gain further market share or regain market leadership in terms of diversified coverage of the existing trading venues.

With a moderate overall decrease in volatility on the previous year, trading volumes on the German stock exchanges relevant to Baader Bank saw a moderate increase in 2021 compared to 2020 across all asset classes. The number of trades increased by 36.1 % during the period. Baader Bank was thus able to further increase its market share. Revenues on the gettex stock exchange increased by a total of around 155 % in the financial year 2021 compared to the previous year.

The ATF (Algorithmic Trading Facility) trading segment specifically benefited from the vaccine theme during the reporting period, reflected proportionately in trade volumes via XETRA. Overall, Baader Bank was able to increase its market share in XETRA and operate more profitably. This was supported by a growing universe of traded instruments and technical optimisation, inter alia. In addition, Baader Bank is committed to the introduction of new stocks and ETFs on the XETRA market place.

Revenues in over-the-counter trading continued to rise in 2021, starting from a very high level in 2020. One of the main reasons for this is the increased market volatility due to the COVID-19 pandemic. The OTC segment benefited from generally high growth in revenues and transaction volumes, as well as the effects of highly volatile stocks. The order flow potential from existing and newly acquired partnerships with online and direct banks that participate in Baader Bank’s quota, trading and settlement systems continued to make good progress. The expansion of OTC activities remains a long-term goal for Baader Bank.

The bond market, whose development is largely dependent on European interest rate policy, saw the emergence of a wave of market movement in 2021, with variable yield trends in both 10-year German federal and US government bonds. In addition to the uncertainties caused by the COVID-19 pandemic, geopolitical and economic motives underpinned this development. Significant exceptional factors influencing the market included, inter alia, coronavirus-related VAT cuts in Germany, the new wave of debt and bond issuance due to lockdown, skyrocketing commodity prices, supply bottlenecks and production losses as a result of the Suez Canal blockade.

Overall, both the number and volume of trades in the bond trading segment saw a significant increase compared with the previous year. This is measured on the basis of the equivalent value (market value) and the nominal value of the bonds traded on German stock exchanges.

As was the case in previous years, Baader Bank was once again able to attract new order books. In the reporting period, it was mandated to act as a specialist for eighteen IPOs in the Prime Standard segment of the Frankfurt Stock Exchange. It took over the order book management for Vantage Towers AG, 468 SPAC I SE and Daimler Truck Holding AG, among others.

### **2.2.2.2 Equity Capital Markets business line**

The marked reticence in terms of IPO business during the first year of the pandemic was nowhere to be seen in 2021. The economic recovery from the COVID-19 virus and the ongoing low interest rate environment revived capital market activity globally, and created a positive

market environment for IPOs. The majority of providers observed a significant increase in business activity thanks to these market conditions.

In the 2021 financial year, Baader Bank's Equity Capital Markets team supported a total of six capital market transactions, for a total volume of EUR 462 million. During the previous year, the volume of transactions supported was EUR 58 million. Of note is the capital increase of BRAIN Biotech AG, managed by Baader Bank as joint coordinator and joint bookrunner. The transaction amounted to EUR 19.6 million and was carried out against cash deposits from authorised capital and with the exclusion of the subscription rights of shareholders. As part of the accelerated book building process, the new shares were offered for sale through a private placement.

In the reporting period, biotech and pharmaceutical companies in particular benefited from developments on the capital market. Another stock market trend emerged in Germany with IPOs of so-called Special Purpose Acquisition Companies (SPACs). A SPAC is defined as a listed shell company that acquires and finances another company so that it can be listed on the stock exchange. Baader Bank's Equity Capital Markets team acted as listing agent in connection with the SPAC and subsequent de-SPAC transaction of Lakestar SPAC I SE. This transaction was the first completed European De-SPAC transaction with a German target company. Since the listing, the shares of the newly combined company have been tradable under the new name HomeToGo SE.

Demand for Baader Bank's securities technology services in the Special Execution segment remained high in 2021. The business also benefited from a supportive market environment and the return of corporate capital market activity. Revenues increased moderately across the whole portfolio of services in 2021. A total of 106 transactions were carried out in the financial year (previous year: 74) and 598 service mandates were supported (previous year: 404). Overall, the number of measures and services categories increased across all categories on the previous year, driven, inter alia, by the market trend for major banks to restrict technical mandates to their own clients or extensive service packages, which strengthens Baader Bank's position away from such mandates.

In terms of corporate brokerage, Baader Bank offers independent capital market advisory services, such as designated sponsoring services. The team also acts as a strategic link for the longer-term initiation of sell-side contacts, which also benefits the Capital Markets division. By the end of financial year 2021, 80 corporate clients had used the corporate brokerage services of Baader Bank (previous year: 74 clients), which, in terms of the number of mandates, represents an increase of 8 % compared to the previous year.

### **2.2.2.3 Multi Asset Brokerage business line**

Following on from the previous year, the restrictions on customer contact in the wake of the COVID-19 pandemic continued to hamper business activities in the Multi Asset Brokerage segment. Even so, further progress was made in gaining market share. While market volumes on the main markets such as XETRA declined over the course of the year, brokerage fees increased. In addition, the number of trades was on the up overall compared to the strong previous year, increasing by over 130 %.

Furthermore, over the reporting period, there was a significant increase in the number of institutional client accounts managed, alongside the implementation of additional market connections. The prerequisite for this was, and remains, the permanent automation of the trading infrastructure thanks to the use of new technology.

In respect of its regional focus, Baader Bank continues to be considered a local broker for the German-speaking area (Germany, Austria and Switzerland) and for global investment clients.

## **2.2.3 Business development in the support business lines**

### **2.2.3.1 Banking Services business line**

Based on strong growth in the previous year, the custody account business continued to increase in 2021. The increase applies to both the number of clients and the resulting volume of deposits. Compared to the previous year, the number of custody accounts increased by 290 %, to stand at some 500,000 accounts in 2021 as a result of Baader Bank's custodian banking operations (previous year: 129,141 securities accounts). Accordingly, the volume of deposits under management increased by 86 % to EUR 12.3 billion across the Group during the year (previous year: EUR 6.6 billion), despite recurring market fluctuations (previous year: EUR 6.6 billion). This growth results from, among other things, the implementation of a total of two new B2B cooperation partnerships in the areas of asset management and banking. Accordingly, Baader Bank looked after a total of 82 financial service providers at the end of 2021 (previous year: 72), about half of which are digital asset managers.

In the neo-broker business, we were also able to acquire further well-known and in some cases international clients. The resulting partnerships have already ensured further significant growth in their first year of existence. Thus Baader Bank also benefits as a market maker by processing client orders through gettex, the electronic trading platform of the Munich Stock Exchange. Thanks to the continuing trade affinity in the retail segment in 2021, neobroker partnerships have led increasingly to a rise in transaction activities. The neobroker range in particular, supplemented by ETF savings plans, represents a long-term investment horizon for users.

In addition, Baader Bank was able to further advance the scaling of major processes by expanding technical platforms (e.g. automation in onboarding). As a result, existing cooperation partners have continuously expanded their product range with Baader Bank. This has been reflected in incremental growth in transaction volumes, while inactive client deposits have been kept to a minimum.

### 2.2.3.2 Asset Management Services business line

In the course of business in 2021, the assets in the Asset Management Services division for which Baader Bank acted as financial portfolio manager on behalf of capital management companies recorded an increase of around 5 % to EUR 6.6 billion (total volume at 31 December 2020: EUR 6.3 billion). Compared to the previous year, the number of fund mandates decreased from 55 to 47 mandates, which is attributable, among other things, to consolidation of individual funds. A number of larger institutional mandates were won in the course of 2021, thus explaining why assets under management nonetheless increased. From the Board of Directors' point of view, fluctuations of this scale are negligible. Over the course of several years, the aforementioned comparison figures remain at a consistent level. In addition, the increasing regulatory requirements are having a positive effect on demand for the services offered by Baader Bank in the Asset Management Services division.

### 2.2.3.3 Research Services business line

During the reporting period, cooperation with the independent French analysis provider AlphaValue was further expanded, and Baader Bank's stake was increased by around eight percentage points in March (see Section 1.1). The cooperation with AlphaValue as an exclusive partner resulted in the creation of the new research platform "Baader Europe" in August 2020. The platform consolidates all the Baader Bank Group's research products and provides access to more than 600 European securities, equity, credit and ESG research,

strategy and macro research, ETF research and Baader Bank's top picks. In 2021 as a whole, the performance of the Baader Helvea Top Picks list was 27.5 %, outperforming the benchmark (STOXX Europe 600) by two percentage points.

The Research Services business line continues to adhere to a fundamental, sector-oriented approach, which has a high degree of specialisation thanks to targeted selection and qualitative analysis of business models. The coverage of the analysed titles was expanded and sustainably optimised, allowing a larger range of products to be created in the future. This strategy meant that the number of research clients or investors increased by some 11 % to a total of 255 for the 2021 financial year.

As in the previous year, all event formats had to be implemented either virtually or in hybrid form. In doing so, the Baader Bank team was able to implement concepts which are now tried and tested, and to build on previous event successes.

### 2.2.4 Development of the subsidiaries' business

The Swiss *Baader Helvea Group* is a key part of the Baader Bank Group. Together with Baader Bank's brokerage activities, it has been successfully established on the market as one of the largest local brokers in German, Austrian and Swiss equities. For over ten years, Baader Helvea has provided reliable brokerage and research for institutional investors worldwide, focusing mainly on investors in the United Kingdom, Switzerland, the USA and Canada.

In 2021, Baader Helvea's upward trend continued. The customer base was expanded across all locations, and the cross-selling of products and services in international locations increased. Existing partnerships, such as the SIX Stage programme with the Swiss stock exchange were successfully expanded, and Baader Helvea consolidated its position as a leading provider in Switzerland. Together with AlphaValue in France, in which Baader Bank holds a participating interest, it allows Baader Bank to provide a comprehensive research platform. The product range covers over 600 pan-European analysis securities.

The main earnings driver for Baader Helvea is commission income from sales and research activities. The market success of the Baader Helvea Group in 2021 is reflected in a clearly positive contribution to the Baader Bank Group's earnings for financial year 2021, thus continuing the trend begun the previous year. This is due to the continued optimisation of costs and processes, as well as the adjustment of the service and product range to meet the needs and potential of individual customer groups. In 2021, the global COVID-19 pandemic continued to have no directly attributable positive or negative effect on Baader Helvea's earnings.

The main earnings drivers of the **Selan Group** are the feed-in tariffs for wind energy achieved by the wind farm operator Selan d.o.o., which depend to a significant extent on wind conditions and the technical availability of the wind turbines in the course of a financial year.

In 2021, the wind volume for the wind farm on the Croatian coast was subject to significant fluctuations compared to previous years, due in particular to the European weather conditions in summer and the extreme storms in autumn/winter. As a result, the wind yield fell slightly compared to successful previous years. Overall, however, the Selan Group generated a positive earnings contribution to Baader Bank's consolidated net income for 2021. In 2021, the COVID-19 pandemic continued to have no discernible impact on the business activities and earnings development of the Selan Group.

In 2021, the wind farm's control and monitoring software was converted and all wind turbines were equipped with new, more powerful servers. The new technology now provides targeted control over the shutdown behaviour and, using artificial intelligence (AI), enables some wind turbines to generate more energy at higher wind speeds.

Over the past year, Selan d.o.o. also streamlined and optimised its financing structure. Inter alia, it was possible to significantly reduce external liabilities while the remaining financing share was taken over by Baader Bank.

**Baader & Heins Capital Management AG** is a securities institution that specialises in acting as an intermediary between institutional investors for mainly illiquid, interest-bearing financial products. Its clients include major institutional investors in the insurance industry, the public sector as well as the banking industry in Germany and abroad. The business development of Baader & Heins is largely determined by net commission income or the underlying commercial agent's commission, the number of transactions concluded and the brokered volume.

Competition between the free financial brokers focused on institutional investors such as Baader & Heins continued to be strongly affected by the prevailing conditions on the international capital markets. Due to the ongoing low interest rate policy, there was still a lack of attractive investment opportunities for investors in interest-bearing financial products in the past financial year. The situation was further aggravated by the ongoing COVID-19 crisis and the economic uncertainties associated with it, as well as the insolvency of Bremen's Greensill Bank, which caused additional uncertainty and caution among investors. In this environment, which continues to be very challenging overall, the company has in recent years been able to hold its own in the market for illiquid interest rate products.

In the 2021 financial year, Baader & Heins was able to maintain its established market position during the reporting year. This was also reflected in the fact that both existing and some new clients continued to actively seek contact with Baader & Heins AG. In contrast to the ongoing staff reductions and closures of business segments in the bond market at banks and other competitors, the company maintained its service sector in the brokerage of illiquid interest rate products with a focus on promissory note loans and registered bonds, and was thus able to consolidate its position in this market. As a result, Baader & Heins AG was once again able to achieve a most satisfactory result in the 2021 financial year, despite the challenging prevailing conditions.

### **2.2.5 Comparison of actual business performance in 2021 with the forecasts published in the previous year**

The Board of Directors of Baader Bank initially forecast that, under market conditions comparable to those of the previous year, the Bank would be able to generate earnings before tax (EBT) of at least EUR 56 million at Group level for the 2021 financial year. This was based on the assumption of continuing general conditions for another exceptional year, as well as Baader Bank's strategically enhanced direction. Overall, the market and business development in the 2021 financial year was in line with the initial forecast.

This strategic orientation was accompanied by the development and implementation of organisational and process improvements, cost optimisation measures, alongside market development and sales optimisation measures. Accordingly, the measures also led to regaining or further expanding on crucial capital and financial strength in the pursuit of a long-term strategic direction. Furthermore, internal automation and digitisation have progressed, and continue to be driven forward. The strategic decision to develop Baader Bank into an integrated platform operator has been successful.

In the first quarter of 2021, as in Q1 2020, there was also a significant increase in business activity at Baader Bank. Net trading income rose by around 77 % compared to the already very strong period of the previous year. In contrast, net commission income fell by 43 % in the first quarter compared to the first quarter of 2020. Baader Bank's earnings and profit remained strong in the second quarter of 2021. At the half-year point, earnings before tax increased by more than 80 % year-on-year. Net commission income fell further to EUR 9.7 million due to trade-induced commission expenses.

With earnings before taxes of EUR 49.0 million for the first nine months of 2021, the Baader Bank Group continued its strong growth trend. Overall, the Baader Bank Group generated total earnings before taxes of EUR 57.4 million in the 2021 financial year, and thus business development in the final quarter was unbroken.

The main drivers for the business development of Baader Bank in 2021 were:

The income and cost effects from Baader Bank's continued strategy adjustment as well as the cross-selling effects resulting from the diversification of the business model contribute to the positive overall development.

In addition, the market developments in securities trading, where still higher volatilities and sales volumes continued throughout the year, provided decisive support to earnings. The disproportionate increase with the historically high sales volumes in some cases is due in essence to enormous trading activity, primarily on the part of private investors, and the associated specific investment themes such as vaccine stocks, crypto stocks or so-called meme stocks. The effective strategic measures, which from the Board of Director's point of view lead to a long-term structural further development of the trading set-up and the trading quality in market making, could also continue to be responsible for the positive effects.

The unbroken growth rates in Baader Bank's account and custody business have an additional strengthening effect. In Banking Services – the Account and Custody business with asset managers – Baader Bank continues to enjoy the growth rates seen in previous years. This above-average increase in custody account volumes and the number of custody accounts in 2021 is due both to the acquisition of additional online and traditional asset managers and to the launch of new, fee-optimised brokerage offerings in which Baader Bank is a cooperation partner. As a result, the significant increase in the contribution to earnings from Market Making is supported by market successes in client business and existing business. This also applies to digital account and securities account management, or the trend towards mobile trading. The resulting new stock exchange culture is accompanied by adapting stock exchange and trading platform operators, which are setting up innovative, sometimes exclusive collaborations with partners such as Baader Bank.

Baader Bank combines these market developments and, as an independent provider of trading, settlement and banking infrastructure, benefits disproportionately from this development and the newly acquired investor base through its integrated business model.

It should be noted that all three subsidiaries of the Baader Bank Group, the Swiss Baader Helvea Group, Baader & Heins Capital Management AG and the Selan Group, also contributed to consolidated net income with positive financial statements.

## 2.3 Economic position of the Baader Bank Group

### 2.3.1 Net assets, financial position and results of operations

The net assets, financial position and results of operations of Baader Bank AG as the parent company of the Baader Bank Group essentially determine the overall financial performance of the Group in the past financial year. The statements made for the Baader Bank Group in principle also apply to Baader Bank AG. Accordingly, the management report of Baader Bank AG and that of the Baader Bank Group have been combined pursuant to Section 315 (3) HGB. Where there might be significant differences between the annual financial statements of Baader Bank AG and the consolidated financial statements and there are supplementing quantitative disclosures to be made, these are explained and presented in the subsequent passages of the report.

The annual financial statements and consolidated financial statements of Baader Bank AG were prepared in accordance with the provisions of the HGB and the German Regulation on Accounting Principles for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV) as well as in compliance with the supplementary regulations of the German Stock Corporation Act (Aktengesetz – AktG) and audited by the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany. The annual financial statements for financial year 2021 will be published in the electronic Federal Gazette.

### 2.3.2 Results of operations

The results of operations of the Baader Bank Group in the past financial year have again improved in comparison to the previous year with positive earnings before taxes in the amount of EUR 57,444 thousand (previous year: EUR 56,019 thousand). The results of operations of the Baader Bank Group as well as Baader Bank AG in financial year 2021 compared to the previous years 2019 and 2020 were as follows:

**Table 1: Indicators for the results of operations of the Baader Bank Group**

	2019 EUR'000	2020 EUR'000	2021 EUR'000	Change to the previous year	
				absolute EUR'000	relative %
<b>Income</b>	<b>104,336</b>	<b>212,661</b>	<b>215,475</b>	<b>2,814</b>	<b>1</b>
Net interest income <sup>1</sup> and current income	-799	-2,634	-1,626	1,008	38
Net commission income <sup>1</sup>	32,111	30,976	12,889	-18,087	-58
Net trading income <sup>1,2</sup>	46,149	168,215	185,030	16,815	10
Revenue	12,808	11,962	11,048	-914	-8
Other income	14,014	4,142	8,134	3,992	96
Net income from interests in associates	53	0	0	0	0
<b>Expenses</b>	<b>104,268</b>	<b>156,642</b>	<b>158,031</b>	<b>1,389</b>	<b>1</b>
Personnel expenses	46,522	71,239	73,491	2,252	3
Other administrative expenses and other operating expenses	44,604	48,141	55,920	7,779	16
Amortisation & depreciation	13,142	20,425	10,116	-10,309	-50
Other expenses	0	16,837	18,504	1,667	10
<b>Earnings before taxes (EBT)</b>	<b>68</b>	<b>56,019</b>	<b>57,444</b>	<b>1,425</b>	<b>3</b>
Taxes	483	9,177	10,647	1,470	16
<b>Consolidated net profit before minority interests</b>	<b>-415</b>	<b>46,842</b>	<b>46,797</b>	<b>-45</b>	<b>0</b>
<b>Minority interest in net income</b>	<b>-176</b>	<b>-313</b>	<b>-243</b>	<b>70</b>	<b>22</b>
<b>Consolidated net profit for the year</b>	<b>-591</b>	<b>46,529</b>	<b>46,554</b>	<b>25</b>	<b>0</b>
<b>Net profit/loss of the parent company brought forward</b>	<b>-33,644</b>	<b>-6,792</b>	<b>535</b>	<b>-</b>	<b>-</b>
<b>Transfers to/withdrawals from retained earnings</b>	<b>27,443</b>	<b>-20,494</b>	<b>-25,662</b>	<b>-5,168</b>	<b>-25</b>
<b>Consolidated net retained profit/loss</b>	<b>-6,792</b>	<b>19,243</b>	<b>21,427</b>	<b>2,184</b>	<b>11</b>

<sup>1</sup> Related income and expenses are shown as net | <sup>2</sup> Net income from the trading portfolio

**Table 2: Indicators for the results of operations of Baader Bank AG**

	2019 EUR'000	2020 EUR'000	2021 EUR'000	Change to the previous year	
				absolute EUR'000	relative %
<b>Income</b>	<b>83,990</b>	<b>188,523</b>	<b>193,896</b>	<b>5,373</b>	<b>3</b>
Net interest income <sup>1</sup> and current income	1,847	-1,103	-166	937	85
Net commission income <sup>1</sup>	20,511	17,014	-170	-	-
Net trading income <sup>1,2</sup>	46,149	168,215	185,030	16,815	10
Other income	15,483	4,397	9,202	4,805	>100
<b>Expenses</b>	<b>86,480</b>	<b>134,705</b>	<b>141,568</b>	<b>6,863</b>	<b>5</b>
Personnel expenses	40,043	64,097	66,526	2,429	4
Other administrative expenses and other operating expenses	38,299	40,810	50,659	9,849	24
Amortisation & depreciation	8,138	12,976	5,879	-7,097	-55
Other expenses	0	16,822	18,504	1,682	10
<b>Earnings before taxes (EBT)</b>	<b>-2,490</b>	<b>53,818</b>	<b>52,328</b>	<b>-1,490</b>	<b>-3</b>
Taxes	28	8,583	10,036	1,453	17
<b>Net profit (NP)/-loss for the year</b>	<b>-2,518</b>	<b>45,235</b>	<b>42,292</b>	<b>-2,943</b>	<b>-7</b>
Retained earnings/losses from the previous year	-33,644	-6,792	535	-	-
Transfers to/withdrawals from retained earnings	29,370	-19,200	-21,400	2,200	11
<b>Balance sheet profit/loss</b>	<b>-6,792</b>	<b>19,243</b>	<b>21,427</b>	<b>2,184</b>	<b>11</b>

<sup>1</sup> Related income and expenses are shown as net | <sup>2</sup> Net income from the trading portfolio



Net interest income and current income increased overall by EUR 1,008 thousand to EUR –1,626 thousand, but were again negative (Baader Bank AG: EUR 937 thousand to EUR –166 thousand). Current income at Baader Bank AG includes dividend payments from the Baader & Heins subsidiary. As was the case in the previous year, net interest income was characterised by interest income from fixed-interest securities, offset by a corresponding decline in interest expenses from the issue of own promissory note loans (EUR 3,344 thousand) and the refinancing of the Group headquarters in Unterschleissheim (Baader Bank AG: EUR 434 thousand). In addition, as in the previous year, the Group mainly incurred interest expenses from the external financing of the wind farm at the wind farm operator Selan d.o.o.

At EUR 12,889 thousand (Baader Bank AG: EUR –170 thousand), net commission income is once again a major factor influencing the positive result for the year. Due to the strong trading activities, stock exchange and settlement fees in particular increased by EUR 7,929 thousand to EUR 35,413 thousand (Baader Bank AG: EUR –7,920 thousand to EUR 35,368 thousand) and commercial agents' commissions by EUR 16,668 thousand to EUR 23,000 thousand (Baader Bank AG: EUR –15,882 thousand to EUR 28,053 thousand). Net commission income shows an overall decrease of EUR 18,087 thousand (Baader Bank AG: EUR 17,184 thousand). However, adjusted for the aforementioned trading-induced commission expenses, net commission income in the key business segment of Multi Asset Brokerage developed positively overall. Thanks to the cash equities business, including the sale of research products both in terms of Baader Bank AG and the Baader Helvea Group, net commission income from order routing and client commission business including research and other net commission income increased significantly by EUR 6,683 thousand to EUR 52,026 thousand (Baader Bank AG: by EUR 6,987 thousand to EUR 44,223 thousand). Net commission income from capital market services also increased by EUR 2,073 thousand to EUR 5,294 thousand (Baader Bank AG: EUR +1,878 thousand to EUR 5,046 thousand) and net income from management and performance fees by EUR 105 thousand to EUR 1,674 thousand (Baader Bank AG: EUR +105 thousand to EUR 1,674 thousand). Net income from brokerage and transaction fees declined by EUR 2,351 thousand to EUR 12,308 thousand (Baader Bank AG: by EUR 2,352 thousand to EUR 12,308 thousand).

Trading income at Group level in the past financial year rose again year-on-year by EUR 16,815 thousand to EUR 185,030 thousand and resulted entirely from Baader Bank AG as a trading book institution. The result of this second consecutive exceptional year is based on the continued very high trading volumes in securities in the final quarter, especially on the trading platforms and exchanges where Baader Bank is active as a market maker. The positive commercial figures were mainly characterised by very good trading income.

The revenue item reported by the Selan Group is fully attributable to the feed-in remuneration for electricity generated by the wind park. In the past financial year, this fell slightly by 8% or EUR 914 thousand to EUR 11,048 thousand, compared to the previous year.

Other income increased significantly by EUR 3,992 thousand to EUR 8,134 thousand (Baader Bank AG: by EUR 4,805 thousand to EUR 9,202 thousand). This is mainly due to income relating to other periods at the level of Baader Bank AG from tax refunds and the first-time reporting of income from currency translocation under other operating income.

Total expenses remained almost constant over the past financial year at EUR 158,031 thousand. (Baader Bank AG: increase of EUR 6,863 thousand to EUR 141,568 thousand) as at the balance sheet date.

Owing to the increase in the number of employees, personnel expenses were slightly higher at Group level by 3% or EUR 2,252 thousand, at EUR 73,491 thousand (Baader Bank AG by 4% or EUR 2,429 thousand at EUR 66,526 thousand).

Other administrative expenses and other operating expenses increased by EUR 7,779 thousand to EUR 55,920 thousand, mainly due to higher IT costs (Baader Bank AG: by EUR 9,849 thousand to EUR 50,659 thousand).

As a result of the factors described above, gross profit was close to the previous year's level of EUR 207,341 thousand (Baader Bank AG: EUR 184,694 thousand).

Depreciation, amortisation and write-downs was lower in the Baader Bank Group at EUR 10,116 thousand and almost halved with a decrease of EUR 10,309 thousand. These result primarily from depreciation, amortisation and write-downs on intangible assets and property, plant and equipment. A total of EUR 5,846 thousand was allocated to property, plant and equipment, while EUR 3,270 thousand was allocated to intangible assets. In the previous year, depreciation, amortisation and write-downs was significantly impacted by the write-down of goodwill of a subsidiary, as well as book-value losses in Baader Bank AG's non-trading book.

At Baader Bank AG, depreciation, amortisation and write-downs fell by EUR 7,097 thousand to EUR 5,879 thousand. The slightly higher level of depreciation, amortisation and write-downs of intangible assets and property, plant and equipment totalling EUR 4,907 thousand is offset by a significant fall in depreciation, amortisation and write-downs on receivables and certain securities, as well as the depreciation of equity investments, shares in affiliated companies and securities treated as investments, to EUR 8,345 thousand and EUR 972 thousand respectively.

In compliance with Section 340e (4) HGB, an amount of EUR 18,504 thousand (Baader Bank AG: EUR 18,504 thousand) was added to the fund for general banking risks in financial year 2021.

The tax expense in the consolidated financial statements is mainly a result of the significantly positive profit from ordinary business activities at Baader Bank AG.

As a result of the factors described above, earnings before taxes of EUR 57,444 thousand (previous year: EUR 56,019 thousand) and the consolidated net profit for the year of EUR 46,554 thousand (previous year: EUR 46,529 thousand) were both positive, thus able to increase slightly once again. Baader Bank AG reported a net profit for the year of EUR 42,292 thousand (previous year: EUR 45,235 thousand).

### 2.3.3 Financial position and net assets

As at the balance sheet date, total assets amounted to EUR 1,819,682 thousand, and, with an increase of EUR 931,104 thousand, are more than twice as high as

the previous year's level (Baader Bank AG: increase of EUR 944,331 thousand to EUR 1,810,222 thousand). The balance sheet structure of the Baader Bank Group has undergone changes on both the assets and liabilities side. The changes in assets are mainly due to a significant increase in the cash reserve by EUR 883,282 thousand to EUR 1,372,123 thousand and in receivables from customers by EUR 52,052 thousand to EUR 99,313 thousand. Accordingly, on the liabilities side, liabilities to customers increased significantly by EUR 903,889 thousand to EUR 1,497,533 thousand due to higher sight deposits.

The net assets and balance sheet item changes of the Baader Bank Group and Baader Bank AG as at the balance sheet date are detailed as follows:

**Table 3: Indicators for the financial position and net assets of the Baader Bank Group**

	2019 EUR'000	2020 EUR'000	2021 EUR'000	Change to the previous year	
				absolute EUR'000	relative %
<b>Current assets</b>	<b>509,896</b>	<b>787,503</b>	<b>1,716,565</b>	<b>929,062</b>	<b>&gt;100</b>
Cash reserves	237,769	488,841	1,372,123	883,282	>100
Loans and advances to banks	78,591	163,003	149,256	-13,747	-8
Loans and advances to clients	38,525	47,261	99,313	52,052	>100
Debt securities and other fixed-income securities	94,947	43,735	47,474	3,739	9
Equities and other variable-income securities	14,414	1,916	849	-1,067	-56
Trading portfolio	37,869	36,800	41,754	4,954	13
Other assets and prepaid expenses and deferred charges	7,781	5,947	5,796	-151	-3
<b>Non-current assets</b>	<b>107,479</b>	<b>101,075</b>	<b>103,117</b>	<b>2,042</b>	<b>2</b>
Equity investments and interests in associates	7,288	9,605	9,690	85	1
Intangible assets	14,199	9,278	11,580	2,302	25
Property, plant and equipment	77,412	74,524	74,577	53	0
Excess of plan assets over pension liabilities	8,580	7,668	7,270	-398	-5
<b>Total assets</b>	<b>617,375</b>	<b>888,578</b>	<b>1,819,682</b>	<b>931,104</b>	<b>&gt;100</b>
<b>External financing</b>	<b>514,963</b>	<b>689,112</b>	<b>1,557,568</b>	<b>868,456</b>	<b>&gt;100</b>
Bank loans and advances	61,816	82,642	46,840	-35,802	-43
Liabilities to customers	444,094	593,644	1,497,533	903,889	>100
Other liabilities	9,053	12,826	13,195	369	3
<b>Other refinancing funds</b>	<b>27,649</b>	<b>78,498</b>	<b>97,651</b>	<b>19,153</b>	<b>24</b>
Trading portfolio	3,325	4,934	2,701	-2,233	-45
Prepaid expenses and deferred charges	366	253	243	-10	-4
Provisions	12,338	44,854	47,746	2,892	6
Fund for general banking risks	11,620	28,457	46,961	18,504	65
<b>Balance sheet equity</b>	<b>74,763</b>	<b>120,968</b>	<b>164,463</b>	<b>43,495</b>	<b>36</b>
Subscribed capital	45,632	45,632	46,688	1,056	2
Capital reserve	31,431	31,431	37,645	6,214	20
Retained earnings	3,666	23,711	57,759	34,048	>100
Minority interests	826	951	944	-7	-1
Consolidated net retained profit/loss	-6,792	19,243	21,427	2,184	11
<b>Off-balance-sheet commitments</b>	<b>2,273</b>	<b>737</b>	<b>6,607</b>	<b>5,870</b>	<b>&gt;100</b>
Contingent liabilities from guarantees and indemnity agreements	208	208	8	-200	-96
Obligations from loan commitments	2,065	529	6,599	6,070	>100

Table 4: Indicators for the financial position and net assets of Baader Bank AG

	2019 EUR'000	2020 EUR'000	2021 EUR'000	Change to the previous year	
				absolute EUR'000	relative %
<b>Current assets</b>	<b>502,995</b>	<b>776,447</b>	<b>1,715,445</b>	<b>938,998</b>	<b>&gt;100</b>
Cash reserves	237,769	488,840	1,372,122	883,282	>100
Loans and advances to banks	66,332	149,086	135,876	-13,210	-9
Loans and advances to clients	46,748	52,044	113,806	61,762	>100
Debt securities and other fixed-income securities	94,947	43,736	47,474	3,738	9
Equities and other variable-income securities	14,414	1,916	849	-1,067	-56
Trading portfolio	37,869	36,800	41,754	4,954	13
Other assets and prepaid expenses and deferred charges	4,916	4,025	3,564	-461	-11
<b>Non-current assets</b>	<b>87,625</b>	<b>89,444</b>	<b>94,777</b>	<b>5,333</b>	<b>6</b>
Equity investments and interests in affiliated companies	33,728	36,559	36,644	85	0
Intangible assets	8,044	7,105	10,076	2,971	42
Property, plant and equipment	37,273	38,112	40,787	2,675	7
Excess of plan assets over pension liabilities	8,580	7,668	7,270	-398	-5
<b>Total assets</b>	<b>590,620</b>	<b>865,891</b>	<b>1,810,222</b>	<b>944,331</b>	<b>&gt;100</b>
<b>External financing</b>	<b>494,321</b>	<b>674,433</b>	<b>1,561,148</b>	<b>886,715</b>	<b>&gt;100</b>
Bank loans and advances	40,641	69,115	46,840	-22,275	-32
Liabilities to customers	446,286	594,427	1,503,156	908,729	>100
Other liabilities	7,394	10,891	11,152	261	2
<b>Other refinancing funds</b>	<b>25,303</b>	<b>75,227</b>	<b>94,301</b>	<b>19,074</b>	<b>25</b>
Trading portfolio	3,325	4,934	2,701	-2,233	-45
Prepaid expenses and deferred charges	365	253	243	-10	-4
Provisions	9,978	41,583	44,396	2,813	7
Fund for general banking risks	11,635	28,457	46,961	18,504	65
<b>Balance sheet equity</b>	<b>70,996</b>	<b>116,231</b>	<b>154,773</b>	<b>38,542</b>	<b>33</b>
Subscribed capital	45,632	45,632	46,688	1,056	2
Capital reserve	31,431	31,431	37,645	6,214	20
Retained earnings	725	19,925	49,013	29,088	>100
Balance sheet profit/loss	-6,792	19,243	21,427	2,184	11
<b>Off-balance-sheet commitments</b>	<b>2,273</b>	<b>737</b>	<b>6,607</b>	<b>5,870</b>	<b>&gt;100</b>
Contingent liabilities from guarantees and indemnity agreements	208	208	8	-200	-96
Obligations from loan commitments	2,065	529	6,599	6,070	>100

### 2.3.3.1 Current assets

Cash reserves rose sharply by EUR 883,282 thousand to EUR 1,372,123 thousand (Baader Bank AG: by EUR 883,282 thousand to EUR 1,372,122 thousand), while loans and advances to banks fell slightly by EUR 13,747 thousand to EUR 149,256 thousand (Baader Bank AG: by EUR 13,210 thousand to EUR 135,876 thousand). Loans and advances to clients rose slightly by EUR 52,052 thousand to EUR 99,313 thousand (Baader Bank AG: by EUR 61,762 thousand to EUR 113,806 thousand) as a result of the expansion of the lending business. The holdings in bonds and other fixed-income securities increased only slightly to EUR 47,474 thousand. The holdings in bonds and other fixed-income securities with public issuers increased to EUR 37,318 thousand, while holdings with other issuers fell by EUR 8,510 thousand to EUR 10,156 thousand. During the reporting year, the newly acquired shares and other variable-interest securities were allocated exclusively to the liquidity reserve. The trading portfolio had increased by EUR 4,954 thousand or 13 % to EUR 41,754 thousand by the reporting date.

Other assets and prepaid expenses were slightly lower than in the previous year, falling by EUR 151 thousand to EUR 5,796 thousand (Baader Bank AG: by EUR 461 thousand to EUR 3,564 thousand) by the reporting date.

### 2.3.3.2 Equity investments and interests in associates/affiliates

The carrying value of equity investments and interests in associates remained at the previous year's level of EUR 9,690 thousand. Changes resulted from the partial sale of shares in the Earlybird DWES Fund VI GmbH & Co. KG from venture capital investor Earlybird, and the acquisition of shares in the newly launched Earlybird DWES Fund VII GmbH & Co. KG. Moreover, the holding in AlphaValue SA was increased for strategic reasons.

### 2.3.3.3 Intangible assets and property, plant and equipment

Intangible assets increased for the Group in the reporting year by a total of EUR 2,302 thousand to EUR 11,580 thousand. With EUR 53 thousand, property, plant and equipment remained constant at EUR 74,577 thousand.

The additions to intangible assets including reclassifications are primarily related to investments in computer software (EUR 5,598 thousand), almost entirely attributable to Baader Bank AG's investment. In addition, intangible assets and property, plant and equipment were reduced by scheduled depreciation.

At Baader Bank AG, property, plant and equipment and intangible assets increased by EUR 5,646 thousand to EUR 50,863 thousand. This is due to the investments made in the financial year amounting to EUR 10,570 thousand, and offset by scheduled depreciation of EUR 4,907 thousand.

No further significant investments beyond the scope of normal business activities were planned on either the reporting date or at the time of reporting.

### 2.3.3.4 Excess of plan assets over pension liabilities

The excess of plan assets over pension liabilities decreased by EUR 398 thousand to a total of EUR 7,270 thousand. The reason for this was the plan assets measured at fair value which decreased to EUR 13,957 thousand. Plan assets consisted of EUR 6,695 thousand in loans and advances to banks and EUR 7,262 thousand in shares and other variable-income securities.

### 2.3.3.5 External financing

External financing comprised bank loans and advances and loans and advances to clients as well as other liabilities. On the whole, external financing was significantly higher than the previous year (increase of EUR 868,456 thousand) and amounted to EUR 1,557,568 thousand (Baader Bank AG: Increase of EUR 886,715 thousand to EUR 1,561,148 thousand) due to strong customer growth. The sharp increase was largely due to higher liabilities to customers from sight deposits by EUR 903,889 thousand to EUR 1,497,533 thousand (Baader Bank AG: by EUR 908,729 thousand to EUR 1,503,156 thousand). In contrast, liabilities to credit institutions fell by EUR 35,802 thousand (Baader Bank AG: by EUR 22,275 thousand).

As at the balance sheet date, other liabilities increased by EUR 369 thousand to EUR 13,195 thousand (Baader Bank AG: by EUR 261 thousand to EUR 11,152 thousand).

### 2.3.3.6 Other refinancing funds

Other refinancing funds increased in the reporting year by EUR 19,153 thousand to EUR 97,651 thousand (Baader Bank AG: EUR 19,074 thousand to EUR 94,301 thousand). The change is attributable primarily to the addition of the special item in the amount of EUR 18,504 thousand to EUR 46,961 thousand (Baader Bank AG: by EUR 18,504 thousand to EUR 46,961 thousand), the increase in provisions of EUR 2,892 thousand to EUR 47,746 thousand (Baader Bank AG: EUR 2,813 thousand to EUR 44,396 thousand) and lower trading portfolio liabilities of Baader Bank AG on the reporting date (by EUR 2,233 thousand to EUR 2,701 thousand).

### 2.3.3.7 Balance sheet equity

In the current financial year 2021, changes in subscribed capital and capital reserves resulted from the issue of 779,320 no-par-value bearer shares against contribution in kind as part of the scrip dividend, legitimised by the resolution on the appropriation of profit of the shareholders' meeting on 1 July 2021. The significant increase in equity of EUR 43,495 thousand to EUR 164,463 thousand is primarily due to the consolidated net profit before minority interests (EUR 46,797 thousand), dividend payments (EUR -3,999 thousand) as well as effects from currency translation (EUR 697 thousand). Baader Bank AG's equity increased by EUR 38,542 thousand to EUR 154,773 thousand due to the net profit for the year. Of the net profit for the year, EUR 21,400 thousand was added to the freely available retained earnings, in accordance with Section 268 (1) HGB and in conjunction with Section 58 (2) AktG. The balance sheet equity ratio amounted to 9 % (Baader Bank AG: 9 %), and, taking into account the fund for general banking risks, the modified equity ratio amounted to 12 % (Baader Bank AG: 11 %). The total supervisory capital ratio stands at 22 % (Baader Bank AG: 23 %).

For disclosures in accordance with Section 315 (2) HGB in conjunction with Section 160 (1) No. 2 AktG, please refer to the notes to the consolidated financial statements of Baader Bank AG as the parent company for financial year 2021.

### 2.3.3.8 Off-balance-sheet commitments

Off-balance-sheet commitments as at the balance sheet date were a result of contingent liabilities (guarantees) in the amount of EUR 8 thousand as well as irrevocable loan commitments to clients in the amount of EUR 6,599 thousand.

### 2.3.3.9 Liquidity

Operational liquidity management, which involves the management of daily payments, the planning of expected cash flows, and the management of disposable liquidity, serves the purpose of ensuring the ability of the Baader Bank Group to satisfy all its payment obligations at all times.

The Group's cash position, which was already solid in previous years, was further improved in the past financial year. The balance sheet liquidity surplus increased by 13 % or EUR 26,874 thousand to EUR 239,340 thousand (Baader Bank AG: increase of 18 % or EUR 36,117 thousand to EUR 238,114 thousand).

Baader Bank AG's liquidity coverage ratio (LCR) as at 31 December 2021 was 327.18 % (previous year: 281.10 %). The LCR requirement is met if the institution always has access to liquid assets (liquidity buffer) whose total value is at least equal to the liquid outflows less liquid inflows within the next 30 days under stress conditions. This implies a minimum LCR ratio of 100 %.

Unutilised credit facility agreements with domestic banks were in effect as of the balance sheet date.

## 2.4 Non-financial performance indicators

### 2.4.1 Employees

During the reporting year the number of staff employed by the Baader Bank Group increased from 420 in the previous year to 485 as at the balance sheet date. There are 128 female employees and 357 male employees in the Group, from a total of 40 countries.

The number of employees at Baader Bank AG as at 31 December 2021 increased compared the previous year from 388 to 451. The 451 employees, 118 of whom are female and 333 are male, come from 35 nations.

The Baader Bank Group places particular emphasis on high qualifications and on providing its staff with further training. In view of this, human resources (HR) activities in 2021 once again focused on supporting specialists and junior managers, as well as on measures to improve the work-life balance of the Bank's employees.

In 2021, the focus of occupational health and safety was once again on the measures relating to the COVID-19 pandemic. The possibility of working from home was continued for the majority of employees. Thanks to strict internal regulations for the protection of employees and the cautious and responsible conduct of our employees, cases of infection in the Bank's offices were successfully prevented.

With its own provident fund, Baader Unterstützungskasse e.V., the Group has an independent social institution that can provide company pension benefits.

## 2.4.2 Environmental report

Baader Bank and its subsidiaries do not carry out any business transactions that have a material impact on the environment. Within the Bank, great importance is placed on conserving resources when using production equipment, such as photocopiers, printers and other office equipment, and consumables. Baader Bank has undergone restructuring to increase its productivity. The effectiveness and efficiency of key processes were driven forward through process optimisation projects, with a focus on automation and digitalisation. Accordingly, Baader Bank is staying abreast of continuing digitalisation in the financial sector by developing its processes in a targeted and sustainable manner.

The head office in Unterschleissheim was constructed in accordance with state-of-the-art environmental principles, especially with regard to water, heating and air-conditioning, and is managed accordingly. Among other things, the use of grey water has been adopted in sanitary facilities and for plant watering. In addition, electricity consumption has been reduced significantly since 2013 by the ongoing modernisation of building technology. This also applies to district heating.

Since 1 January 2021, the Unterschleissheim and Frankfurt offices have been supplied by 100 % regional green energy from the GSA-Region (Germany, Switzerland and Austria).

Against the background of the ever-increasing environmental, social and governance (ESG) challenges, and taking our growth and strategy into account, we endeavour, together with our subsidiaries, to continue to make a significant contribution in the field of sustainability now and in future. To this end, Baader Bank launched the new Group Corporate Security division on 1 February 2022. In addition to the topics of information and data security, this division also includes the ESG department, which will build on the initiatives already successfully implemented, and further develop its activities in this regard. In this context, a review of the sustainability strategy and the further integration of sustainability aspects into business activities are planned.

## 2.5 General assessment of the report on the economic position

The business development of the Baader Bank Group for financial year 2021 was once again characterised by very high revenues on the stock exchanges, structural and sustainable development in both the Market Making and the Banking Services divisions, and the resulting further rise in trading income. The result of this second consecutive exceptional year is due in particular to the continued very high trading volumes in securities in the final quarter, especially on the trading platforms and exchanges where Baader Bank is active. This led to a slight increase in consolidated net income before tax. The Baader Group concludes the 2021 financial year with a significantly positive result.

All the subsidiaries also made a positive contribution to the Group's position. The summary presentation of results of the subsidiaries of Baader Bank AG for the financial year 2021 can be found in the Section 2.2.4.

The net assets and financial position of the Baader Bank Group for financial year 2021 are such that the Bank's solvency was guaranteed at all times during the reporting period.

## 3. Forecast, opportunities and risk report

### 3.1 Risk report

The following section presents the risk situation of Baader Bank AG and the Baader Bank Group according to commercial law (hereinafter referred to as Baader Bank Group or Group) as at 31 December 2021. On account of the stated comparability of existing risks, the following explanations relate first and foremost to the risk management of the Baader Bank Group. Baader Bank AG's key performance indicators are always provided in addition to those of the Group. Should there be any deviations in terms of content in the procedures and processes, a separate note is made.

#### 3.1.1 The risk management system of the Baader Bank Group

By their nature, the business activities of the Baader Bank Group are subject to risks. The Board of Directors has therefore established a comprehensive risk management system. It is designed to meet both the regulatory requirements as set forth by the national and international regulatory authorities, and the Bank's internal business requirements.

#### 3.1.2 Objectives of risk management

The overriding objective of risk management at the Baader Bank Group is to guarantee its risk-bearing capacity at all times, thereby ensuring that the Group can continue to operate. Consequently, timely identification, active management and continuous monitoring of risks constitute the core elements of business and risk management at the Baader Bank Group. This means that calculable risks can be addressed in a well-considered manner, taking into account the risk-bearing capacity, and risks that could jeopardise the company's existence can be categorically ruled out.

In order to satisfy this fundamental principle, the Board of Directors reviews a daily comprehensive summary of the nature of all significant risks.

#### 3.1.3 Risk-bearing capacity

Risk-bearing capacity is reviewed regularly by the Risk Strategy & Management department of Baader Bank AG. This department is also responsible for risk management at Group level. Risk-bearing capacity is calculated according to the supervisory guideline on the realignment

of internal banking risk-bearing capacity concepts issued by BaFin (the German Federal Financial Supervisory Authority) with reference to "normative" and "economic" perspectives. Both perspectives are considered to be equally relevant for risk management.

The normative perspective is viewed as the totality of regulatory and supervisory requirements. In order to monitor risk-bearing capacity, the equity capital available is compared to the regulatory requirements. The following compares the situation as at 31 December 2021 to the previous year:

**Table 5: Overview of equity capital and equity required**

In EUR'000	Baader Bank Group		Baader Bank AG	
	2021	2020	2021	2020
<b>Equity</b>	130,512	67,557	127,694	73,290
<b>Equity requirements</b>	109,470 <sup>1</sup>	55,702 <sup>1</sup>	104,814 <sup>1</sup>	60,847 <sup>1</sup>

<sup>1</sup> These figures take into account the equity required set by the CRR (including any SREP total capital requirements), the combined capital buffer requirement and a management buffer.

The increase in equity capital results from the very successful 2020 financial year. Because the annual financial statements have not yet been finalised, the results from 2021 in terms of regulatory equity capital will only be taken into account once the annual financial statements for 2021 have been adopted. As a result, equity capital will once again increase significantly.

The capital planning is calculated in accordance with the regulatory provisions for Baader Bank and for the Group in both a basic and an adverse scenario. The adequacy of the capital resources and compliance with all relevant capital ratios are reviewed continuously. This ensures the company's risk-bearing capacity on the basis of its own substance and earning power. The period under consideration covers three years. Anticipated changes in the company's own business activities or strategic objectives, changes in the market and competitive environment and binding or already adopted regulatory changes are taken into account in the course of planning. Risks from an economic perspective are taken into account in the adverse scenarios.

Both the CRR ratio and all other regulatory requirements, including the target key performance indicators for Baader Bank and the Group, are adhered to in both the planned and the adverse scenario.

The economic perspective, however, serves to protect creditors against losses from an economic point of view. At the same time, the long-term protection of the economic substance of the institution is being pursued. The risk coverage potential is determined using a calculation method similar to that of a present value. This refers to balance sheet items but in doing so also factors into the

calculation, for example, the negative effects of hidden liabilities. In order to assess risk-bearing capacity, the risk coverage potential available is compared to the unexpected losses (risk potential) calculated to a confidence level of 99.9 %. The following table shows the risk-bearing capacity of Baader Bank AG and of the Group following the economic approach as of 31 December 2021:

**Table 6: Overview of risk-bearing capacity in the economic perspective**

In EUR'000	Baader Bank Group		Baader Bank AG	
	2021	2020	2021	2020
<b>Risk coverage potential</b>	160,950	128,845	155,319	127,745
<b>Risk potential</b>	31,826	16,019	33,655	18,626

In the economic perspective, in contrast to the normative perspective, the net profit for 2021 is already recognised. This results in a significantly higher risk coverage potential.

Both the normative and economic approaches are relevant to risk management and limitation. For the normative approach, the Baader Bank Group uses a traffic-light system which helps to monitor compliance with the risk-bearing capacity as per the normative perspective.

In the economic approach, a limit system is used. Total risk in the Baader Bank Group is limited by the available risk coverage potential. As a general rule, the Board of Directors uses only part of the risk coverage potential available (risk capital) to permanently secure the Group's risk-bearing capacity. This is then allocated to individual risk types and respective divisions using a top-down approach, and acts in a restrictive capacity as a risk limit. The risk coverage potential, the risk potential and the risk capital are assessed at least quarterly.

In order to ensure that the risk coverage potential is sufficient to cover the losses being incurred, even in hypothetical crisis times (stress scenarios), the Risk Management department checks the greatest losses arising from the stress scenarios against the available risk coverage potential for all relevant risk types.

In summary, the risk-bearing capacity of both Baader Bank AG and the Baader Bank Group was not endangered at any time in financial year 2021 and their survival as going concerns would have been assured even if the worst-case stress scenario had occurred.

### 3.1.4 Risk inventory and risk strategy

The business strategy and goals for the Baader Bank Group's key business lines are defined at the Board of Directors' annual strategy meeting. Strategic considerations include external factors, the assumptions underlying these factors, and internal factors such as risk-bearing capacity, results of operations, liquidity, etc.

Based on the business strategy, the Board of Directors adopts a risk strategy for the coming financial year that is consistent with the business strategy, with due consideration given to key factors. For this purpose, a risk inventory that takes the relevant aspects arising from the business strategy into account will be carried out. At the Baader Bank Group, this is performed by Baader Bank AG's Risk Management department at least once a year. In addition to the annual risk inventory, an extraordinary review may be conducted to account for changes in the significance of risks or the commencement of business activities in new products or new markets, for example. In order to ensure that the Risk Management department is immediately informed of such changes, this department is to be involved in all "new products and markets" processes and projects, and is to be informed immediately of any changes in the strategic orientation, equity interest structure, market expectations, etc. Changes identified in the risk profile are promptly taken into consideration and reported to the Board of Directors. The risk strategy established as a result of this process is divided into sub-strategies according to the material risk types. The basic element of the risk policy strategy is that the Bank's risk-bearing capacity is guaranteed at all times. Accordingly, a specific amount of the risk capital is made available by the Board of Directors for all material risk types; this amount represents the limit for losses in connection with a given type of risk.

### 3.1.5 Risk management structures and processes

The risk management system of the Baader Bank Group comprises the identification, assessment, management, monitoring, and communication of material risks. These processes are as follows:



When **identifying** new risks, all risky transactions or resultant positions are entered into the portfolio management systems immediately. As part of the “Activities in new products or on new markets” process, the Risk Management department is also informed promptly of any potential changes to the existing risk profile. In this process, the planned activities are reviewed and the corresponding risk content is identified. Existing activities are reviewed on a regular basis. Furthermore, Baader Bank AG’s Risk Management department carries out a risk inventory for the Baader Bank Group at least once a year.

The risk **assessment** is based on detailed analyses prepared by the Risk Management department, which has developed a concept for managing and monitoring these risks. Identified risks are (where possible) quantified using a value-at-risk approach and are compared with the risk capital. This is always performed on the basis of a rolling 12-month horizon. This procedure is explained in detail in the section on Baader Bank Group risks.

Risks in the Baader Bank Group are **managed** using a system of limits to limit the respective material risks. The limits are set at least annually by means of a resolution passed by the Board of Directors based on the company’s risk-bearing capacity. Independently of the annual process, these limits can be adjusted whenever necessitated by the business activity or financial performance of the Baader Bank Group.

The permanent imputation of risks to limits enables the Risk Management department to conduct adequate **monitoring**. The Risk Management department detects any limit overrun and recommends appropriate actions such as position reduction to the person responsible for the position and notifies the management responsible for monitoring. The Board of Directors then decides on a measure to be taken and informs the market area concerned and Risk Management. Subsequently, the Risk Management department monitors execution of the agreed action, and in the event that the measure is not implemented, initiates an escalation process. The Risk Management department has, in addition, installed an early risk identification system for monitoring purposes.

The Board of Directors is responsible for ensuring adequate and orderly business organisation and for the further development of that system. This responsibility includes all essential elements of risk management, including establishing the risk policy. To assist the Board of Directors in exercising this responsibility, the Risk Management department maintains a comprehensive reporting system to ensure that **communication** is carried out in the form of daily and periodic reports and, if required, ad hoc reports to the Board of Directors.

In addition, the Risk Management department conducts **stress tests** for all significant risk types at least every quarter. As part of the stress tests, the Risk Management department defines various possible scenarios, which are highly unlikely but plausible, and examines their impact on the existing portfolio. The scenario leading to the greatest loss is designated as the worst-case scenario. The results of the stress tests are presented to the Board of Directors in the stress test report and discussed with them, if necessary. Furthermore, due consideration is given to the results of the stress tests in the review of the Group’s risk-bearing capacity. As of 31 December 2021, the losses in the worst-case scenario amounted to:

**Table 7: Stress test results**

In EUR'000	Baader Bank Group		Baader Bank AG	
	2021	2020	2021	2020
<b>Stress test (worst-case szenario)</b>	57,540	45,778	56,415	45,205

The purpose of the processes described is to ensure that material risks are identified at an early stage, fully captured, and managed and monitored in an appropriate manner. Furthermore, the processes are regularly reviewed and promptly adjusted to reflect changing conditions. The methods and procedures employed are also subject to a regular validation process which examines whether the procedures and the underlying assumptions are appropriate, and identifies whether any changes are necessary. The results of the validations are brought to the attention of the Board of Directors in the form of separate reports.

The technical resources comprising the risk monitoring and management systems are appropriate for the risk management system. Moreover, the Group takes care at all times to ensure that staff are appropriately qualified. Internal Audit reviews the risk management process at least once every year.

### 3.2 Significant changes compared with the previous year

The following major changes were made to the models employed by the Risk Management department in 2021:

#### Market price risk

Model validations were carried out for the market price risk in the past financial year. Based on the results, Risk Management adjusted individual correction factors for the market price risk calculation. Furthermore, a comprehensive standardisation of the holding period assumptions used was carried out.

### Counterparty default risk

The economic and normative perspectives were aligned with regard to the consolidation of Selan. The company is now also included in the economic perspective as an investment, and is no longer fully consolidated. This increases both the reported risks from receivables from customers and the risks from equity investments.

The credit spread value at risk (CSVaR) was allocated to the market price risk rather than to counterparty default risk, as was previously the case.

### Operational risk

In terms of operational risks, in addition to the previous risks from outsourcing, the risks from partnerships are also taken into account when calculating the VaR from operational risks. Moreover, when presenting losses from operational risks, the loss occurrence date is now reported rather than the loss reporting date.

### Liquidity risk

In the course of the validation, individual assumptions for the modelling of cash flows were updated to determine structural liquidity risk.

## 3.2.1 Risks in the Baader Bank Group

The significant risks identified in the past financial year were unchanged: market price risks, counterparty default risks, operational risks, liquidity risks and business risks. There were no risks directly jeopardising the company's existence.

These risk types are discussed and assessed in detail below, and quantified on a net basis, taking into account any risk-reducing effects. The steps taken to mitigate risk are also explained.

### 3.2.1.1 Market price risk

In general, Baader Bank regards market price risks as all risks that result from the change in the market price of a financial instrument over a specified period of time. Depending on the parameter that changes, this may be equity price risk, interest rate risk including credit spread risk, commodity risk or currency exchange risk. Equity price risk refers to the risk of changes in the price of an equity instrument. Interest rate risk refers to the risk of a reduction in the present value of an interest rate or spread-sensitive financial instrument brought about by changes in market interest rates or credit spreads. Baader Bank considers exchange rate risk to be the risk of losses resulting from exchange rate changes that have a negative effect on the Bank's own position. Similarly, commodity positions, including commodity derivative instruments, are exposed to the risk of changing prices.

In addition, the market liquidity risk is taken into account in the market price risk through the relevant holding periods assumed by the model. The market liquidity risk can become more specific, particularly in the case of low-liquid securities. A low level of market liquidity in individual trading products means that transactions in these products are impaired.

In principle, the market price risks described are restricted to proprietary trading activities and do not arise from brokerage business. As a result, the trading portfolios of Market Making and the non-trading book are particularly exposed to this risk. As at year end, the Bank had the following exposures (market values) to positions entailing market price risks:

**Table 8: Summary of Baader Bank Group/Baader Bank AG portfolios**

In EUR'000	Baader Bank Group		Baader Bank AG	
	2021	2020	2021	2020
Shares	20,900	15,609	20,900	15,609
Bonds	47,690	48,265	47,690	48,265
Funds. Index certificates and fund-like certificates	15,689	21,447	15,689	21,447
Options	0	3	0	3
Futures	0	182	0	182

Overall, stocks remained stable compared to the previous year.

Equity price risks are measured in the Baader Bank central trading and monitoring system using a value-at-risk (VaR) model based on Monte Carlo simulations. The VaR is calculated with a chosen confidence level of 99.9 % for the expected holding period. On 31 December 2021, the risk situation was as follows:

**Table 9: Market price risk**

In EUR'000	Baader Bank Group		Baader Bank AG	
	2021	2020	2021	2020
Value at Risk	11,811	4,189	11,378	4,101
Limit utilisation	49 %	24 %	48 %	24 %

The significant increase in market price risk is mainly due to two factors. On the one hand, the adjustment of holding period assumptions in the risk model used has a direct risk-increasing effect; in some cases, significantly longer assumptions are used compared to the previous year. On the other hand, the increase is due to higher interest rate and foreign currency risks in the non-trading book. The difference in VaR between Baader Bank AG and the Baader Bank Group results from the random nature of the Monte Carlo simulation; previously existing deviations resulting from interest rate risks from intra-Group loans no longer exist.

The quality of the VaR model is regularly verified by means of backtesting (clean backtesting) with reference to the relation between the VaR values and the market value changes of a position on the basis of actual price changes. If the number of outliers from backtesting exceeds the limit defined as critical, the Risk Management department makes corresponding adjustments to the VaR model. This produces a representation of the actual losses by way of the value-at-risk analysis, and thus over time further reduces the number of outliers.

To limit market price risks, the Baader Bank Group installed a comprehensive limit system in the central trading and monitoring system. In this system, all positions entered into by the trading units are allocated to the relevant limits on an ongoing basis. It is up to the Board of Directors to allocate the limits within the individual trading units.

Limit overruns are immediately flagged in the monitoring system. The Risk Management department then reports this overrun to the relevant board member responsible for the segment without delay, as well as to the Board of Directors in the daily reporting. The action to be taken is communicated to the Risk Management department and its implementation is monitored.

In the past financial year, the market price risk remained at a stable level compared to the second half of the previous year and thus below the elevated level of the first half of 2020, which was characterised by market distortions due to the "Corona crisis". In absolute terms, the aforementioned adjustments to the holding period assumptions, which were implemented in the fourth quarter of 2021, had the effect of increasing the reported risk amount. However, taking into account the available risk coverage equity and its utilisation by the risk potential, the market price risk can still be considered to be appropriate.

### 3.2.1.2 Counterparty default risk

Baader Bank considers counterparty default risk to refer in general to the risk that a borrower or counterparty cannot repay, or repay in full, the amount owed because of insolvency-related default. In the broader sense, this also includes the risk of migration, which means that changing the probability of a default in the future will already have an impact on the current value of the exposure. Counterparty default risks are allocated to the highest unit in the Group (parent company). In addition to the individual borrower units, this also includes offsetting against the concentration structure limits. For example, the domicile of the parent company is used as a criterion in the calculation of the respective country's concentration structure limit.

To limit counterparty default risks, the total counterparty default risk is limited and monitored with reference to the risk capital allocated by the Board of Directors. If a market area intends to incur a counterparty default risk in connection with a borrower unit that is not yet known to the Group, it must present a written proposal to the Risk Management department. The Risk Management department then determines a credit rating for the new borrower unit on the basis of an internal rating system. If the counterparty default risk limit is exceeded on a given trading day, the Risk Management department reports the limit overrun to the member of the Board of Directors responsible for markets and the member of the Board of Directors in charge of monitoring and recommends an appropriate action. The Board of Directors then resolves an action to be taken and informs the market area and the Risk Management department of the resolved action. The Risk Management department then monitors the implementation of the resolved action. In addition, overruns of the counterparty default risk limit are reported to the Board of Directors as part of the reporting system.

Every internal credit rating category is allocated to an external rating category, and hence to a corresponding probability of default (PD) for expected losses. Based on the internal rating-based approach (IRBA) as set out in Regulation (EU) No. 575/2013 (Article 142 et seq.), IRBA risk weightings are determined in accordance with the Bank's internal procedures for each of these credit rating categories. The Herfindahl-Hirschman index, which measures portfolio granularity and thus risk concentrations, is taken into account. This risk weighting is used as a basis for calculating the VaR, which includes both expected and unexpected losses. The loss rate for the default of the respective borrower unit (LGD = loss given default) as well as the theoretical remaining term of the position of one year are taken into account. The total risk across all borrower units is derived from the sum of all individual risks.

There are additional migration risks that are associated with the securities of the liquidity reserve. As such, the migration risk model is used to quantify the risk of these in addition to the default risk model described above. In this context, the migration risk constitutes the risk of deviations from the expected rating migration of a debtor. Since the rating migration has an influence on the value of the cash flow and therefore also on the present value of the instrument, a negative rating migration can lead to corresponding valuation losses.

Accordingly, the individually determined risk values are aggregated to form a total risk, which must not exceed the risk capital provided by the Board of Directors for counterparty default risks. The limit for the counterparty default risk is set at least annually as part of the resolution to determine the risk limits and risk-bearing capacity.

When considering the counterparty default risk, the Baader Bank Group makes a distinction between credit risk, counterparty risk, issuer risk and equity investment risk, as will be explained in more detail below.

### Credit risk

As part of the client credit business as defined in Section 1 (1) No. 2 of the German Banking Act (Kreditwesengesetz – KWG), private and corporate clients are granted Lombard loans against collateral. This collateral generally consists of listed securities whose collateral value is determined using a conservative measurement procedure, or of bank guarantees. A risk arises here from unsecured overdrafts or unsecured loans as of the reporting date. Furthermore, as part of the credit transactions business, the Treasury division only makes money market investments with banks.

### Counterparty risk

For the Baader Bank Group, a counterparty risk in the form of a replacement risk is incurred in derivatives trading. Replacement risk is the risk of default by the counterparty concerned, leading to non-performance of the transactions concluded. Baader Bank only trades in derivatives on derivatives exchanges. However, as the Bank is not a clearing member of these exchanges, transactions between Baader Bank and the clearing member concerned must be settled. Accordingly, a counterparty default risk arises from the settlement claim vis-à-vis the clearing member in the form of a replacement risk for our own or client transactions undertaken.

### Issuer risk

Issuer risk means the risk of a downgrade in the creditworthiness of an issuer, or the default of an issuer. A loss from an issuer risk results in a depreciation of the respective securities of this issuer. Liquidity reserve bond holdings for which there is a longer-term intended holding period are taken into consideration as part of the issuer risk.

### Equity investment risk

The term “equity investments” refers both to equity investments and interests in affiliated companies pursuant to Section 271 HGB. In the case of equity investments, a counterparty default risk arises from a long-term downgrade in the creditworthiness of the company in which an interest is held, or a default by that company, and results in a corresponding depreciation.

The table below shows the risk situation in the counterparty default risk as at 31 December 2021 compared to the previous year:

**Table 10: Counterparty default risk of the Baader Bank Group/ Baader Bank AG**

In EUR'000	Baader Bank Group		Baader Bank AG	
	2021	2020	2021	2020
<b>Credit risk KU</b>	2,736	230	2,730	633
<b>Credit risk KI</b>	3,241	2,691	3,241	2,215
<b>Counterparty risk</b>	895	347	895	347
<b>Issuer risk</b>	951	1,443	951	1,443
<b>Equity investment risk</b>	3,192	1,619	6,150	4,902
<b>Total</b>	<b>11,015</b>	<b>6,329</b>	<b>13,967</b>	<b>9,540</b>
<b>Limit utilisation</b>	55 %	49 %	70 %	60 %
<b>Risk provisions for client loans</b>	296	235	296	235

As part of managing counterparty default risk, there are also limits in place on individual counterparties, credit ratings, industries and countries to avoid concentration risks. These are monitored daily and reported to the Board of Directors as part of the daily risk report.

In 2021, the counterparty default risk of both the Baader Bank Group and Baader Bank AG increased significantly due to the change in the consolidation of Selan, and the expansion of credit exposure in the course of the redemption of the loans at Erste Group. In addition, the inclusion of a concentration measure in the calculation of credit risks from equity investments led to an increase in the risk potential. The slight increase in risk provision is not due to the threat of credit defaults caused by the COVID-19 pandemic.

### 3.2.1.3 Operational risk

Operational risk is the risk of loss which results if internal control procedures, people or systems are inadequate or fail, or due to the occurrence of external events. This also includes legal risks or risks from partnerships and cyber risks.

The evaluation of risk potential, i.e. the identification and assessment of operational risks across the Group, is carried out each year by Baader Bank AG's Risk Management department. This is done using questionnaires to be completed by operational risk managers, or in the form of special self-assessments. The results of these questionnaires are presented to the Baader Bank Group Security Committee for discussion. The Committee acts as the organisational and thematic body responsible for all security-related issues and discusses relevant issues

in regular meetings. It has a right to make suggestions and recommendations to the Board of Directors regarding Treasury issues which are relevant to decisions.

In addition, operational risk managers can also report at any time any new risk potentials identified. The Security Committee examines the steps proposed by the Risk Management department and considers whether any other measures are necessary and makes its recommendation to the Board of Directors. The Board of Directors makes the ultimate decision as to whether or not any such steps will be carried out and, where necessary, instructs the Security Committee to implement them. The results from the questionnaires are presented to the Board of Directors and the Supervisory Board of Baader Bank AG in a MaRisk report.

In addition to participating in the surveys on risk potential, the operational risk managers are responsible for reporting any losses sustained as a result of operational risks. To this end, they enter all losses of EUR 1 thousand or more into an application. A loss is defined here as a financial loss that is directly connected with the operational risk. The causes of significant losses are analysed immediately.

Unexpected losses from operational risks are quantified each quarter on the basis of losses recorded historically, supplemented by potential losses in the Baader Bank Group. This includes the consideration of risks due to defective processes, data processing risks, personnel risks and natural hazards. The procedure is based on the loss distribution approach, whereby the parameters of severity distribution and frequency distribution are estimated in accordance with the maximum likelihood method to determine a total loss per year. This approach assumes that loss amounts have a log-normal distribution, that the number of losses follows a Poisson process and that losses are independently and identically distributed. The aggregate loss distribution is estimated using statistical software based on the Monte Carlo simulation. For unexpected losses, the 99.9 % quantile is used to determine the amount that must be covered by risk capital. On 31 December 2021, the risk situation was as follows:

**Table 11: Operational risk**

In EUR'000	Baader Bank Group		Baader Bank AG	
	2021	2020	2021	2020
<b>Value at Risk</b>	9,000	5,502	8,311	4,985
<b>Limit utilisation</b>	90 %	69 %	83 %	62 %
<b>Total loss per year</b>	1,573	2,875	1,572	2,875 <sup>1</sup>

<sup>1</sup> The loss amount from 2020 of Baader Bank AG and the Baader Bank Group was changed such that the time of the loss event is now shown, rather than the time of the loss report.

The Board of Directors also makes a specific amount of risk capital available to limit operational risks. The Risk Management department carries out daily reviews to ensure that the risk capital provided (maximum loss limit) is sufficient to cover unexpected losses from operational risks; this monitoring is part of the daily report to the Board of Directors.

In the 2021 business year, despite a massive increase in trading volumes, a slight decrease in losses from operational risks was recorded. No losses were recorded from cyber risks due to working from home during the COVID-19 pandemic. In this regard, the Board of Directors continues to view the operational risk as non-critical. In addition, the risk capital provided was sufficient at all times. The technical equipment used for risk systems was deemed to be appropriate throughout the past financial year.

#### 3.2.1.4 Liquidity risk

With respect to liquidity risk, the bank must ensure that it can fulfil its payment obligations at all times. Liquidity risk is fundamentally sub-divided into dispositive risk and structural liquidity risk.

The dispositive (short-term) liquidity risk refers to the risk that credit commitments could be drawn down unexpectedly or deposits could be withdrawn unexpectedly (call risk). Besides unexpected outflows, payment receipts could be delayed, thus leading to an unplanned lengthening of the capital commitment period for lending transactions (maturity risk). This could have an effect on the Bank's ability to meet its own payment obligations, e.g. in the form of "margin obligations" to stock exchanges arising from the activities of Baader Bank on those exchanges.

The Treasury division is responsible for ensuring that the Bank's payment obligations can be met. The market business lines work closely with the Treasury and Custody & Payment Services divisions to ensure the coordination of daily cash flows between these areas. Unusual liquidity streams from other divisions of the bank are promptly reported to Treasury and Custody & Payment Services. Various credit lines and participation in the GC pooling market are used to ensure that short-term liquidity requirements of the Baader Bank Group are met.

Risk Management is responsible for monitoring the dispositive liquidity risk of the Baader Bank Group. Various monitoring mechanisms have been installed to properly exercise this function and promptly initiate countermeasures when necessary. For the purpose of managing and monitoring the Liquidity Coverage Ratio key performance indicator (KPI) or LCR, a limit system was installed for the marked areas. This system sets limits on all netted inflows and outflows on the one hand, and limits on the total committed capital per value date and profit centre on the other hand. These liquidity limits

enable the Treasury division to manage liquidity and thus also the LCR on an intra-day basis. In addition, observance of the LCR is monitored daily in connection with the Group Risk Report to the Board of Directors. Furthermore, the Treasury division submits a daily liquidity report detailing the current liquidity situation to the Risk Management department, which subjects it to a plausibility check and reviews it. In addition, the NSFR (Net Stable Funding Ratio) is determined and monitored on a quarterly basis. If an imminent liquidity shortage is identified, the relevant decision-makers are informed immediately. Due to the nature of the dispositive liquidity risk, it is not possible to limit this risk by means of the risk coverage potential and therefore quantification is ineffective (MaRisk AT 4.1 para. 4).

Structural liquidity risk (refinancing risk) refers to the risk that refinancing costs could rise on account of a possible increase in spreads for the individual institution. A credit rating deterioration could mean that the bank would be able to conduct borrowing transactions only on less favourable terms. In addition, market-induced changes could also have a major effect. If the market interest rate rises, refinancing tends to become more expensive. The liquid funds thus gained are mainly invested in bonds eligible as collateral at the ECB, which in turn may be deposited at the Deutsche Bundesbank as refinancing facilities under the open market policy, or on the GC pooling market.

Possible refinancing losses are quantified through the preparation of liquidity progress reports and the calculation of potential liquidity shortfalls. A comparison is made each quarter between refinancing under current market conditions and the refinancing position if the unexpected were to occur. A scenario involving considerably more costly funding as well as unexpected cash outflows is applied to this. The resulting difference represents the refinancing loss. This difference is taken into account in determining risk-bearing capacity for the Baader Bank Group and, if necessary, covered with risk capital. The Risk Management department carries out daily reviews to ensure that the risk capital provided is sufficient to cover unexpected losses arising from liquidity risks. The risk situation as of 31 December 2021 was as follows:

**Table 12: Liquidity risk as at 31 December 2021**

In EUR,000	Baader Bank Group		Baader Bank AG	
	2021	2020	2021	2020
<b>Refinancing loss</b>	0	0	0	0
<b>Limit utilisation</b>	0 %	0 %	0 %	0 %

In financial year 2021 – as in the previous year – there was no risk potential as there were no liquidity gaps. For this reason, the Risk Management department regards the liquidity risk as not critical.

### 3.2.1.5 Business risk

Business risk describes the risk of unexpected losses resulting from management decisions on the business policy and positioning of the Baader Bank Group. Furthermore, risks result from unexpected changes in market and general economic conditions with adverse effects on the results of operations. Consequently, unexpected decreases in earnings and negative budget variances, where the causes do not fall into other defined risk categories, are also taken into consideration here. Since the business activities of the Baader Bank Group are dependent in particular on the development of the general market environment on the exchanges, this type of risk is classified as material. Factors that are deemed to be significant and which affect the environment on the exchanges include, for example, trading volumes, the performance of the equity indices and their volatilities, and interest rate levels.

However, it is not considered useful to quantify business risk on the basis of complex mathematical models. Within the framework of the RTF concept, Baader Bank Group's business risk, which is expressed for example in some stress tests in the economic perspective, is incorporated into the normative perspective as part of capital planning in an adverse scenario. Here, a scenario is selected which takes into consideration institution-specific economic aspects and is sufficiently cautious and conservative. The adverse scenario is worked through once per year in the course of the planning process and was adopted by the Board of Directors at the beginning of December.

The highly positive results in the past two financial years indicate that the Baader Bank Group's success continues to be heavily dependent on the market environment. The restructuring measures that have been successfully implemented in recent years and the rise in trading volumes led to a significant improvement in the financial results. Development still needs to be carefully observed and the business risk must be considered crucial to the success of the Bank.

### 3.2.2 Summary of the Baader Bank Group's risk position

The Baader Bank Group manages material risks through a risk management and control process and with the aid of effective risk management tools. Our proactive approach in identifying risks and evaluating the consequences of the risks associated with our business activities aims to recognise and, with the help of appropriate measures, to mitigate the negative consequences of such risks on our financial results and long-term strategic

objectives at an early stage. The central Risk Management unit, which quantifies and monitors all risks within the Baader Bank Group, ensures at all times that interdependencies between the different types of risk can be identified and that countermeasures can be implemented immediately.

As part of our risk strategy, the Board of Directors of the Baader Bank Group allocated only part of the available risk capital to cover unexpected losses in financial year 2021, as in previous years. The breakdown and intra-year allocation of risk capital to individual types of risk takes particular account of the current risk potential within each risk category, the business strategy for the coming years and market expectations. The risk-bearing capacity of Baader Bank was always assured in the past financial year, even when taking into account the worst-case scenarios from the stress tests in the economic perspective. In the normative perspective, the regulatory requirements for equity required were complied with. Baader Bank's capital planning shows that long-term regulatory compliance in terms of equity required is ensured even under adverse conditions.

As in the previous year, the market environment in 2021 was characterised in particular by the COVID-19 crisis and continued high revenues on the markets served. Baader Bank successfully expanded its competitive position and benefited from the positive market development. The coming financial year is also expected to be characterised by the effects of the Covid-19 pandemic. No credit defaults are expected in the Baader Bank Group, as no conventional credit transactions are being conducted, but only Lombard credit business with adequate collateral. In addition, the non-trading book has good credit quality.

With the invasion of Ukraine by Russian troops and the ongoing hostilities at the beginning of March 2022, as well as the resulting global sanctions for Russia, the further development of the real economy and the financial markets is looking very uncertain. At the time of drafting these financial statements, the Bank had no significant loan receivables, securities holdings or other exposures to – or business relationships with – Russia that could have a financial impact on the Bank's results of operations or its long-term strategic objectives in the wake of this crisis. We have also taken all possible measures to protect the Bank from possible cyberattacks.

### 3.3 Forecast and opportunities report

#### 3.3.1 Expected development of the general economic conditions and conditions for the financial industry

Now that a large number of central banks have almost simultaneously begun to reduce the stimulus measures they took in the wake of the COVID-19 pandemic, it can be assumed that the speed and determination with which this process will occur will have a decisive influence on the framework conditions for the development of the economy and the capital markets. In this context, the question of how sustainable inflationary pressure will be in 2022 is likely to play a key role. With inflation continuing to exceed expectations in early 2022, both the ECB and the Fed recently signalled the need to reconsider and likely tighten their previously given guidance regarding the pathway to stimulus reduction at their next meeting in March.

The high degree of uncertainty as to the extent of the measures to be expected from the central banks as the year progresses brings with it the risk of higher volatilities. Historically, the risk of stronger price setbacks on the stock market also increases as soon as several monetary policy tightening steps are taken. As such, the price outlook on the stock markets could turn gloomier in the second half of the year, especially if growth momentum were to slow as a result of increasing burdens. In such an environment, risk factors that have so far only led to temporary burdens could then also develop greater significance (for instance the credit problems of Chinese real estate companies).

Over the coming months, the further course of the COVID-19 pandemic is likely to remain significant influencing factor. Thus, the probable ebb of the omicron wave in spring should provide positive growth impetus for the second quarter in comparison to the two previous years. However, it remains unclear whether a fresh wave of infections in autumn could be unleashed as a result of a new virus variant, and whether such a development would result in new restrictions on activity.

The recent geopolitical tensions are likely to remain a key issue well into the spring. It is expected that the military conflict in Ukraine will have a significant negative impact on the macroeconomic framework. This is especially true in the event that hostilities become more drawn out, or if there is a further escalation between Russia and the West, due to a comprehensive oil and gas embargo, for instance. If prices for energy sources, industrial metals and food remain high for a longer period of time, inflation

rates could continue to exceed expectations and significantly hamper buying power. This would pose a major challenge to the stimulus withdrawal announced by global central banks. From a political standpoint, the danger also exists of a widening of risk premiums on French government bonds in the run-up to the presidential elections in France in April, which could potentially spill over to other countries in the Eurozone. As well as the danger of rising risk premiums for government bonds, discussions about the creditworthiness of companies are also likely to increase, which may weigh down on the financial sector.

The further development of capital market interest rates also represents a risk factor for 2022. In the second quarter, a renewed upswing in growth, inflation rates that continue to exceed expectations and the simultaneous withdrawal of stimulus measures by many central banks could in the meantime trigger a more significant rise in bond yields.

If the return on 10-year German federal bonds rises markedly into positive territory again, massive sector rotation would also be expected on the equity markets, as highly weighted, top quality securities with defensive business models could then come under pressure due to their significant dependence on interest rates. In contrast, cyclical sectors, especially late-cycle stocks, should continue to outperform the overall market.

The prospect for a continued economic recovery, one that remains intact as the year goes on, has been massively called into question by the recent turbulence. Thus for the time being, stock market development will probably continue to be shaped by the expected extent of the burdens placed on corporate profits by lower demand, rising purchase prices and renewed supply chain issues. As long as the uncertainty about these factors persists, such stock market development is likely to be very volatile. However, the high valuations achieved by many stocks in the previous year have already fallen significantly. Towards the end of spring, it should gradually become easier to assess the consequences of the recent turmoil, leading to an upturn on the stock markets as summer approaches.

### 3.3.2 Outlook for the core business lines

#### 3.3.2.1 Market Making business line

In 2022, the financial performance of the Market Making segment will continue to be influenced largely by market developments, trading volumes in the various securities classes and market volatility. These profit drivers are always subject to the influence of external, geo-economic and monetary framework data that the institution has no control over, meaning that the forecasts provided are very limited in the sense that they are based on the expected development of the macroeconomic framework conditions and their impact on the trading income of Baader Bank.

Securities volumes are continuing to noticeably shift to alternative trading platforms. During the reporting period, Baader Bank has continued its structural and sales strategy measures. In the process, Baader Bank was able to further expand its market share in 2021 across all relevant stock exchanges and asset classes, despite moderately lower volatilities overall compared to the previous year.

Baader Bank will take advantage of its relatively high market share as a market maker on German floor exchanges and will continue to focus consistently on existing and new partnerships with operators of exchange and over-the-counter best execution trading platforms. 2021 builds on the tremendous success of the 2020 sales approach and provides a basis for longer-term customer growth, rising order flow volumes and continued revenue contribution from these newly created securities markets. Consequently, Baader Bank plans to expand its exposure to European stock exchanges in order to further diversify into new markets.

Compared to the previous year, similar or at times lower volatilities in securities trading can be expected in 2022. The development in 2021 initially marked a moderate continuation of the high sales activities from 2020. For the current business year, it is expected that market volatility will normalise compared to the volatile previous years of 2020 and 2021.

Baader Bank is continuing its strategic approach in the Market Making division with the onboarding of new clients both in over-the-counter trading and on gettex, the market place of the Munich Stock Exchange. This puts Baader Bank in a particularly good position to take advantage of the "mobile broker" and online asset manager trend, as well as its own platform structure, by more straightforwardly presenting and making use of access to the significant marketplaces.



It is expected that the popularity of stocks as a form of investment, and mobile access to the markets on the part of investors will continue to support Baader Bank's business. The resulting continued growth in terms of customers, market volumes and products is expected to develop in an environment comparable to 2021, thus with a similar number of securities transactions and a similar volume of trades.

Nevertheless, given the increasing technical and regulatory requirements, market makers on German stock exchanges continue to be in a consolidation phase which could result in a new competitive landscape and which puts at risk the continued existence of smaller, less well capitalised market players. Nevertheless, Baader Bank maintains its medium- and long-term strategic objective for the Market Making business line of ensuring its current market position.

### 3.3.2.2 Equity Capital Markets business line

The significant drivers for the order situation in the Capital Markets division are the general developments on the share market in terms of trading volumes as well as the prevailing volatility on the secondary markets in connection with the general competition situation and the global interest rate levels. Added to this are the amplifying effects of the COVID-19 pandemic, which also included the positive developments in the biotech and pharmaceutical sectors in 2021.

The Capital Markets team was able to further increase the market visibility of Baader Bank by supporting the capital measure of BRAIN Biotech AG (see Section 2.2.2.2) and the de-SPAC transaction of Lakestar SPAC I SE. The capital market business will, along with the research expertise in major sectors, also continue to have a good initial position for the gradual expansion of its activities. The aim is to increase the transaction volume by 8 % in the coming year. In accordance with this, the number of mandates of Baader Bank should rise again in the medium- to long-term – this should always take the global interest rate trend into consideration, whereby an increasing interest rate level should be classified as a barrier to business. The growing importance of ESG issues must also be increasingly included when managing capital measures. Overall, the Board of Directors of Baader Bank expects the German market to experience slight growth in 2022, driven in particular by the medium-term expectation that interest rates will rise in the US.

Another goal is to maintain its strong market positioning in the Special Execution service, which jointly supports equity capital markets activities together with the Market Making business of Baader Bank. In terms of Special Execution services, Baader Bank operates largely independently of the economic mood and wishes to continue doing so at a consistently high level of quality and income. An increase is projected in the very high number of transactions and service mandates seen in 2021, while the Board of Directors expects the level to be 20 % lower to begin with in 2022. Plans are in place to expand business activities into Switzerland during the current financial year.

### 3.3.2.3 Multi Asset Brokerage business line

Largely in line with the Market Making and Equity Capital Markets divisions, the prevailing mood underlying the economy, the general developments in the equity market as well as volatile movements in the secondary markets are the major earnings drivers of the Multi Asset Brokerage segment.

The price-sensitive mechanisms within the MiFID II regime, which are reflected in, among other things, falling transaction fees, as well as the continued decreases in research budgets, continue to be potentially inhibiting factors in 2022. The goal of gaining new market shares in multi-asset brokerage remains unchanged. The Board of Directors expects that there will be a slight to moderate overall market growth in multi-asset brokerage for the current year due to an overall increase in trading activities on the part of institutional investors. It is expected that the positive effects of this on other business lines will have less of an impact in this business area. An increase of around 11 % in the volume of trades is planned for 2022.

The focus for the 2022 financial year is on the sustainably optimised expansion and digitalisation of the trading infrastructure in order to expand the market connections of Baader Bank. As a result, the cost-effective nature of the implementation of this needs to be increased in order to counteract the prevailing pressure on margins.

## 3.3.3 Outlook for the support business lines

### 3.3.3.1 Banking Services business line

Because of the ongoing "stock exchange boom" and the sustained expansion of partnerships with conventional and digital asset managers, Baader Bank expects to see further noticeable growth of market shares in the retail segment in particular. The Board of Directors continues to forecast significant growth in the underlying market of the business line in 2022. The consolidation of the investment habits on the part of private investors is particularly crucial here. Furthermore, significant internationalisation in the business of online asset managers and neo-brokers is to be expected, resulting in further promising market potential. In this environment, Baader Bank is striving to maintain and expand its market

leadership using its integrated business model. In the medium term, other drivers of business are: promising customer groups, such as heavy traders, as well as new ranges of products, especially in crypto and tokenisation.

As a consequence, Baader Bank remains committed to its growth trajectory in Banking Services, which has established itself with yield-boosting effect in other trading units as part of its cross-divisional function. Baader Bank wants to increase the number of accounts and deposits to around 700,000 by the end of 2022, along with the corresponding development of the total volume, by way of developing partnerships with business partners and their predominantly digital cooperation models. In the course of this, the first new cooperations for this year have been put in place and there are numerous new B2B partnerships planned.

In line with the high expectations for 2022 for the Banking Services division, the process optimisation and digitalisation of account and securities account management and opening remains an important task in the coming financial year, in the reporting period for which important milestones have already been reached.

### **3.3.3.2 Asset Management Services business line**

Baader Bank has significant competitive advantages in terms of its business activities in the Asset Management Services division thanks to its diversified business model. These include the speed and quality of trading and the range of execution venues and tradeable securities. In financial year 2022, Baader Bank expects to be able to build on the level of managed assets via fund mandates achieved in 2021, taking into account the presumably low market fluctuations. It will certainly need to consolidate individual funds occasionally. In addition, Baader Bank believes that there will be a good level of demand from clients due to the fact that the regulation of the financial

sector is resulting in growing cost pressure and persistent outsourcing tendencies at portfolio management companies. In addition, this development is also driven by the great significance of new ESG regulations and the pressure to implement them.

Through its trading and regulatory expertise, Baader Bank is continuing its efforts to create sustained added value for clients through complementary banking services and at the same time to ensure efficient usage of the existing infrastructure in its support business lines. Accordingly, Baader Bank is initially aiming for the development of fund mandates to remain unchanged as well as the corresponding development of the managed assets under management for 2022.

### **3.3.3.3 Research Services business line**

The Equity Research business line remains an important link between German-speaking corporate clients and international investors for Baader Bank. A strong presence is to be maintained at international investor conferences and complemented by additional conferences on a smaller scale. The development of the COVID-19 pandemic in 2021 has also meant that all event concepts in the Research segment have had to shift to the digital world. In some cases, Baader Bank has implemented a hybrid series of events, but most have been held entirely online.

The partnership with French provider AlphaValue and the resulting research platform "Baader Europe" provides Baader Bank with access to a wider ranging offer, as measured by the number of covered securities which now also includes a pan-European selection of securities and should provide new incentives to prospective new clients as a result of this combination.

The competitive environment in the research business continues to be shaped by margin pressure. For the current financial year, the Board of Directors of Baader Bank only expects moderate – if any – overall market growth in this area. In principle, however, there is still a demand for research, with the result that the products in this business segment can also be seen as a starting point for further business activities in other business lines of Baader Bank. Further optimisation and strong positioning in the market are of top priority for 2022 in terms of ensuring that our own research business is profitable. This shall be accompanied by a development in the number of research contracts with investors that remains initially unchanged in 2022.

### 3.3.4 Outlook for the business development of subsidiaries

As a fundamental part of the Baader Bank Group and tightly integrated with the Research, Multi Asset Brokerage and Equity Capital Markets business lines, the **Baader Helvea Group** is the main point of contact for international institutional investors and corporate clients. The client focus remains on the United Kingdom, Switzerland and North America. The Group provides the organisational and sales setup to serve these investor and client groups in the respective destinations. The Baader Helvea Group will therefore continue to make a significant contribution to the successful support of international clientele in the Baader Bank Group in 2022.

With the continuing optimisation of the research product offered throughout the Baader Bank Group, but also the investment needs of the Baader Helvea client base, the Swiss company is expected to make a steadily growing contribution to the total earnings of the Baader Bank Group in financial year 2022. It will continue to operate its Zurich, London and North America (New York) offices in 2022.

With its Croatian wind farm, the **Selan Group** will continue, as in previous years, to make a significantly positive contribution to the consolidated net income of Baader Bank in the form of revenue. Due to the inflation-dependent indexing of the state-sponsored electricity price, only limited increases in revenue are anticipated. With no change in wind levels or yield, the Selan Group is expected to record slightly higher total earnings in financial year 2022.

This is thanks to the continued stable infrastructure and high technical standard. Increased electricity prices as a result of global gas demand and significantly higher CO2 prices due to 2030 climate change targets have resulted in persistently high electricity prices, but have not yet had any impact on the Group. Ultimately, the Selan Group's total earnings for the year is heavily dependent on wind conditions and the wind yields that can be generated from them, which can only be forecast to a limited extent. The main focus of the wind turbine operator will be implementing the second expansion stage of the wind farm. Capitalisable costs for the start of the expansion are already being incurred to a significant extent in 2022.

As in 2021, the most important goal of **Baader & Heins Capital Management AG** in 2022 will continue to be to secure the company's strong market position in the brokerage of debt instruments and in money market trading in a persistently difficult market environment.

Market conditions will continue to be difficult in the new financial year. Further increases in regulatory requirements and regulatory law factors affecting brokerage revenues and commission income and the unfavourable environment of sustained negative interest rates are worthy of particular mention here.

The ECB's low interest rate policy will lose some momentum but will still remain in place for some time, meaning still fewer and less attractive investment alternatives in interest products for the clients of Baader & Heins. In addition, there are still economic uncertainties due to the COVID-19 pandemic that could affect the markets of Baader & Heins.

The regulatory factors that came into effect in 2018 regarding dismantling or reducing the voluntary deposit protection scheme and the negative impact they had on Baader & Heins AG brokerage revenues and commission income are expected to stabilise in 2022 and to weaken further after their impact between 2018 and 2021. A decline in commission business is expected for 2022 as a result of the aforementioned generally difficult market conditions and the interest rate environment (negative interest rates).

### 3.3.5 Overall assessment of the future development of the Baader Bank Group

The banking and stock market, in which Baader Bank operates as its main market, continues to transform profoundly internationally and particularly in Germany. Fee-optimised best execution platforms (neo stock exchanges), which implement free or flexible pricing strategies for end customers, are taking market share from classic German regional stock exchanges. The simplified access to securities trading of such platforms, including for private investors, manifests the transformation in investors, too. Investors are active and self-directed, and have simple technical mobile access to securities trading, which they use for cost-optimised active trading. This development is driven in particular by neo-brokers and robo-advisors, which also implement cost-optimised investment strategies for private investors.

For Baader Bank, in financial year 2022 this means moderate further growth in the sales volumes of the order books it manages in Market Making and further growth in the accounts and custody accounts it manages in partnerships in Banking Services.

The contributions to income and earnings from Market Making, including the cross-selling effects from Banking Services, will therefore be at the same level as in financial year 2021, even if the growth curve in both areas naturally diminishes. The Board of Directors anticipates a lower growth potential for business development for the Brokerage, Equity Capital Markets and Research divisions in 2022 compared to the other lines. Contributions to earnings in terms of single-digit growth rates are expected to be moderate.

For the overall assessment of the future development of Baader Bank, the earnings drivers and earnings components must be classified as follows:

In the basic scenario for financial year 2022, market volatility is expected to return to normal compared to the highly volatile previous years of 2020 and 2021. Nevertheless, due to the continuing growth (of customers, market volumes and products), the number of securities transactions and revenue are expected to remain at the level of the previous year. In addition to continued strong growth in the number of private investors in the retail client business, the expected increase in business volumes across all business lines also contributes to the stabilisation of unit numbers and volumes.

Due to market volatility and trading volumes being difficult to predict, Baader Bank's trading income for 2022 is expected to lie in the range between EUR 135.0 million and EUR 195.0 million. Commission income is driven by the number of transactions concluded in the client areas and by the number of custody accounts and custody account volumes. It is important to keep in mind that, as trading volumes increase, the settlement costs reported in commission income may also increase considerably. The range of settlement costs for 2022 is therefore between EUR 4.0 million and EUR 20.0 million.

Revenue is expected to reach a level of around EUR 13.0 million in 2022. In the basic scenario, other income components (interest income, other income) reach around EUR 4.0 million.

Baader Bank's total expenses are scheduled to move from EUR 145,000 thousand to EUR 175,000 thousand in financial year 2022. Total expenses include variable expenses for variable remuneration, which are dependent on earnings components, and the allocation to the fund for general banking risks.

A cost-income ratio of around 80 % is anticipated for financial year 2022 in the basic scenario. Accordingly, the Baader Bank Group's earnings before taxes are forecast to be around EUR 30.0 million, with an ROE of around 15 % after taxes.

Given the uncertain, exogenous influencing factors, the Board of Directors is of the opinion that reliable forecasts for the business development can only be made subject to qualifications. The statements, expectations and forecasts on the future development of Baader Bank made in this Management Report are therefore based on the information and knowledge available to the company as at the date of preparation of the annual financial statements.

## 4. Other disclosures

### 4.1 Corporate governance statement with the determinations and disclosures pursuant to Section 289f (2) No. 4, and (4) sentence 1 HGB

On 28 September 2015, the Board of Directors passed a resolution on the determination of target quotas for the proportion of women at the two management levels below the Board of Directors pursuant to Section 76 (4) AktG. Based on that resolution, by 30 June 2017, the proportion of women should reach 3.6 % at the first management level ("Managing Director") and 12 % at the second management level ("Executive Director").

With a proportion of women at the first management level of 9.5 % in June 2017, the first target quota was achieved or exceeded. At the same time, the proportion of women at the second management level was 8 %, thus below the target figure set. The main reason for this was the movement of female managers from the second to the first management level.

The circumstances described prompted the Board of Directors to pass new resolutions on target quota for the respective proportions of women at the first and second management levels. For the first management level, the target was raised to 12 %; for the second management level, the target was left at 12 %. The date by which the two targets would be achieved was set as 30 June 2022.

On 28 September 2015, the Supervisory Board adopted a resolution setting target quotas for the proportion of women on the Board of Directors and Supervisory Board in accordance with Section 111 (5) AktG, which includes the targets of 0 % for the proportion of women on the Board of Directors and 16.67 % on the Supervisory Board of Baader Bank. Both targets had been achieved by 30 June 2017. After the new formation of the Supervisory Board in light of the shareholders' meeting of Baader Bank AG on 25 June 2018, the proportion of women on the Supervisory Board is 0 %. The resolution of the Supervisory Board on 3 April 2019 set a target for a proportion of women on the Board of Directors of 0 % and of 16.67 % on the Supervisory Board. The deadline to achieve both targets is 30 June 2022.


### 4.2 Closing statement on the dependency report pursuant to Section 312 AktG

Baader Bank Aktiengesellschaft (Baader Bank AG) is controlled by Baader Beteiligungs GmbH, Unterschleissheim (Baader GmbH). Baader Beteiligungs GmbH has a shareholding of 64.90 % in Baader Bank AG. As no domination agreement has been concluded between the companies, the Board of Directors of Baader Bank AG is obliged to provide a report regarding the relationships with affiliated companies pursuant to Section 312 AktG, which concludes with the following declaration:

"According to the circumstances known to the Board of Directors at the time, Baader Bank AG received appropriate consideration for the legal transactions or other measures undertaken or omitted and listed in the report regarding the relationships with affiliated companies. The company was not disadvantaged by the measures taken or omitted. All reportable transactions were resolved by the Board of Directors and, if required by the Articles of Association or rules of procedure of Baader Bank AG, also approved by the Supervisory Board and presented in this dependency report."

Unterschleissheim, 21 March 2022

Baader Bank AG  
Board of Directors



Nico Baader



Dietmar von Blücher



Oliver Riedel

# Report by the Supervisory Board

## Work culture, monitoring and consulting activities of the Supervisory Board

In the financial year 2021, the Supervisory Board of Baader Bank carefully and diligently discharged the duties required of it by law and the Articles of Association. In doing so, it monitored and supported the work of the Board of Directors. The Supervisory Board was included in all decisions of great importance. If the Supervisory Board's consent was required for individual measures based on a law, the Articles of Association or the rules of procedure, a resolution was passed in this regard after thorough review and consultation.

In principle, the Supervisory Board of Baader Bank passes resolutions in meetings. If required, resolutions can also be passed outside of meetings by way of a written circular if directed by the Chairman of the Supervisory Board.

The Board of Directors consistently and comprehensively informed the Supervisory Board, in writing and orally, about fundamental issues for the institution, the business policy and overall banking strategy, the current and future management, business development, and significant transactions and important one-off events. Accordingly, the Supervisory Board was regularly informed of the situation of the Group as a whole and of the Group companies. In particular, the overall economic and political situation and the effects on the industry, the development of the income and earnings situation of the Baader Bank Group and of individual companies, the strategic development and the risk situation and risk management were discussed thoroughly. Solutions and measures were discussed.

The Chairman and the other members of the Supervisory Board were also informed at regular intervals through the provision of the minutes of the Board of Directors meetings and at numerous personal meetings by the chairmen of both boards and individual members of the Supervisory Board. The Supervisory Board also held discussions with the other members of the Board of Directors for more in-depth discussion of questions in their respective areas of responsibility. The members of the Supervisory Board also met repeatedly to exchange information internally without the involvement of third parties with the aim of discussing important company matters from the supervisory body's perspective.

In its monthly reports, the Board of Directors provided information on key financial performance indicators and the risk position of Baader Bank Aktiengesellschaft and the Group to the Supervisory Board on an ongoing basis and as required in specific situations. In 2021, the Supervisory Board reports were optimised to ensure even better monitoring. Any deviations from the company's financial plans regarding its earnings were promptly discussed in detail and reviewed by the Supervisory Board.

The regular meetings of the Supervisory Board focused on company figures, the Group's earnings performance and employment trends, including those of its subsidiaries and equity investments and the performance of all business lines. The other topics related as necessary to the administrative areas of Legal, Risk Management, Credit, Back Office, Treasury, IT, Accounting and other divisions.

The Board of Directors and the Supervisory Board also met to advise on the overall banking and business line strategies for the coming years and the associated financial planning. The focus here was on the long-term nature and sustainability of the business model with regard to probable economic efficiency and suitable profitability within the context of the established strategic positioning and market potential. The fifth and final component of the "Vision 2022" long-term strategy programme was presented here by the Board of Directors and discussed with the Supervisory Board.

The Compliance Officer presented his detailed reports twice a year and the Head of Internal Audit presented his detailed annual review to the Chairman of the Supervisory Board. These reports are provided to the other members of the Supervisory Board. If necessary, the reports were discussed by the Supervisory Board.

## **Impact of Covid-19 pandemic measures, succession plan for the Board of Directors and Supervisory Board governance as thematic focal points of consulting and monitoring activities**

In financial year 2021, the Supervisory Board of Baader Bank held five ordinary meetings. The Supervisory Board also joined in-depth conference calls to obtain more detailed information on key resolutions and topics with broader implications for Baader Bank and to exchange views on resolutions/circumstances alone, with the Board of Directors and/or with departmental representatives.

Some resolutions were taken as circular resolutions, in part because of prevention measures made necessary by the Covid-19 pandemic.

Regular topics as specified in the Articles of Association such as the annual financial statements, audit of the annual financial statements and audit results, and the preparation and execution of the shareholders' meeting were the focus of the Supervisory Board's activities.

The Supervisory Board regularly obtained information on the effects of the Covid-19 pandemic on Baader Bank and on the status and effects of adopted organisational/protective measures.

The Supervisory Board also discussed issues regarding the strategy and financial planning of Baader Bank with the Board of Directors. The discussions also focused on the topic of stock dividends. In the case of issues relating to operational and personnel development, the Supervisory Board and Board of Directors reviewed the schedule of responsibilities and the organisational structure of the Bank. Furthermore, significant projects and individual loan commitments were important points in the discussions between the Supervisory Board and the Board of Directors for the financial year 2021.

The main focus of one Supervisory Board meeting was the topic of Supervisory Board governance at Baader Bank. During this meeting, the Supervisory Board dealt with new regulatory and legal requirements, its own work, current developments in Supervisory Board governance and the German Financial Market Integrity Strengthening Act (Finanzmarktintegritätsstärkungsgesetz – FISG).

In this context, the rules of procedure of the Management Board and the Supervisory Board of Baader Bank were updated and adjusted.

Against the background of the new FISG legislation, the Supervisory Board took the decision of principle and formed an audit committee. The Supervisory Board appointed Prof Dr Heni, Helmut Schreyer and Dr Horst Schiessl as members of its audit committee. The audit committee was set up with effect from 21/12/2021.

## **Audit of the annual financial statements and consolidated financial statements for 2021**

The Board of Directors of Baader Bank Aktiengesellschaft prepared the annual financial statements, the consolidated financial statements and the combined Group management report for the 2021 financial year in accordance with the regulations of the German Commercial Code (Handelsgesetzbuch), the German Stock Corporation Act (Aktiengesetz) and the German Regulation on Accounting by Banks (Verordnung über die Rechnungslegung der Kreditinstitute).

The auditors of the annual financial statements and consolidated financial statements chosen by the shareholders' meeting, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements and the management report and issued an unqualified audit opinion. The auditor conducted its audit of the annual financial statements in compliance with the German generally accepted accounting standards laid down by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW).

The Supervisory Board examined the aforementioned documents in detail.

All the documents relating to the financial statements and the auditor's audit reports were provided to the members of the Supervisory Board in good time. The Supervisory Board discussed the documents relating to the financial statements in detail in the presence of the responsible auditor. The auditor reported on the significant results of the audit. Furthermore, the auditor detailed the scope and focal points of the audit.

The Supervisory Board acknowledged and endorsed the results of the audit and, after completing its own review, determined that it had no objections to raise.

The Supervisory Board approved the annual financial statements, consolidated financial statements and combined Group management report prepared by the Board of Directors and audited by the auditor in its meeting held on 31 March 2022.

The annual financial statements have therefore been adopted.

The Supervisory Board, taking into account in particular the company's annual results from 2021, the cash flow and the financial planning, supports the proposal by the Board of Directors to distribute a dividend to shareholders or to offer them the choice of a scrip dividend.

## Subordinate status report

In accordance with Section 312 of the German Stock Corporation Act (Aktiengesetz – AktG), the Board of Directors prepared a report on the company's relationships with affiliated companies. The auditor, PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft, Munich, reviewed the subordinate status report of the Board of Directors in compliance with the legal regulations and issued the following unqualified audit opinion: "In accordance with our mandatory audit and in our opinion, we confirm that 1. the factual disclosures in the report are correct, and 2. the company's payments for the legal transactions set out in the report are not inappropriate in amount, and 3. the measures detailed in the report do not support a judgement materially different to that reached by the Board of Directors."

The Supervisory Board acknowledged and endorsed the results of the audit of the final report and, after completing its own review, determined that it had no objections to raise.

## Changes to the Supervisory Board and Board of Directors of Baader Bank Aktiengesellschaft

There were no changes in the membership of the Supervisory Board in financial year 2021. In 2021, the Supervisory Board completed the succession plan for the Board of Directors of Baader Bank, which was initiated in 2020. On 01/07/2021, Mr Dietmar von Blücher joined the Board of Directors as the new CFO. Mr Dieter Brichmann retired from the Board of Directors.

The formation of an audit committee of the Supervisory Board has been explained above.

## Thanks to all colleagues

The Supervisory Board wishes to thank the Board of Directors as well as all colleagues of the entire Baader Bank Group for their extraordinary commitment and consistently professional performance in the financial year 2021, particularly in light of the enormous business volumes to be handled under the restrictions from the organisational measures that still needed to be observed because of the Covid-19 pandemic.

Unterschleissheim, Germany, 31 March 2022

The Supervisory Board



Dr. Horst Schiessl  
Vorsitzender



# Consolidated Financial Statements



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# Consolidated balance sheet as at 31 December 2021

Assets in EUR	31/12/2021		31/12/2020	
<b>1. Cash reserves</b>				
a) Cash on hand	220,000,345.73		200,000,244.42	
b) Credit balances with central banks	1,152,122,331.85	<b>1,372,122,677.58</b>	288,840,318.70	488,840,563.12
including: At Deutsche Bundesbank EUR 1,152,122,331.85 (previous year: EUR 288,840,318.70)				
<b>2. Loans and advances to banks</b>				
a) Due on demand	148,013,335.04		161,794,087.86	
b) Other loans and advances	1,243,104.30	<b>149,256,439.34</b>	1,209,030.26	163,003,118.12
<b>3. Loans and advances to clients</b>		<b>99,313,526.91</b>		47,260,971.27
including: Secured by real estate liens EUR 0.00 (previous year: EUR 0.00)				
<b>4. Debt securities and other fixed-income securities</b>				
a) Bonds and debt securities				
aa) From public issuers	37,318,195.03		25,069,601.70	
including: Eligible as collateral at Deutsche Bundesbank EUR 22,087,076.14 (previous year: EUR 23,044,363.61)				
ab) From other issuers	10,156,164.15	<b>47,474,359.18</b>	18,665,788.68	43,735,390.38
including: Eligible as collateral at Deutsche Bundesbank EUR 8,169,307.74 (previous year: EUR 11,292,959.33)				
<b>5. Equities and other variable-income securities</b>		<b>848,648.61</b>		1,915,850.03
<b>5a. Trading portfolio</b>		<b>41,753,534.22</b>		36,799,650.84
<b>6. Equity investments</b>		<b>9,689,611.05</b>		9,604,746.17
including: in financial services institutions EUR 464,052.88 (previous year: EUR 464,052.88)				
<b>7. Intangible assets</b>				
a) Concessions, industrial property and similar rights and assets, and licences in such rights and assets acquired for a consideration	10,009,133.21		7,021,753.04	
b) Goodwill	1,495,063.64		2,154,585.31	
c) Advance payments made	75,601.58	<b>11,579,798.43</b>	101,525.34	9,277,863.69
<b>8. Property, plant and equipment</b>		<b>74,576,878.54</b>		74,523,625.08
<b>9. Other assets</b>		<b>1,802,063.94</b>		2,009,852.79
<b>10. Prepaid expenses and deferred charges</b>		<b>3,994,253.76</b>		3,938,344.93
<b>11. Excess of plan assets over pension liabilities</b>		<b>7,270,434.51</b>		7,668,112.32
<b>Total Assets</b>		<b>1,819,682,226.07</b>		<b>888,578,088.74</b>

Equity and liabilities in EUR	31/12/2021		31/12/2020	
<b>1. Bank loans and advances</b>				
a) Due on demand		29,062,303.51	54,006,356.75	
b) With agreed term or notice period		17,777,771.35	28,635,419.46	82,641,776.21
		<b>46,840,074.86</b>		
<b>2. Liabilities to customers</b>				
a) Other liabilities				
aa) Due on demand		1,420,725,318.83	491,990,896.85	
ab) With agreed term or notice period		76,807,689.06	101,652,536.53	593,643,433.38
		<b>1,497,533,007.89</b>		
<b>3. Trading portfolio</b>		<b>2,700,817.93</b>		4,933,950.29
<b>4. Other liabilities</b>		<b>13,195,299.19</b>		12,826,278.72
<b>5. Prepaid expenses and deferred charges</b>		<b>242,900.74</b>		253,247.03
<b>6. Provisions</b>				
a) Provisions for pensions and similar obligations		2,672,095.67	2,463,198.64	
b) Tax provisions		10,311,880.02	8,946,295.40	
c) Other provisions		34,762,233.19	33,444,778.16	44,854,272.20
		<b>47,746,208.88</b>		
<b>7. Fund for general banking risks</b>				
including: Special items pursuant to Section 340e (4) HGB		46,961,000.00	28,457,000.00	28,457,000.00
		<b>46,961,000.00</b>		
<b>8. Equity</b>				
a) Called up capital				
Subscribed capital	46,688,002.00		45,908,682.00	
less nominal amount of treasury shares	0,00	46,688,002.00	-276,996.00	
b) Capital reserve		37,644,759.02	31,431,265.61	
c) Retained earnings				
ca) Other retained earnings	56,564,573.04		23,214,005.90	
cb) Difference in equity due to currency conversion	1,194,008.69	57,758,581.73	496,749.26	
d) Non-controlling interests		944,206.44	951,413.56	
e) Consolidated net retained profit		21,427,367.39	19,243,010.58	120,968,130.91
		<b>164,462,916.58</b>		
		<b>1,819,682,226.07</b>		<b>888,578,088.74</b>

#### 1. Contingent liabilities

a) Liabilities from guarantees and indemnity agreements		<b>8,400.00</b>		208,070.00
<b>2. Other obligations</b>				
a) Irrevocable loan commitments		<b>6,599,181.31</b>		529,125.96

# Consolidated income statement

In EUR'000			2021	2020	
<b>1. Interest income from</b>					
a) Lending and money market transactions	-2,056,310.28			-518,776.61	
b) Fixed-income securities and book-entry securities	1,186,503.32	-869,806.96		2,188,135.15	
<b>2. Interest expenses</b>		-1,396,854.57	<b>-2,266,661.53</b>	-4,885,879.67	-3,216,521.13
<b>3. Current income from</b>					
a) Equities and other variable-income securities		545,730.93		348,964.46	
b) Equity investments		95,281.20	<b>641,012.13</b>	234,024.00	582,988.46
<b>4. Commission income</b>		112,000,016.44		94,452,554.24	
<b>5. Commission expenses</b>		-99,110,863.58	<b>12,889,152.86</b>	-63,476,255.95	30,976,298.29
<b>6. Net income from the trading portfolio</b>			<b>185,030,377.02</b>		168,215,165.14
<b>7. Revenue</b>			<b>11,048,407.15</b>		11,962,150.72
<b>8. Other operating income</b>			<b>7,586,735.07</b>		4,141,404.71
<b>9. General administrative expenses</b>					
a) Personnel expenses					
aa) Salaries and wages	-65,968,599.75			-65,099,100.24	
ab) Social security and expenses for retirement benefits and support including: for retirement benefits EUR -936,464.03 (previous year: EUR -846,180.80)	-7,522,554.38	-73,491,154.13		-6,140,223.35	
b) Other administrative expenses		-54,198,014.87	<b>-127,689,169.00</b>	-44,603,361.09	-115,842,684.68
<b>10. Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment</b>			<b>-9,116,226.10</b>		-11,147,901.87
<b>11. Other operating expenses</b>			<b>-1,722,655.27</b>		-3,537,809.72
<b>12. Depreciation, amortisation and write-downs on receivables and certain securities as well as allocations for provisions in credit transactions</b>			<b>-1,000,616.17</b>		-6,437,241.72
<b>13. Depreciation, amortisation and write-downs on equity investments, shares in affiliates and securities treated as assets</b>			<b>0,00</b>		-2,839,945.50
<b>14. Income from write-ups of equity investments, interests in affiliated companies and securities treated as assets</b>			<b>547,268.97</b>		0,00
<b>15. Expenses from the addition to the fund for general banking risks</b>			<b>-18,504,000.00</b>		-16,837,000.00
of which: Additions pursuant to Section 340e (4) HGB EUR -18,504,000.00 (previous year: EUR -16,837,000.00)					
<b>16. Profit/loss on ordinary activities</b>			<b>57,443,625.13</b>		<b>56,018,902.70</b>

Continued on next page

for the period from 1 January 2020 to 31 December 2021

In EUR'000		2021		2020
17. Taxes on income		-10,591,031.92		-9,121,796.92
18. Other taxes not reported under Item 11		-55,436.47		-55,486.48
19. Consolidated net income		46,797,156.74		46,841,619.30
20. Non-controlling interests		-242,792.88		-313,093.91
21. Net profit/loss of the parent company brought forward		535,089.08		-6,791,314.53
22. Withdrawals from retained earnings				
a) From other retained earnings	5,623,779.50	5,623,779.50	5,761,592.51	5,761,592.51
23. Transfers to retained earnings				
a) To other retained earnings	-31,285,865.05	-31,285,865.05	-26,255,792.79	-26,255,792.79
24. Consolidated net retained profit		21,427,367.39		19,243,010.58

## Statement of changes in equity as at 31 December 2021

In EUR'000	Parent company			
	Subscribed capital/ Ordinary shares	Capital reserve	Consolidated earnings	
			Retained earnings	Balance sheet profit / loss
<b>As at 1 January 2021</b>	<b>45,909</b>	<b>31,431</b>	<b>23,214</b>	<b>19,243</b>
Purchase / withdrawal of treasury shares	-277	0	0	0
Dividends paid	0	0	0	-3,749
Change in group of consolidated companies	0	0	0	0
<b>Other changes</b>	<b>1,056</b>	<b>6,214</b>	<b>389</b>	<b>-7,659</b>
Consolidated net profit for the year	0	0	0	46,554
Other consolidated income	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46,554</b>
Transfer to / withdrawal from reserves	0	0	32,962	-32,962
<b>As at 31 December 2021</b>	<b>46,688</b>	<b>37,645</b>	<b>56,565</b>	<b>21,427</b>

## Statement of changes in equity as at 31 December 2020

In EUR'000	Parent company			
	Subscribed capital/ Ordinary shares	Capital reserve	Consolidated earnings	
			Retained earnings	Balance sheet profit / loss
<b>As at 1 January 2020</b>	<b>45,909</b>	<b>31,431</b>	<b>2,720</b>	<b>-6,792</b>
Purchase / withdrawal of treasury shares	0	0	0	0
Dividends paid	0	0	0	0
Change in group of consolidated companies	0	0	0	0
<b>Other changes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Consolidated net profit for the year	0	0	0	46,529
Other consolidated income	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46,529</b>
Transfer to / withdrawal from reserves	0	0	20,494	-20,494
<b>As at 31 December 2020</b>	<b>45,909</b>	<b>31,431</b>	<b>23,214</b>	<b>19,243</b>



Treasury shares	Equity	Difference in equity due to currency conversion	Non-controlling interests	Consolidated equity
-277	119,520	497	951	120,968
277	0	0	0	0
0	-3,749	0	-250	-3,999
0	0	0	0	0
0	0	0	0	0
0	46,554	0	243	46,797
0	0	697	0	697
0	46,554	697	243	47,494
0	0	0	0	0
0	162,325	1,194	944	164,463

Treasury shares	Equity	Difference in equity due to currency conversion	Non-controlling interests	Consolidated equity
-277	72,991	947	826	74,764
0	0	0	0	0
0	0	0	-188	-188
0	0	0	0	0
0	0	0	0	0
0	46,529	0	313	46,842
0	0	-450	0	-450
0	46,529	-450	313	46,392
0	0	0	0	0
-277	119,520	497	951	120,968

# Cash flow statement

In EUR'000	2021	2020
<b>1. Net income/loss for the period</b> (incl. shares of minority interests)	<b>46,797</b>	<b>46,842</b>
<b>Non-cash items and reconciliation to the cash flow from ordinary activities included in net income/loss for the period:</b>		
2. Amortisation and depreciation, write-downs and write-ups on receivables and fixed assets	9,206	11,807
3. Change in provisions	2,892	32,516
4. Other non-cash expenses/income	17,889	23,577
5. Gains and losses from the disposal of fixed assets	1,428	4,957
6. Other adjustments (net)	10,433	553
<b>7. Sub-total</b>	<b>88,645</b>	<b>120,252</b>
<b>Change in assets and liabilities from ordinary activities:</b>		
8. Loans and advances		
8a. To banks	13,064	-83,061
8b. To customers	-55,667	-9,477
9. Securities (unless fixed assets)	-5,168	46,572
10. Other assets from operating activities	56	1,213
11. Liabilities		
11a. To banks	-35,802	20,826
11b. To customers	904,261	149,604
12. Liabilities held for trading	-2,233	1,609
13. Other liabilities from operating activities	359	3,660
14. Interest and dividends received	26	3,515
15. Interest paid	-1,763	-4,937
16. Income tax payments	-8,695	871
<b>17. Cash flow from operating activities</b>	<b>897,083</b>	<b>130,395</b>
18. Proceeds from the disposal of		
18a. Financial assets	5,321	8,706
19. Payments made for investments in		
19a. Financial assets	-4,859	-2,370
19b. Property, plant and equipment	-5,756	-2,960
19c. Intangible assets	-5,572	-1,260
20. Proceeds from the sale of consolidated companies and other business units	0	0
<b>21. Cash flow from investing activities</b>	<b>-10,866</b>	<b>2,116</b>
22. Payments to business owners and minority interests		
22a. Dividend payments	-3,750	0
22b. Other payments	0	0
23. Changes in cash flow from other loan capital (net)	-250	-187
<b>24. Cash flow from financing activities</b>	<b>-4,000</b>	<b>-187</b>
<b>24. Net change in cash and cash equivalents</b> (the sum of 17, 21 and 24)	<b>882,217</b>	<b>252,576</b>
26. Effects of changes in exchange rates and measurement on cash and cash equivalents	484	166
27. Changes in cash and cash equivalents due to the group of consolidated companies	0	0
<b>28. Cash and cash equivalents at start of period</b>	<b>501,592<sup>1</sup></b>	<b>248,850<sup>1</sup></b>
<b>29. Cash and cash equivalents at end of period</b>	<b>1,384,293</b>	<b>501,592</b>

<sup>1</sup> Sight deposits are included if they are used to meet short-term payment obligations.

# Notes to the Consolidated Financial Statements

## I. Basis of preparation

The consolidated financial statements of Baader Bank AG for financial year 2021 were prepared for the largest and smallest group of consolidated companies in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Regulation on Accounting Principles for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV). The provisions of the German Stock Corporation Act (Aktiengesetz – AktG) were observed.

The consolidated financial statements are also based on the standards issued by the Accounting Standards Committee of Germany (Deutsches Rechnungslegungs Standards Committee e.V. – DRSC) and published by the Federal Ministry of Justice and Consumer Protection (Bundesministerium der Justiz und für Verbraucherschutz – BMJV) pursuant to Section 342 (2) of the German Commercial Code (Handelsgesetzbuch – HGB).

In addition to the consolidated balance sheet and the consolidated income statement, the consolidated financial statements also include the statement of changes in equity, cash flow statement and notes to the consolidated financial statements as additional components. The option pursuant to Section 297 (1) Sentence 2 HGB was not exercised and segment information is not reported.

For the purposes of clarity, all amounts are reported in thousands of euro. For computational reasons, rounding differences of +/- one unit can occur in the tables.

The reporting date is 31 December 2021. The financial year is the same as the calendar year. Baader Bank Aktiengesellschaft, with headquarters in Unterschleißheim, Germany, is registered at the Munich Local Court under commercial register number HRB 121537.

## II. Accounting policies

When measuring assets and liabilities reported in the consolidated financial statements, the general measurement principles (Sections 252 et seq. HGB), the special provisions for companies limited by shares (Sections 264 et seq. HGB) and the supplementary provisions applying to banks and financial services institutions (Sections 340 et seq. HGB) were observed.

In the interests of better clarity and ease of understanding, the notes optionally required on the balance sheet, income statement and notes to the annual financial statements are presented in the notes to the annual financial statements. Individual items that are summarised in the balance sheet and the income statement are broken down in the notes.

The following accounting policies were applied:

### Cash reserves

Cash reserves were recognised at the nominal amount.

### Loans and advances

Loans and advances to banks and clients are generally recognised at their nominal amount or acquisition cost and are reduced by adequate write-downs where necessary. Offsetting permitted pursuant to Section 340f (3) HGB is applied. To take account of the principle of prudence in accordance with Section 252 (1) No. 4 HGB, on the basis of IDW RS BFA Statement 7, general value adjustments are carried out. Based on the portfolio structure with a focus on portfolios due on demand, the 12-month expected loss calculation was selected as a risk model. Accordingly, the parameters used to calculate the loss are probability of default (PD), loss given default (LGD) and the expected exposure at default (EAD). There is a balance between risk premiums and expected risk at the time of lending, and the counterparty default risk has not increased significantly as at the reporting date.

### Securities (excluding trading portfolio)

Securities that are intended to be used in business operations on an ongoing basis are recognised as financial assets under the modified lower of cost or market principle at amortised cost pursuant to Section 253 (1) and (3) HGB. Any impairments which appear to be permanent are taken into account. If necessary, write-ups are carried out in accordance with the requirement to reverse impairments (Section 253 (5) HGB). Recognised valuation models are used to calculate the fair value of the securities to be measured as fixed assets. Offsetting permitted pursuant to Section 340c (2) HGB is applied. The measurement option pursuant to Section 340e (1) Sentence 3 HGB in conjunction with Section 253 (3) Sentence 6 HGB is not exercised.

Securities that are not intended for use in business operations on an ongoing basis and are not allocated to the trading portfolio (securities of the liquidity reserve) are recognised as current assets at their acquisition cost or at their stock market value or fair value if lower, under the strict lower of cost or market principle pursuant to Section 253 (1) and (4) HGB.

Fair value in accordance with Section 255 (4) HGB generally corresponds to the market price. If no market price can be established on the reporting date, the fair value is determined using generally accepted measurement models. If no fair value can be calculated, the acquisition cost is amortised as set out in Section 255 (4) Sentence 3 HGB.

## Trading portfolio

Financial instruments in the trading portfolio are initially measured at acquisition cost. Subsequent measurement is carried out in accordance with Section 340e (3) HGB in conjunction with IDW RS BFA Statements 2 and 5 at fair value less a risk discount for financial assets, or plus a risk premium for financial liabilities. If there is no daily market valuation for derivative financial instruments, the fair value for options is determined by means of the Black-Scholes model; the arbitrage-free valuation model is used for futures. Baader Bank AG values American options using the Barone-Adesi/Whaley approximation (1987). Foreign currency options are valued using the Garman/Kohlhagen model (1983).

The starting point for calculating the risk discount is the value at risk (VaR) measure. Value at risk refers to a risk measurement that indicates the level of loss on the portfolio in question that will not be exceeded with a given probability over a given time horizon. Baader Bank AG uses the Monte Carlo simulation to calculate the market price risk. A confidence level of 99.9 % is assumed for the calculation and the required parameters (volatilities, correlations, etc.) are estimated on the basis of historical data. This is done using the exponential smoothing method so that, with the selected decay factor of 0.97, the last 98 days or so have the greatest effect on the parameters, 95 % when considered cumulatively. For the purpose of calculating the risk discount, (de facto) holding periods relevant to the portfolio of between 0.25 to 10 days were used as at 31 December 2021.

The risk discount was determined for all portfolios held for trading and liabilities. As it is not possible to correctly allocate this amount to the trading portfolio assets and liabilities for the individual classes, the risk discount is in general taken into account for the larger of the respective portfolios. The trading portfolio assets were allocated as at 31 December 2021.

## Securities lending

As the parent company, Baader Bank AG contracts securities lending almost exclusively for the purpose of fulfilling delivery obligations arising from Market Making transactions. They are capitalised at the acquisition costs resulting from the price agreed with the lender. The securities are allocated to the trading portfolio. A return obligation liability is recorded for the same amount.

## Reclassification

The allocation of receivables and securities to the trading portfolio, liquidity reserve or assets measured as fixed assets is based on their purpose at the time of acquisition (Section 247 (1) and (2) HGB).

Reclassification to the trading portfolio is not permitted and reclassification from the trading portfolio is only possible if extraordinary circumstances, in particular significant impairments in the fungibility of the financial instruments, result in them not being held for trading.

Reclassification between the categories of liquidity reserves and assets treated as investments takes place if the established purpose has changed since initial recognition and this change is documented. The reclassification of receivables or securities takes place at the time of the change in purpose.

In financial year 2021, there were no reclassifications from the trading portfolio to investments and no changes to the Bank's internal criteria for including financial instruments in the trading portfolio.

## Derivative financial instruments in the trading portfolio

Derivative financial transactions are recognised and measured as follows:

- Option premiums paid as part of the purchase of options to buy or sell are recognised as trading portfolio assets and measured at fair value less a risk discount.
- Option premiums received from the sale of options to buy or sell are recognised as trading portfolio liabilities and measured at fair value plus a risk premium.
- Margin receivables from futures transactions are accounted for at their nominal amount as other assets.
- Margin obligations from futures transactions are accounted for at their nominal amount as other liabilities.

## Loss-free measurement of interest-rate-based transactions in the banking book

IDW RS BFA Statement 3 provides guidance on specific issues related to the loss-free measurement of the banking book in accordance with the HGB. Banks' business activities in the context of the banking book generally do not allow direct allocation of individual financial instruments to each other. The banking book is managed as a single unit. For interest-rate-based assets and liabilities in the banking book, the principle of prudence under commercial law is adhered to. In accordance with Section 249 HGB, a "provision for

anticipated losses" is recognised for the necessary expenses expected in relation to management of the banking book (refinancing, risk and administrative costs) to cover any potential excess liability. In defining the scope of the banking book, Baader Bank has made use of the option not to include the directly allocable refinancing of non-interest-bearing assets or the corresponding assets. Baader Bank uses the periodic method to calculate the provision for anticipated losses. According to this approach, a provision for anticipated losses is recognised if the sum of discounted net profits or losses for future periods from the banking book is negative. Risk costs and administrative costs are taken into account by applying a deduction to the cash flows. There is no excess liability for the Baader Bank Group as at the balance sheet date. There is thus no requirement to recognise a provision for anticipated losses in relation to loss-free measurement.

### **Equity investments**

Equity investments are accounted for in accordance with the regulations applicable to assets regarding amortised cost. If an impairment appears to be permanent, unscheduled depreciation is undertaken. If the reasons that led to a write-down no longer exist, the write-down is reversed up to a maximum of the acquisition cost. See also the "Securities (excluding trading portfolio)" section for more information on the determination of the fair value. Standardised Group accounting and valuation principles were not applied to the associated companies if the effects on assets and earnings resulting from not carrying out any modifications were not material.

### **Intangible assets and property, plant and equipment**

The Baader Bank Group reports its standard computer software under intangible assets. Purchased intangible assets are measured at cost net of straight-line scheduled amortisation. If an impairment appears to be permanent, unscheduled depreciation is undertaken.

The goodwill arising from mergers and acquired order books is written down on a straight-line basis over 10 years. Taking into account the actual benefit of the client business acquired and transferred to the Baader Bank Group due to the merger, as well as due to the actual useful lives of the goodwill acquired in the past, it is clear that a useful life of five years is entirely insufficient. If an impairment appears to be permanent, unscheduled depreciation is undertaken.

Property, plant and equipment are measured at their acquisition costs less scheduled straight-line depreciation. Depreciation is calculated on a pro rata basis. Low-value assets with a value of up to EUR 250.00 (net) are recognised immediately as expenses through the income statement. In addition, low-value assets with a value of up to EUR 1,000.00 are recognised in an annual collective line item and depreciated over five years on a straight-line basis. The actual useful lives of the low-value assets combined in the collective item, or their disposals, are not taken into account.

To determine the individual useful lives, the Federal Ministry of Finance's depreciation tables for fixed assets in general use (AfA tables) are consulted and technical wear and tear is used as a reference. In individual cases and where there are economic reasons to do so, a longer useful life will be estimated.

Advance payments made on intangible assets and property, plant and equipment are recognised at their nominal amount and written down to an appropriate value where necessary.

### **Other assets**

Other assets are recognised at their nominal amount net of any necessary amortisation, depreciation or write-downs.

### **Prepaid expenses and deferred charges**

Prepaid expenses and deferred charges include transitory items.

### **Liabilities and provisions**

Liabilities are recognised at their settlement amounts.

Pension provisions are measured using the pro rata degressive projected unit credit method, applying the average market interest rate resulting from an assumed remaining duration of 15 years (10-year average). As at the reporting date, the Deutsche Bundesbank (the German central bank) had set this interest rate at 1.87 %. The comparative interest rate used for the required disclosures in the notes to the annual financial statements (7-year average) is 1.35 % and is also set by the Deutsche Bundesbank.

Assets used exclusively for meeting pension obligations are settled at this rate in accordance with Section 246 (2) Sentence 2 HGB.

Other provisions are measured at their required settlement amount arising in compliance with Section 253 (1) HGB in accordance with the principles of prudent commercial judgement. If the expected remaining term of a provision is more than one year, the provision is discounted using the interest rate published by the Deutsche Bundesbank for the respective remaining term.

## Fund for general banking risks

The fund for general banking risks includes amounts required to secure against general banking risks, in accordance with prudent commercial judgement. Independently of this, separate allocations are also made to the fund out of net income from the trading portfolio, pursuant to Section 340e (4) HGB.

## Deferred taxes

Where differences arise between the carrying amounts under commercial law of assets, liabilities and deferred items, and their values under tax law, and where these differences are expected to be reversed in future financial years, a deferred tax liability must be recognised on the balance sheet if such differences result in a net tax expense. If these differences result in net tax income, a deferred tax asset may be recognised.

The current surplus as at 31 December 2021 is not recognised in the balance sheet when exercising the right of election under Section 274 (1) Sentence 2 HGB. Furthermore, there were no deferred taxes as part of consolidation measures in accordance with Section 306 HGB.

## Acquisition of treasury shares

The nominal value of treasury shares acquired is shown in the first column as a separate line item to subscribed capital, as a deduction, and results in the issued capital stock. The difference between the imputed value and the acquisition cost of treasury shares is offset against freely available reserves (retained earnings) in equity, without impacting the income statement.

If the treasury shares are sold again, they are not deducted in the first column. Any difference exceeding the imputed value arising from the disposal proceeds is transferred to the respective reserve up to the amount offset against freely available reserves. Any further difference is allocated to the capital reserve, while any loss arising on sale is charged to retained earnings.

In financial year 2021, the treasury share holdings were used as part of the script dividend, so that no treasury shares were reported as at the balance sheet date.

## Currency translation

In principle, gains or losses from foreign currency translation are treated depending on whether the foreign currency transactions are allocated to the trading portfolio or covered specifically. There was no specific cover as at the balance sheet date. If the gains or losses are allocated to the trading portfolio, both the expenses and the income from the foreign currency translation are recognised through the income statement and shown under other operating result. For foreign currency

items with a remaining term of up to one year, gross expenses and income are also recognised under other operating result. However, for foreign currency items with a remaining term of more than one year, only the expenses from the foreign currency translation are taken into account through the income statement in accordance with the imparity principle and recognised under other operating expenses.

The asset and liability items for balances in foreign currencies are translated into euro at the mean spot exchange rate on the reporting date, with the exception of equity which is translated into euros at the historical rate. The items in the income statement are converted into euro on a monthly basis at the average exchange rate. A difference resulting from the conversion is reported within the consolidated equity as a "difference in equity due to currency conversion". There were no currency translation differences resulting from debt consolidation or elimination of interim results.

## Net interest income

Negative interest from the lending business is included in interest income. Interest income includes the interest income realised during the course of the financial year reduced by negative interest. Corresponding to this, negative interest from deposit-taking transactions reduces the interest expense accordingly.

## III. Changes in accounting policies

In financial year 2021, there were changes in the accounting policies in terms of how expenses and income from foreign currency translation are recognised. These are now recognised under other operating expenses and under other operating income, respectively. In previous years, they were recognised under net income from the trading portfolio.

## IV. Group of consolidated companies

The consolidated financial statements as at 31 December 2021 include Baader Bank AG as the parent company and a total of six subsidiaries (previous year: six subsidiaries) (Baader Bank Group). Baader Bank AG holds more than 50 % of the shares in these subsidiaries, directly or indirectly, or exercises control over them. Two of these companies are based in Germany, and four have their headquarters abroad.

The following companies were included in the consolidated financial statements as at 31 December 2021, and were consolidated in full:

Name/headquarters	Share of capital %	Share capital EUR'000	Equity EUR'000	Total assets EUR'000	Net profit/loss for the year EUR'000	First-time consolidation
Baader Helvea AG, Zurich (Switzerland) <sup>2</sup>	100.00	5,428	9,456	10,206	176	31 August 2013
Baader Helvea Inc., New York (United States of America) <sup>1,3</sup>	100.00	1,597	2,685	2,949	0	31 August 2013
Baader Helvea Ltd., London (United Kingdom) <sup>1,4</sup>	100.00	943	2,381	2,761	922	31 August 2013
Baader & Heins Capital Management AG, Unterschleissheim	75.00	50	3,458	5,764	971	1 January 2005
Selan Holding GmbH, Unterschleissheim	100.00	25	8,549	8,549	-5	1 January 2017
Selan d.o.o., Senj (Croatia) <sup>5,6</sup>	100.00	2,138	20,551	38,679	3,878	1 January 2017

<sup>1</sup> Indirect holding via the investment in Baader Helvea AG, Zurich. | <sup>2</sup> The figures for the financial year as at 31 December 2021 have been translated (EUR/CHF 1.03310). | <sup>3</sup> The figures for the financial year as at 31 December 2021 have been translated (EUR/USD 1.13260). | <sup>4</sup> The figures for the financial year as at 31 December 2021 have been translated (EUR/GBP 0.84028). | <sup>5</sup> Indirect holding via the investment in Selan Holding GmbH, Unterschleissheim. | <sup>6</sup> The figures for the financial year as at 31 December 2021 have been translated (EUR/HRK 7.51560).

There were no changes to the group of consolidated companies in financial year 2021.

In **Baader Unterstützungskasse e.V., Unterschleissheim**, Baader Bank AG maintains a special purpose vehicle within the meaning of Section 290 (2) No. 4 HGB for which there is, in principle, an obligation to include the same in the consolidated financial statements. However, due to immateriality it was not consolidated on 31 December 2021, as permitted by Section 296 (2) Sentence 1 HGB.

No associated companies are included in the consolidated financial statements as at the reporting date.

As at 31 December 2021, Baader Bank AG held 27.36 % of the shares in **Parsoli Corporation Ltd., Mumbai (India)**. As part of a mandatory takeover bid, shares with a nominal value of EUR 330 thousand were subsequently capitalised over the course of financial year 2021. Due to the departure of Baader Bank AG's representatives from Parsoli Corporation Ltd.'s Executive Board in financial year 2009, Baader Bank AG cannot continue to expect to exert significant influence on the company, which is why the subsequently capitalised shares were immediately written down again. The holding therefore continues to be recognised under the item equity investments, with a notional residual value of EUR 1.00.

## V. Consolidation methods

The consolidated financial statements include financial information on the parent company, Baader Bank AG, and the subsidiaries and present the individual Group companies as a single economic entity (Baader Bank Group).

### Subsidiaries

The subsidiaries of the Baader Bank Group are the entities which it controls. The Baader Bank Group has a controlling influence on the subsidiaries if it can determine their financial and business policies. This is generally assumed if the Baader Group holds a direct or indirect equity interest in more than half of the voting rights in the company. The existence of potential voting rights which are currently exercisable or convertible is taken into account when assessing whether the Group controls another company. As at the reporting date there were no potential voting rights.

Subsidiaries are fully consolidated from the point in time the Baader Bank Group acquires a controlling influence. The consolidation ends at the time when the controlling influence no longer exists.

The Baader Bank Group reviews previous consolidation decisions to ensure that they are still appropriate at the end of every financial year, at a minimum. Likewise, any organisational changes are taken into account immediately. Besides changes in ownership, these also include any changes to the Group's existing contractual obligations and any new obligations entered into with an entity.

The financial statements of the subsidiaries included in the Baader Bank Group are prepared according to uniform accounting policies.

Subsidiaries are generally fully consolidated in accordance with the principles set out in Sections 300 et seq. HGB.

Article 66 (3) Sentence 4 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch – EGHGB) provides for the option of using the carrying amount method for the capital consolidation of subsidiaries (acquired before 31 December 2009), depending on the method of acquisition. In addition, pursuant to Section 301 (1) HGB, it is mandatory to use the revaluation method for acquisitions from 1 January 2010.

The Baader Bank Group makes use of this option and continues to use the carrying amount method for all subsidiaries acquired up to 31 December 2008. The revaluation method is used for subsidiaries acquired from 1 January 2009.

If necessary, the assets and liabilities reported in the consolidated financial statements pursuant to Section 300 (2) HGB are uniformly valued according to the accounting policies that apply to the annual financial statements of the parent company.

#### ***Carrying amount method***

Consolidation is based on the carrying amounts reported in the individual financial statements. The proportion of equity attributable to the consolidated subsidiary is offset against the carrying amount of the investment that the Group companies hold in the subsidiary. Information about the calculation of the carrying amount of investments is presented in the separate “Equity investments” section.

The difference between the proportional equity and the carrying amount of the investments is allocated to the hidden reserves and charges attributable to the subsidiary's assets and liabilities in proportion to the amount of holdings. The remaining difference represents goodwill or negative goodwill. The goodwill resulting from this process was offset against retained earnings in accordance with Section 309 (1) Sentence 3 HGB (old).

#### ***Revaluation method***

At the time of acquisition, the net assets of the subsidiary are revalued at fair value. In addition to calculating the fair value of assets and liabilities that have already been recognised on the balance sheet, assets and liabilities that have not yet been recognised are also recorded. The revaluation of the assets and liabilities results in a revaluation of equity. The portion of equity attributable to the Group companies is offset against the acquisition cost and the difference represents goodwill or negative goodwill.

The writing down of goodwill takes place principally in accordance with the individual useful life.

If the Group acquires a controlling influence by gradually increasing its ownership interest, goodwill or negative goodwill is calculated at the time of each additional acquisition.

If a subsidiary is consolidated for the first time as at 1 January of each financial year, the items in the subsidiary's income statement are fully incorporated into the consolidated income statement. If a subsidiary is consolidated for the first time during the course of the year, the items are incorporated on a pro rata basis.

Baader Bank AG generally recognises any interests in subsidiaries not included in the consolidated financial statements due to limited options for exercising rights, or for reasons of materiality (Section 296 (1) and (2) HGB), at amortised cost. Refer also to the “Equity investments” section for more information.

### **Associates**

An associate is a company over which the Group exercises significant influence, but not a controlling influence, on decisions concerning financial and operational policy. As a rule, significant influence is presumed if the Group holds between 20 % and 50 % of the voting rights. In assessing whether the Group has the ability to exercise significant influence on another company, the existence and the effect of potential voting rights that are currently exercisable or convertible are taken into account.

As at the reporting date there were no potential voting rights.

Examples of other factors used in assessing significant influence include representation on the management and supervisory boards of the company in which the investment is held, and significant transactions with the company. The presence of such factors could indicate the existence of an associate even if the Group's interest involves less than 20 % of the voting rights.

In accordance with Section 311 (1) HGB, interests in associates are initially recognised at acquisition cost using the equity method. In subsequent years, profits and losses and other changes in the net assets of the associate concerned increase or decrease the acquisition cost (“equity value”).

The Group reviews the equity value for indications of impairment at least once a year, but always at the end of each financial year. If the “equity value” exceeds the fair value, unscheduled amortisation is undertaken. If the reason for the unscheduled amortisation ceases to exist, the write-down is reversed.

The writing down of goodwill takes place principally in accordance with the individual useful life. Any negative goodwill is immediately released through the income statement.



Results from transactions between Group companies and associates are eliminated in line with the existing amount of holdings.

If the Group disposes of the interests in an associated company, in whole or in part, the gain or loss on disposal is determined by offsetting the disposal proceeds realised against the equity value attributable to the outgoing interest. If the Group loses significant influence over an associate but there is no change in the amount of holdings, the equity value is amortised using the cost method.

The Group's interests in associated companies did not change in financial year 2021. These remained unchanged compared to the previous year at EUR 0 thousand.

## VI. Notes to the balance sheet

### Foreign currency holdings

As at the reporting date, assets in foreign currency amounted to (translated) EUR 86,610 thousand (previous year: EUR 101,257 thousand). Liabilities denominated in foreign currency totalled EUR 135,061 thousand (previous year: EUR 123,124 thousand). This involved the following balance sheet items:

Currency	Loans and advances (clients and banks)	Securities, equity investments and associates	Other assets	Payables (clients and banks)	Other liabilities
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
AUD	771	208	0	977	1
BRL	1	0	0	0	0
CAD	141	0	0	102	0
CHF	8,769	0	565	32,180	945
CZK	58	0	0	58	0
DKK	13	0	0	33	1
GBP	12,842	658	97	11,189	458
HKD	2	0	0	18	0
HRK	3,706	0	34,973	0	1,995
HUF	8	0	0	7	0
INR	16	0	0	0	0
JPY	437	0	0	437	1
MXN	2	0	0	1	0
MYR	2	0	0	0	0
NOK	505	93	0	598	0
NZD	91	0	0	116	0
OMR	6	0	0	0	0
SEK	61	7	0	56	2
THB	113	0	0	0	0
USD	20,876	1,264	325	85,200	686
	<b>48,420</b>	<b>2,230</b>	<b>35,960</b>	<b>130,972</b>	<b>4,089</b>

Foreign currency translation resulted in expenses amounting to EUR 294 thousand (previous year: EUR 1,138 thousand) which are recognised under other operating expenses, and income in the amount of EUR 1,926 thousand (previous year: EUR 858 thousand) recognised under other operating income.

### Cash reserves

In addition to credit balances with Deutsche Bundesbank in the amount of EUR 1,152,122 thousand (previous year: EUR 288,840 thousand), cash reserves are made up of cash balances in the amount of EUR 220,000 thousand (previous year: EUR 200,000 thousand), which are stored in the form of cash in a security deposit box at Bayerische Landesbank.

### Loans and advances to banks

Loans and advances to banks comprise bank balances due on demand in the amount of EUR 119,677 thousand (previous year: EUR 122,215 thousand) as well as loans and advances due on demand and other loans and advances in the amount of EUR 29,579 thousand (previous year: EUR 40,788 thousand). There are no receivables from associated companies (previous year: EUR 0 thousand).

### Loans and advances to clients

Loans and advances to clients amount to EUR 99,314 thousand (previous year: EUR 47,261 thousand). Loans and advances to associated companies amount to EUR 0 thousand (previous year: EUR 11 thousand). There are no loans and advances to clients with an indefinite term.

### Debt securities and other fixed-income securities

Debt securities and other fixed-income securities totalled EUR 47,474 thousand.

The debt securities and other fixed-income securities contain a class measured as fixed assets in the amount of EUR 662 thousand. There were no indications that impairment would be permanent. The other items are allocated to the liquidity reserve.

In EUR'000	31/12/2021	31/12/2020
<b>Bonds and debt securities</b>	46,956	42,955
<b>Accrued interest</b>	518	780
<b>Debt securities and other fixed-income securities</b>	<b>47,474</b>	<b>43,735</b>

In the coming year, bonds and debt securities totalling EUR 20,027 thousand will fall due.

In EUR'000	Cost of acquisition or production			
	As at 01/01/2021	Additions	Transfers	Disposals
<b>Intangible assets</b>	<b>105,675</b>	<b>5,572</b>	<b>0</b>	<b>0</b>
Concessions, industrial property and similar rights and assets, and licenses in such rights and assets acquired for a consideration	72,163	5,525	72	0
Goodwill	33,411	0	0	0
Advance payments for intangible assets	101	47	-72	0
<b>Property, plant and equipment</b>	<b>139,038</b>	<b>5,755</b>	<b>0</b>	<b>-336</b>
Land and buildings	56,931	99	0	-214
Furniture and office equipment	79,493	3,962	0	-122
Advance payments for property, plant and equipment and assets under construction	2,614	1,694	0	0
<b>Financial assets</b>	<b>12,487</b>	<b>415</b>	<b>0</b>	<b>0</b>
Equity investments	11,820	415	0	0
Securities held as fixed assets	667	0	0	0

## Equities and other variable-income securities

Under shares and other variable income securities, the Baader Bank Group had no investment interest as at 31 December 2021.

## Breakdown of residual maturities

The maturities of the loans and advances and liabilities reported in the balance sheet are as follows:

In EUR'000	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Other loans and advances to banks	1,198	45	0	0
Loans and advances to clients	98,404	742	168	0
Bank loans and advances with an agreed term or notice period	7,229	0	0	10,549
Other liabilities to clients with an agreed term or notice period	744	6,064	40,000	30,000

## Breakdown of marketable securities by listed and unlisted securities:

In EUR'000	Non-marketable securities	Marketable securities		Marketable securities not measured at the lower of cost or market value
		Listed	Unlisted	
Debt securities and other fixed-income securities	0	46,812	662	0
Equities and other variable-income securities	0	849	0	0
Equity investments	8,226	0	1,464	0

## Fixed assets

From the capitalised goodwill resulting from the acquisition of *Helvea Holding SA, Geneva* (merger with *Baader Helvea AG, Zurich*) and *Selan Holding GmbH, Unterschleissheim*, it is clear that a useful life of five years is entirely insufficient. Taking into account Section 253 (3) Sentences 3 and 4 HGB, capitalised goodwill is also amortised over 10 years. In financial year 2021, no unscheduled depreciation was undertaken (previous year: EUR 2,839 thousand).

The movements in and composition of fixed assets are shown in the following schedule of fixed assets:

Depreciation and amortisation				Carrying amount	
As at 01/01/2021	of which 2021	of which disposals	As at 31/12/2021	As at 31/12/2021	As at 31/12/2020
-96,397	-3,270	0	-99,667	11,580	9,278
-65,141	-2,610	0	-67,751	10,009	7,022
-31,256	-660	0	-31,916	1,495	2,155
0	0	0	0	76	101
-64,514	-5,846	480	-69,880	74,577	74,524
-21,742	-763	214	-22,291	34,525	35,189
-42,772	-5,083	266	-47,589	35,744	36,721
0	0	0	0	4,308	2,614
-2,271	-330	51	-2,550	10,352	10,216
-2,215	-330	0	-2,545	9,690	9,605
-56	0	51	-5	662	611

## Other assets

Other liabilities include:

In EUR'000	31/12/2021	31/12/2020
Other trade receivables	944	309
Other tax receivables	629	1,323
Receivables from brokerage fees, exchange rate differences and transaction fees	153	323
Reinsurance claims from life insurance policies	76	55
<b>Other assets</b>	<b>1,802</b>	<b>2,010</b>

## Prepaid expenses and deferred charges

Prepaid expenses and deferred charges relate to an amount of EUR 11 thousand (previous year: EUR 21 thousand) in differences from the issue of promissory note loans recognised on the assets side pursuant to Section 250 (3) HGB. This difference is released pro-rata over the remaining term on a straight-line basis. The total item also relates to expenses paid in advance for services in future periods.

## Bank loans and advances

Bank loans and advances are primarily used to finance the office building in Unterschleissheim and to refinance the securities trading business. There are no liabilities to associated companies (previous year: EUR 0 thousand).

## Liabilities to customers

As at the reporting date, client deposits due on demand amounted to EUR 1,420,725 thousand (previous year: EUR 491,991 thousand) and payables to customers with an agreed term or notice period amounted to EUR 76,808 thousand (previous year: EUR 101,652 thousand) which were primarily attributed to promissory note loans issued. There are no liabilities to associated companies (previous year: EUR 0 thousand).

## Other liabilities

Other liabilities include:

In EUR'000	31/12/2021	31/12/2020
Trade payables	8,188	4,804
Tax liabilities	3,393	3,267
Other liabilities	1,614	1,157
Liabilities from capital market services	0	3,598
<b>Other liabilities</b>	<b>13,195</b>	<b>12,826</b>

## Pension provisions

As at 31 December 2021, pension provisions amounted to EUR 13,608 thousand (previous year: EUR 18,133 thousand) and are determined using the procedure described in the "Liabilities and provisions" section. For the reinsurance of liabilities, bank accounts, securities deposits and reinsurance policies are available.

The actuarial calculations for the Group companies are based on the following parameters:

	31/12/2021	31/12/2020
Actuarial interest rate	1,87 %	2,30 %
Changes in salaries	2,00 % bzw. 3,00 %	2,00 % bzw. 3,00 %
Pension adjustments	1,80 % bzw. 2,00 %	1,80 % bzw. 2,00 %

In compliance with Section 253 (6) HGB, a difference of EUR 583 thousand arises between the recognition of provisions using the relevant average market interest rate of the past 10 financial years and the recognition of the provision using the relevant average market interest rate of the past 7 financial years.

In addition, the Klaus Heubeck "Richttafeln 2018 G" (mortality) tables were used as the basis for the calculations in both the commercial financial statements and the statements used for tax purposes as at 31 December 2021.

## Plan assets

In EUR'000	31/12/2021	31/12/2020
<b>Cost</b>	17,851	23,437
<b>Fair value</b>	18,206	23,337
<b>Offset liabilities</b>	10,936	15,669

Bank deposits, reinsurance policies and securities deposits qualifying as plan assets are netted against the pension obligations. In addition, an excess of plan assets over pension liabilities totalling EUR 7,270 thousand is reported within assets (previous year: EUR 7,668 thousand). On a net basis, this results in a balance sheet recognition of pension provisions in the amount of EUR 2,672 thousand (previous year: EUR 2,463 thousand). Income and expenses from the offset assets are recognised in the net amount of EUR 946 thousand in compliance with Section 246 (2) HGB under the item "other operating income". Expenses in the amount of EUR 1,974 thousand were offset against income in the amount of EUR 1,028 thousand under application of Section 246 (2) Sentence 2 HGB.

## Other provisions

Other provisions are comprised as follows:

In EUR'000	31/12/2021	31/12/2020
<b>Personnel provisions</b>	25,651	26,743
<b>Administrative and commission expenses</b>	8,481	5,644
<b>Auditing, legal and consulting costs</b>	603	558
<b>Other provisions</b>	27	500
<b>Other provisions</b>	<b>34,762</b>	<b>33,445</b>

## Fund for general banking risks

Under Section 340e (4) HGB, banks are required to create a special "Fund for general banking risks" item in accordance with Section 340g HGB. 10 % of the net income generated by the trading portfolio is to be allocated annually to this special item in order to cover the special risks arising from valuation at fair value. The special item is to be funded annually with at least 10 % of the net income generated by the trading portfolio until it reaches at least 50 % of the average annual net income from the trading portfolio over the last five years prior to the date of calculation (minimum level).

The special item was funded with EUR 46,961 thousand on the basis of additions in the amount of EUR 18,504 thousand as at the reporting date, 31 December 2021.

## Trading portfolio

Assets and liabilities held for trading as at 31 December 2021 were as follows:

Assets held for trading In EUR'000	31/12/2021	31/12/2020
<b>Derivative financial instruments</b>	0	98
<b>Debt securities and other fixed-income securities</b>	524	463
<b>Equities and other variable-income securities</b>	41,769	36,792
<b>Risk discount</b>	-539	-553
<b>Assets held for trading on the balance sheet</b>	<b>41,754</b>	<b>36,800</b>

Liabilities held for trading In EUR'000	31/12/2021	31. 12. 2020
<b>Derivative financial instruments</b>	0	3
<b>Liabilities</b>	2,701	4,931
<b>Liabilities held for trading on the balance sheet</b>	<b>2,701</b>	<b>4,934</b>

## Valuation units

No valuation units as defined by Section 254 HGB were created in the 2021 financial year.

## Derivative financial instruments

As at the reporting date, 31 December 2021, the Baader Bank Group did not hold index-related derivative financial instruments in its trading portfolio.

## Futures transactions

As at the reporting date, outstanding futures transactions consisted solely of forward exchange contracts as defined by Section 36 (1) RechKredV.

Term	Currency	Nominal
		EUR'000
10 December 2021 to 14 January 2022	USD	13,268
17 December 2021 to 21 January 2022	USD	13,234
21 December 2021 to 24 January 2022	USD	13,269
29 December 2021 to 3 January 2022	USD	11,523
30 December 2021 to 3 January 2022	USD	168
30 December 2021 to 3 January 2022	CHF	97
30 December 2021 to 3 January 2022	CHF	28,915
30 December 2021 to 3 January 2022	HKD	9
30 December 2021 to 4 January 2022	CAD	10
30 December 2021 to 4 January 2022	DKK	20
30 December 2021 to 4 January 2022	GBP	95
30 December 2021 to 4 January 2022	USD	15,919
30 December 2021 to 5 January 2022	JPY	14
30 December 2021 to 5 January 2022	NZD	12
30 December 2021 to 3 January 2022	USD	-255
30 December 2021 to 4 January 2022	CAD	-51
30 December 2021 to 4 January 2022	GBP	-36
30 December 2021 to 4 January 2022	SEK	-10
30 December 2021 to 5 January 2022	JPY	-12

The transactions shown relate solely to client-originated futures transactions as well as spot transactions not fulfilled as at the balance sheet date.

## Interests in investment funds

As at 31 December 2021, the Baader Bank Group did not have interest of more than 10 % in contractual investment funds within the meaning of Section 1 (10) KAGB or in non-voting shares in investment stock corporations with variable capital within the meaning of Sections 108-123 KAGB or in comparable EU investment funds or in comparable foreign investment funds.

## Assets transferred as collateral

For the liabilities below, assets with the collateral values indicated were deposited as collateral as at 31 December 2021:

In EUR'000	Mortgages	Securities (liquidity reserve)	Bank deposits
Bank loans and advances	26,200	0	23,471

## Deferred taxes

Deferred taxes are calculated on the basis of differences in value between commercial and tax law, which mainly arise from recognition of pension provisions and the fund for general banking risks (deferred tax assets) as well as the useful life of the office building, wind turbines and risk provisions (deferred tax liabilities). The tax rate used is 28.20 %. In accordance with the option under Section 274 (1) Sentence 2 HGB, the resulting asset surplus is not recognised on the balance sheet.

## Equity

### 1. Share capital

The company's share capital amounted to EUR 46,688 thousand as at 31 December 2021 (previous year: EUR 45,909 thousand). It is subdivided into 46,688,002 (previous year: 45,908,682) no-par bearer shares (ordinary shares) with an imputed nominal value of EUR 1.00 per share.

## 2. Authorised capital

### a) Authorised capital 2021

The company's shareholder meeting created authorised capital 2021 by means of the resolution dated 01 July 2021 having the following content:

The Management Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the company by up to a total of EUR 22,954,341.00 (Authorised Capital 2021) on or before 30 June 2026 by means of one or more issues of up to 22,954,341 new no-par-value bearer shares against cash contributions and/or contributions in kind. When using authorised capital 2021, shareholders must be granted a subscription right. The shares may also be acquired by one or more credit institutions or companies, within the meaning of § 186 (5)(1) AktG, designated by the Management Board, with the obligation that these shares be offered to the shareholders for subscription (indirect subscription right). The Board of Directors is authorised to exclude the shareholders' statutory subscription rights with the consent of the Supervisory Board,

- a) in order to exclude fractions from the subscription right;
- b) if the new shares are issued against cash deposits at an issue amount that does not significantly fall below (as defined by Section 186 (3) Sentence 4 AktG) the share price of the shares already listed in m:access at the time the issue price is finally determined, and provided that the total number of shares issued since the authorisation pursuant to Section 186 (3) Sentence 4 AktG does not exceed 10 % of the share capital at the time the authorisation becomes effective or – if this value is lower – at the time the authorisation is utilised. This 10 % limit is to be applied to those shares which were issued or sold during the period in which the authorisation was in effect until the time the respective authorisation is exercised in accordance with or corresponding to § 186 (3)(4) AktG, with the exclusion of shareholders' subscription rights. The shares that were issued or could still be issued by the company based on the convertible debt securities and/or warrants issued at the time of the respective exercise of the authorisation must also be included if the convertible debt securities and/or warrants were issued by the company or its Group companies after the effectiveness of this authorisation in direct or corresponding application of Section 186 (3) Sentence 4 AktG under exclusion of the shareholders' subscription right;

- c) in order to issue shares against contributions in kind to acquire companies, interests in companies, or company units or assets, in particular dividend claims – including by means of share swaps – and in the event of company mergers.

The Management Board is authorised, with the consent of the Supervisory Board, to determine the scope of the share rights and any further details for the execution of the capital increase from Authorised Capital 2021. The Supervisory Board is authorised to adapt the Articles of Association accordingly after using the authorised capital or once the period for using the authorised capital has expired.

The decision to create authorised capital 2021 was submitted for entry in the commercial register on 1 July 2021. It was entered in the commercial register on 15 July 2021.

The authorised capital for 2021 of EUR 779,320 was not utilised in the reporting year (previous year: EUR 0) through the issue of 779,320 no-par-value bearer shares against contributions in kind as part of the 2021 scrip dividend. The dividend claims arising from the resolution on appropriation of profit of the Annual General Meeting of 1 July 2021 form a contribution in kind for the new shares for those shareholders who have opted to acquire shares as part of the scrip dividend.

The remaining Authorised Capital amounted to a total of EUR 22,175,021.00 on 31 December 2021, which can be utilised, with the consent of the Supervisory Board, by means of one or more issues of up to 22,175,021 new no-par-value bearer shares.

### b) Other authorised capital

There was no other authorised capital in financial year 2021.

### 3. Contingent capital

#### a) *Contingent capital 2020*

The company's shareholders' meeting created contingent capital 2020 by means of the resolution dated 11 August 2020 having the following content:

The company's share capital is conditionally increased by up to EUR 22,954 thousand, divided into up to 22,954,341 no par bearer shares (contingent capital 2020). The contingent capital increase shall only be performed to the extent that the holders or creditors of convertible bonds, warrant-linked bonds, profit-sharing rights and other hybrid debt instruments (with or without conversion or option rights or obligations) that are issued or guaranteed by Baader Bank Aktiengesellschaft or direct or indirect majority holding companies of Baader Bank Aktiengesellschaft (group member companies within the meaning of Section 18 (1) AktG) on the basis of the resolution to authorise by the general meeting of 11 August 2020 (Authorisation 2020) up to 10 August 2025 exercise their conversion or option rights or fulfil their corresponding conversion or option obligations or the Company invokes a right of substitution and no other forms of performance are selected. The new shares shall be issued at an option and conversion price to be determined in accordance with Authorisation 2020. The new shares shall have dividend rights starting as of the beginning of the financial year in which they are issued due to the exercise of conversion or option rights, or fulfilment of corresponding conversion or option obligations; insofar as legally permissible, the Board of Directors, subject to Supervisory Board approval and by way of derogation from Section 60 (2) AktG, may also stipulate dividend rights for new shares for a financial year that has already closed. The Board of Directors is authorised, subject to Supervisory Board approval, to determine further details for the implementation of the contingent capital increase.

#### b) *Other contingent capital*

There was no other utilisable contingent capital in financial year 2021.

### 4. Treasury shares

#### a) *Authorisations to buy treasury shares*

The authorisation to purchase treasury shares pursuant to Section 71 (1) No. 8 AktG, granted by the shareholders' meeting on 1 July 2019 and valid until 30 June 2024, was replaced by a new authorisation, valid until 30 June 2026, by means of the resolution dated 1 July 2021.

The company's shareholders' meeting passed the following resolution on 1 July 2021:

- a) The current authorisation to purchase treasury shares pursuant to Section 71 (1) No. 8 AktG, granted by the shareholders' meeting on 1 July 2019 under agenda item 7 and valid until 30 June 2024, is cancelled.
- b) The Board of Directors is authorised to acquire treasury shares of the company up to the amount of 10 % of the current share capital by 30 June 2026 with the consent of the Supervisory Board. Together with any treasury shares acquired for other reasons that are in the possession of the company or that are attributable to it in accordance with Section 71a et seq. AktG, the shares acquired on the basis of this authorisation may at no time exceed 10 % of the company's share capital.

The acquisition may take place on the stock exchange or by means of a public purchase offer addressed to all shareholders of the company or a public invitation to submit offers for sale.

The equivalent value for the acquisition of the shares (excluding ancillary purchase costs) must not be more than 10 % higher or lower than the average value of the share price on the Frankfurt Stock Exchange on the last three exchange trading days before the obligation to acquire (closing price in Xetra trading system or a comparable successor system replacing the Xetra system) in the event of acquisition via the stock exchange. In the event of a public purchase offer or a public invitation to the company's shareholders to submit offers for sale, the company may either set a price or a price range at which it is willing to purchase the shares. However, the purchase price (excluding ancillary purchase costs) must not – subject to adjustment during the offer period – be more than 20 % higher or lower than the average value of the share price on the Frankfurt Stock Exchange (closing price in Xetra trading system or a comparable successor system replacing the Xetra system) on the last three exchange trading days before the day on which the public announcement of the purchase offer takes place.

If there are significant deviations from the relevant price following publication of the formal purchase offer or the formal invitation to submit offers for sale, then the offer may be adjusted. In this case, the closing price on the Frankfurt Stock Exchange (in Xetra trading or a comparable successor system replacing the Xetra system) of the third trading day preceding the announcement of the adaptation is applied. If the volume of shares offered exceeds the designated repurchase volume, then offers may be accepted in proportion to the respective shares offered or by quota (if applicable by creating transferable put options). A privileged acceptance of small offers or small contingents of offers of up to 50 shares can be provided for.



- c) The Board of Directors is authorised, with the consent of the Supervisory Board, to use treasury shares that are or have been acquired on the basis of this authorisation or authorisations granted at previous shareholders' meetings pursuant to Section 71 (1) No. 8 AktG – in a way other than via the stock exchange or by offering them to all shareholders – as a (partial) consideration in the context of corporate mergers or for the acquisition of companies, divisions, interests in companies or other assets to the exclusion of the shareholders' subscription right, to sell the treasury shares to third parties for cash, provided that the sale is transacted at a price that is not significantly lower than the trading price, or to offer the treasury shares for purchase, or transfer them, to individuals who are employed by the company or one of its affiliates.
- d) Moreover, the Board of Directors is authorised to redeem designated shares without such redemption requiring an additional resolution by the shareholders' meeting. With the consent of the Supervisory Board, shares can also be redeemed in such a manner that the share capital does not change, but rather that through the redemption the proportion of share capital per remaining common share is increased pursuant to Section 8 (3) AktG (simplified redemption procedure according to Section 237 (3), No. 3 AktG). If the redemption is performed using the simplified procedure, then the Supervisory Board is authorised to adjust the number of no-par value bearer shares contained in the company's articles of incorporation.
- e) In addition, the Board of Directors is authorised to offer the shares that are or have been acquired on the basis of this authorisation or authorisations granted at previous shareholders' meetings pursuant to Section 71 (1) No. 8 AktG to all shareholders so that they may subscribe to treasury shares against (also partial) assignment of their claim for payment of dividends arising from the resolution on the appropriation of profit of the shareholders' meeting (scrip dividends). If the shares are used for the aforementioned purpose of scrip dividends, the Board of Directors is authorised to exclude the subscription right.
- f) The authorisations may be exercised as a whole or in instalments, once or more than once, for one or more purposes, by the company but also by affiliated companies or by third parties on the account of the company or its affiliates.

#### b) Number of treasury shares

The company held no treasury shares as at 31 December 2021. The number of treasury shares held was reduced by 276,996 treasury shares during the reporting period and represents 0 % of the share capital. The share capital held as treasury shares amounts to EUR 0.

Balance on 31/12/2020	Additions	Average price	Disposals	Average price	Balance on 31/12/2021
	Number	EUR	Number	EUR	
276,996	0	0	276,996	7,25	0

The 276,996 treasury shares were used to partly cover the 2021 scrip dividend. The average price of the treasury share disposals corresponds to the subscription price of EUR 7.25 for the shares from the 2021 scrip dividend.

#### Retained earnings

The changes to retained earnings are presented in the statement of changes in equity of the Baader Bank Group, which forms a separate component of the consolidated financial statements.

#### Consolidated net retained profit

In EUR'000	31/12/2021	31/12/2020
<b>Consolidated net income</b>	46,797	46,842
<b>Non-controlling interests</b>	-243	-313
<b>Consolidated income after non-controlling interests</b>	<b>46,554</b>	<b>46,529</b>
<b>Net profit/loss of the parent company brought forward</b>	535	-6,792
<b>Withdrawals from retained earnings</b>	5,624	5,762
<b>Transfers to retained earnings</b>	-31,286	-26,256
<b>Consolidated net retained profit</b>	<b>21,427</b>	<b>19,243</b>

The net profit of Baader Bank AG for financial year 2021 amounts to EUR 42,292 thousand. Taking into account the profit carried forward from previous years of EUR 535 thousand and the transfer to retained earnings of EUR 21,400 thousand in accordance with Section 268 (1) HGB, the resulting balance sheet profit is EUR 21,427 thousand. A total of EUR 21,400 thousand was transferred to other retained earnings, with EUR 21,130 thousand pursuant to Section 58 (2) AktG and EUR 270 thousand pursuant to Section 58 (2a) AktG (revaluation reserves). The Board of Directors and the Supervisory Board propose a dividend payment of EUR 0.35 per share with dividend rights, totalling a maximum of EUR 16,341 thousand, to the shareholders' meeting. The Board of Directors also proposes to the shareholders' meeting that a further EUR 5,000 thousand should be transferred to retained earnings and a residual balance sheet profit amount should be carried forward.

## Contingent liabilities

Contingent liabilities are a result of guarantees given to employees and amount to EUR 8 thousand (previous year: EUR 5 thousand). There are no guarantees to members of the Board of Directors (previous year: EUR 203 thousand).

In addition, there are no revocable loan commitments to members of the Board of Directors (previous year: EUR 195 thousand).

## Other obligations

There are irrevocable open loan commitments to clients totalling EUR 6,599 thousand (previous year: EUR 529 thousand).

The Bank is not aware of any significant risks from contingent liabilities or other obligations. The evaluation of the risk of utilisation is derived from risk management. The majority of contingent liabilities and other obligations include credit risks from borrowers with good credit ratings. Acute and latent credit risks are taken into account on the balance sheet by forming provisions where appropriate.

## VII. Transactions not included in the balance sheet

### Disclosures pursuant to Section 314 (1) No. 2a HGB

During the course of its normal business activities, the Baader Bank Group has entered into financial commitments in addition to the liabilities shown in the balance sheet as at 31 December 2021, as shown in the following table:

	Remaining term	Financial obligation
	Months	EUR'000
Future payments from lease agreements for office space, usable areas and parking spaces	3 to 82	4,614
Future payments from vehicle lease agreements and lease agreements for furniture and office equipment	1 to 58	897
Future payments from other service agreements	3 to 36	11,282

The Bank is not aware of any significant risks arising from transactions not included in the balance sheet that could have a negative impact on liquidity or the Baader Bank Group's ability to fulfil its existing obligations in the foreseeable future.

## Disclosures pursuant to Section 314 (1) No. 2 HGB

There are other significant financial obligations that are not included in the balance sheet and that are required to be reported under Section 314 (1) No. 2 HGB in connection with the currently partial utilisation of capital commitments (EUR 6,815 thousand) for equity investments.

## VIII. Notes to the income statement

### Interest income and interest expenses

The item "interest income" from lending and money market transactions includes negative interest on credit balances on current accounts in the amount of EUR 3,491 thousand (previous year: EUR 1,365 thousand) as well as from term and client deposits in the amount of EUR 9 thousand (previous year: EUR 8 thousand).

Negative interest in the amount of EUR 3,043 thousand (previous year: EUR 901 thousand) resulting from client deposits and time deposits, as well as expenses in the amount of EUR 5 thousand (previous year: EUR 3 thousand) from the compounding of other provisions were recognised under the item "Interest expenses".

### Revenue

Revenue of EUR 11,048 thousand relates in full to feed-in remuneration for electricity generated by the wind farm in Croatia.

### Other operating income

Other operating income in the amount of EUR 7,587 thousand (previous year: EUR 4,141 thousand) comprises out-of-period income (EUR 1,993 thousand), income from the reversal of provisions (EUR 1,767 thousand) as well as income from fringe benefits (company car) (EUR 421 thousand).

Furthermore, the item includes other income in the amount of EUR 1,779 thousand in total that is primarily due to pass-through project costs mainly in the context of support for capital market services and other cost reimbursements relating to the operation of the wind farm in Croatia (EUR 1,103 thousand).

Out-of-period income relates primarily to tax refunds resulting from a completed audit at Baader Bank AG.

## Other administrative expenses

The other administrative expenses of EUR 54,198 thousand include expenses for the operation and maintenance of the wind farm in the amount of EUR 2,215 thousand.

## Other operating expenses

Other operating expenses in the amount of EUR 1,723 thousand (previous year: EUR 3,538 thousand) primarily include calculated expenses from the discounting of pension provisions with the expenses and income from plan assets in compliance with Section 246 (2) HGB (EUR 946 thousand) (previous year: EUR 1,539 thousand) as well as out-of-period expenses (EUR 216 thousand).

The out-of-period expenses primarily relate to expenses for services purchased in the previous year.

## Taxes on income

The tax expense reported in financial year 2021 of EUR 10,591 thousand essentially comprises income taxes for the past financial year amounting to EUR 10,604 thousand and tax returns from previous years of EUR 13 thousand.

## IX. Additional disclosures

### Controlling interests

Baader Beteiligungs GmbH, Unterschleissheim, holds a controlling interest in Baader Bank AG pursuant to Section 16 (1) AktG. A notice pursuant to Section 20 (4) AktG is available.

### Employees

In the 2021 financial year, the average number of staff employed was 464 (previous year: 406). Of these employees, 57 held executive positions.

### Total remuneration of the Board of Directors and Supervisory Board

The total remuneration of the members of the Board of Directors for their activity during the financial year amounted to EUR 9,687 thousand (previous year: EUR 3,686 thousand). The total amount includes remuneration as well as payments in the context of pension obligations for a withdrawing member.

The total remuneration of the members of the Supervisory Board of Baader Bank AG for their activity during the financial year amounted to EUR 233 thousand (previous year: EUR 233 thousand).

## Audit fees

The following information relates to the total fees of PricewaterhouseCoopers GmbH WPG for services provided to Baader Bank AG and its fully consolidated German subsidiaries.

The fees for financial year 2021 can be broken down as follows:

In EUR'000	2021	2020
Annual audit	646	619
Other confirmation services	215	175
Other services	19	0
<b>Total fees</b>	<b>880</b>	<b>794</b>

The services provided by the auditor in addition to the audit of the annual financial statements primarily include the audit as defined in Section 89 (1) WpHG and the securities deposit audit for the period from 1 May 2020 to 30 April 2021 as well as an audit of the contributions in kind as part of the 2020 appropriation of net income.

## Executive bodies of the Baader Bank Group

### Board of Directors

Nico Baader, Gräfelfing  
(Chairman)

Occupation: Banker

Responsible for:

Board of Directors Support,  
Group Strategy & Communication,  
Executive Committee for Market Making,  
Legal & Corporate Finance Execution,  
Capital Market Analysis, Information Technologies,  
Corporate Organisation / Personnel,  
Market Making Equities Stuttgart,  
Market Making Equities Frankfurt / Berlin / Munich /  
OTC / Funds / ETF / ATF,  
Market Making Securitised Derivatives,  
Market Making Bonds,  
Treasury, Capital Markets

Dietmar von Blücher, Viernheim  
(since 1 July 2021)

Occupation: Graduate in Business Administration (BA)

Responsible for:

Group Compliance / Anti-Money Laundering Officer,  
Internal Audit, Data Protection Management,  
Risk Management & Regulatory Reporting,  
Back Office, Group Accounting,  
Group Controlling, Credit

Oliver Riedel, Lauf

Occupation: Banker

Responsible for:

Designated Sponsoring,  
Distribution with Banking Services Sales,  
Corporate Brokerage Sales,  
Multi Asset Sales,  
Corporate Access/Client Intelligence & Events,  
Products with Multi Asset Execution,  
Research and Asset Management Services,  
Account Management,  
Client Services with Business Development  
and Client Service Group

Dieter Brichmann, Penzberg  
(Deputy Chair) (until 30 June 2021)

Occupation: Business Administrator

Responsible for:

Risk Management & Regulatory Reporting,  
Compliance/Money Laundering,  
Internal Audit, Data Protection, Credit,  
Accounting & Corporate Taxes / Controlling,  
Human Resources & Company Organisation,  
Information Security, Back Office,  
Outsourcing

### Supervisory Board

Dr. Horst Schiessl, Munich  
(Chairman)

Independent Lawyer

Helmut Schreyer, Munich  
(Deputy Chairman)

Former general partner at  
Hauck & Aufhäuser Privatbankiers KGaA

Prof. Dr. Georg Heni, Freudenstadt

Managing Partner of  
WirtschaftsTreuhand GmbH, Public Auditors

Christoph Mast, Bad Nauheim

Independent Lawyer

Ali Cavli, Frankfurt am Main  
(employee representative)

Securities trader in the Market Making  
Funds division of Baader Bank AG

Thomas Leidel, Bad Aibling  
(employee representative)

Head of Data & Risk Management of Baader Bank AG

## Appointments pursuant to Section 340a (4) (1) HGB

As at 31 December 2021, appointments on statutory supervisory committees of large incorporated companies were held. These and other noteworthy appointments are listed below:

Appointee	Company/institution in which appointment held	Appointment
Mr Nico Baader	Baader & Heins Capital Management AG, Unterschleissheim	Deputy Chairman of the Supervisory Board
Mr Dieter Brichmann	Baader & Heins Capital Management AG, Unterschleissheim	Chairman of the Supervisory Board
	Conservative Concept Portfolio Management AG, Frankfurt am Main	Deputy Chairman of the Supervisory Board
Mr Oliver Riedel	Baader Helvea AG, Zurich (Switzerland)	Chairman of the Managing Board
	Baader Helvea Limited, London (UK)	Member of the Supervisory Board of Directors
	Baader Helvea Inc., New York (USA)	Member of the Supervisory Board of Directors
Mr Florian Schopf	Baader & Heins Capital Management AG, Unterschleissheim	Member of the Supervisory Board
	Conservative Concept Portfolio Management AG, Frankfurt am Main	Member of the Supervisory Board
Mr Lukas Burkart	Baader Helvea Limited, London (UK)	Member of the Supervisory Board of Directors
Mr Sebastian Niedermayer	Baader Helvea Inc., New York (USA)	Member of the Supervisory Board of Directors

## List of Baader Bank Group shareholdings

The Baader Bank Group directly holds more than 5 % of the shares in the following companies, which were not included as subsidiaries or associates as at 31 December 2021:

Name/headquarters	Share of capital %	Last interim/ annual financial statements	Equity (total) EUR'000	Net income for the year EUR'000
Vjetropark Vrataruša d.o.o., Senj (Croatia) <sup>1</sup>	100.00	31/12/2021	446	0
Parsoli Corporation Ltd., Mumbai (India)	27.36	No current data available as at 31/12/2021		
Conservative Concept Portfolio Management AG, Frankfurt am Main	19.90	31/12/2020	1,606	478
AlphaValue SA, Paris (France)	13.30	31/12/2020	-584	-61

<sup>1</sup> Equity and the net profit for the financial year as at 31 December 2021 have been translated (EUR/HRK 7.51560).

## Supplementary report

With the invasion of Ukraine by Russian troops and the ongoing hostilities at the beginning of March 2022 as well as the resulting global sanctions for Russia, further economic development in Germany and Europe in 2022 is looking very uncertain. The financial impact of Russia's military activities on the real economy could not be quantified when the annual financial statements were prepared. The longer the conflict lasts, the more severe the negative consequences will be for both the real economy and the financial markets.

Unterschleissheim, 21 March 2022

Baader Bank AG  
Board of Directors



Nico Baader



Dietmar von Blücher



Oliver Riedel



# Appendix to the consolidated financial statements

## Country-by-country reporting as at the balance sheet date 31 December 2021 of Baader Bank Aktiengesellschaft (Baader Bank AG)

According to Section 26a (1) Sentence 2 of the German Banking Act (KWG), CRR institutions must disclose additional particulars on a consolidated basis.

In the view of Baader Bank AG, the following particulars must be presented as at the balance sheet date 31 December 2021 under the disclosure requirements set out in Section 26a (1) KWG:

- The company's name, the nature of its activities and the geographical locations of the branches,
- Turnover,
- Number of salaried employees in full-time equivalents,
- Profit or loss before tax,
- Taxes on profit or loss,
- Public aid received.

Turnover is determined in accordance with the provisions of commercial law in application of the German Regulation on Accounting Principles for Banks and Financial Services Institutions (RechKredV) applicable to credit institutions. For the country-by-country reporting in accordance with Section 26a (1) Sentence 2 KWG, total turnover comprises net interest income and current income, commission income, trading income, revenue and other operating income.

Neither Baader Bank AG nor any of its subsidiaries has received any public aid.

The number of salaried employees is specified in accordance with the provisions of commercial law in accordance with Section 267 (5) HGB (average value calculated by quarterly intervals).

### Breakdown by country

Country	Turnover EUR'000	Profit/loss before taxes EUR'000	Taxes on profit/loss EUR'000	Number of salaried employees in full-time equivalents
Germany (EU)	198,412	53,671	-10,412	443
United Kingdom (third country)	3,238	1,088	-167	4
Croatia (EU)	10,899	3,926	-47	2
Switzerland (third country)	5,220	192	-16	11
USA (third country)	2,238	4	-4	4

### Fully consolidated companies

Company	Activities of the company	Registered office (town/city)	Country
Baader Bank AG	Bank	Unterschleissheim	Germany (EU)
Baader Helvea AG	Finance company	Zurich	Switzerland (third country)
Baader Helvea Ltd.	Finance company	London	United Kingdom (third country)
Baader Helvea Inc.	Finance company	New York	USA (third country)
Baader & Heins Capital Management AG	Finance company	Unterschleissheim	Germany (EU)
Selan d.o.o.	Wind farm operator	Senj	Croatia (EU)
Selan Holding GmbH	Holding company	Unterschleissheim	Germany (EU)





# Independent Auditor's Report

On Baader Bank Aktiengesellschaft, Unterschleissheim, Germany

## Auditor's Report on the Consolidated Annual Financial Statements and the Group Management Report

### Audit opinions

We have audited the consolidated financial statements of Baader Bank Aktiengesellschaft, Unterschleissheim, Germany, and its subsidiaries (the Group), comprising the consolidated balance sheet as at 31 December 2021, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2021 and the notes to the consolidated financial statements, including the presentation of accounting and valuation methods. In addition, we have reviewed the Group management report of Baader Bank Aktiengesellschaft, which is summarised in the Company's management report for the financial year from 1 January to 31 December 2021. We did not examine the contents of the corporate governance statement pursuant to Section 289f(4) of the German Commercial Code (HGB) (in relation to the equal treatment of women and men in management positions) in accordance with German legal regulations.

According to our assessment based on the findings of the audit

- the attached consolidated financial statements comply in all material respects with the German commercial law regulations and, in compliance with the German principles of proper accounting, provide a true and fair view of the financial position and financial performance of the Group as of 31 December 2021 and its cash flow for the financial year from 1 January to 31 December 2021 and
- the attached Group management report provides a true picture of the situation of the Group as a whole. In all major matters, this Group management report is in line with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the contents of the above-mentioned corporate governance statement.

In accordance with Section 322(3) sentence 1 of the German Commercial Code, we declare that our audit has not led to any objections to the regularity of the consolidated financial statements and the Group management report.

### Basis for our audit opinions

We carried out our audit of the consolidated financial statements and the Group management report in accordance with Section 317 of the German Commercial Code and the EU Statutory Auditors Regulation (No. 537/2014; hereinafter "EU Statutory Auditors Regulation"), in accordance with the German principles of proper auditing as established by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW). Our responsibility according to these regulations and principles is further described in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report" of our audit certificate. We are independent of the Group companies in accordance with European law as well as German commercial and professional law regulations and have fulfilled our other German professional obligations in accordance with these requirements. In addition, we declare in accordance with Article 10(2)(f) of the EU Statutory Auditors Regulation that we have not provided non-audit services prohibited in accordance with Article 5(1) of the EU Statutory Auditors Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as the basis for our audit opinions on the consolidated financial statements and the Group management report.

### Key audit matters in the audit of the Group annual financial statements

Key audit matters are those matters which, according to our professional discretion, were most significant in our audit of the Group financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the Group financial statements as a whole and in the formation of our audit opinion. We will not provide a separate audit opinion on these matters.

From our point of view, the following matters were of most significance in our audit:

- I. Impairment of the goodwill of Selan d.o.o.**
- II. Net income from the trading portfolio**

We have structured our presentation of these key audit matters as follows:

1. Circumstances and presentation of the problem
2. Audit procedure and findings
3. Reference to further information

Each key audit matter is presented below:

## I. Impairment of the goodwill of Selan d.o.o.

1. The consolidated financial statements of Baader Bank include goodwill arising from the consolidation of subsidiaries totalling EUR 2.2 million (0.2% of total assets and 1.8% of equity), which is reported under the balance sheet item "Intangible assets". Goodwill is amortised on a straight-line basis over its expected useful life. If objective evidence of an expected permanent depreciation is available and cannot be refuted, the impairment of goodwill is assessed and, if necessary, an unscheduled depreciation requirement is determined and the value is reduced. The amount of the unscheduled depreciation requirement is derived from the comparison of the carrying amount of goodwill with the fair value. For the sake of simplicity, the fair value of the equity investment is compared with the sum of the Group book value of the subsidiary's net assets and the residual book value of the subsidiary's goodwill. As no market price can be used, the fair value of the equity investments is determined on the basis of a company valuation model. As a rule, the basis of the valuation is the present value of the expected future cash flows, which is determined by means of discounted cash flow models. The planning calculations prepared by the legal representatives of the participating companies form the starting point and are then updated with assumptions about long-term growth rates. The assessment also takes into account expectations of future market developments and assumptions about the development of macroeconomic factors. The discount is based on the weighted average cost of capital of a comparable alternative investment. As a result of the impairment test, no need for depreciation of the goodwill of Selan d.o.o. was determined. The performance and outcome of this assessment are highly dependent on the assessment of the legal representatives with regard to the indications of expected permanent depreciation, the expected future cash flows, the discount rate used, the growth rate and other assumptions, and are thus subject to considerable uncertainty. Against this background and due to the complex nature of the assessment, this was a key audit matter in our audit.
2. As part of our audit, we first assessed the adequacy of the internal control system relevant to the valuation. Among other things, we followed the methodological procedure for the valuation. In particular, we assessed whether the fair values of the Company's shares were

determined appropriately using the value of income method or other suitable valuation methods (e.g. discounted cash flow models), taking into account the relevant valuation standards. In addition, we subjected the business plans underlying the valuation to a plausibility assessment and assessed the reliability of the valuation documents used. In accordance with IDW S 1 in conjunction with IDW RS HFA 10, we have been able to gain an understanding of the proper derivation and capitalisation of financial surpluses, including against the background of risk content, industry, business growth and tax expenses, we critically evaluated the results and assessed whether they are within a reasonable range and reflect the purpose of the assessment. We have also based our work on a comparison with general and industry-specific market expectations as well as on extensive explanations by the executive directors on the main value drivers on which the expected dividends are based. The evaluation parameters and assumptions used by the executive directors are, in our view, suitable as a whole for the assessment to be carried out properly, taking into account the available information.

3. The statements from the Company on goodwill are contained in the "Fixed assets" section of the notes to the consolidated financial statements.

## II. Net income from the trading portfolio

1. In the consolidated financial statements of Baader Bank, significant parts of the net profit result from the net income of the trading portfolio. The income statement for the financial year from 1 January to 31 December 2021 shows a net income of EUR 185.0 million from the trading portfolio.

The net income of the trading portfolio is attributable in full to Baader Bank AG and mainly comprises income from trading in shares and funds or ETFs and is largely based on realised income contributions from the achievement of bid-ask spreads in the context of the Bank's activities as a market maker on various stock exchanges and platforms.

Due to the large number of different components, which lead to the net profit of the trading portfolio, Baader Bank has set up highly automated system-based processes. The resulting accounting logic requires only a small amount of manual intervention. In particular, given the high transaction volume, the net income from Baader Bank's trading portfolio is attributable to a risk from bulk transactions.

Against this background, and since the related business activities and underlying processes have a significant impact on the earnings situation, the net income of the trading portfolio was of particular importance in our audit.

2. We have gained an understanding of the underlying business processes and the controls implemented in them and assessed them for the purpose of assessing the net income of the trading portfolio. In addition, we have carried out substantive audit procedures.

We involved our internal IT specialists to evaluate the software used to process the bank's trading transactions and to calculate the trading result as well as their interfaces to the systems leading to the movement and master data.

We have assessed the appropriateness and effectiveness of the controls implemented in the trading processes. We have also assessed the adequacy of the controls implemented for the recording and settlement of trading transactions and tested their effectiveness. We have additionally reviewed and assessed the cash account reconciliation control implemented by Baader Bank. A further part of our audit activities was related to the master data management for financial instruments as well as the provision of prices and valuation of securities holdings. We also assessed the appropriateness and effectiveness of the transaction confirmation process.

Based on substantive audit procedures, we examined and verified the automatic calculation of costs with the weighted average value and the realised trading result for a purchase or sale cost. By examining the statement of securities as of 31 December 2021, we have coordinated the securities holdings in the inventory management system.

We were able to satisfy ourselves that the systems and processes set up, as well as the controls put in place, are generally adequate for the proper recording of the net income of the trading portfolio.

3. The Company's statements on the net income from trading results is contained in the management report sections "Economic report" and "Forecast and opportunities report".

## Other information

The executive directors are responsible for the other information. The other information includes the corporate governance statement pursuant to Section 289f(4) of the German Civil Code (in relation to the equal treatment of women and men in management positions).

The other information also includes the remaining parts of the annual report obtained by us before the date of this auditor's report – without further cross-references to external information – with the exception of the audited consolidated financial statements, the audited Group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and the Group management report do not extend to other information, and accordingly we do not give an audit opinion or any other form of audit conclusion on this matter.

In connection with our audit, we have the responsibility to read the other information and to assess whether the other information

- contains significant inconsistencies with the consolidated financial statements, the Group management report or our knowledge gained during the audit or
- otherwise appear to be substantially misrepresented.

## Responsibility of the executive directors and the Supervisory Board for the consolidated financial statements and the Group management report

The executive directors are responsible for preparing the consolidated financial statements, which comply with the German commercial law regulations in all major matters, and for ensuring that the consolidated financial statements provide a true and fair picture of the Group's assets, financial position and results of operations in accordance with the German principles of proper accounting. In addition, the executive directors are responsible for the internal controls which they have determined, in accordance with the German principles of proper accounting, to be necessary to enable the preparation of consolidated financial statements which are free from material – intentional or unintentional – misrepresentations.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they have the responsibility to disclose matters relating to the continuation of the business, if relevant. In addition, they are responsible for accounting for the continuation of the business on the basis of the accounting principle, provided that there are no real or legal circumstances which prevent this.

In addition, the executive directors are responsible for preparing the Group management report, which gives a valid picture of the Group's position as a whole and is in line with the consolidated financial statements in all material respects, complies with German legal regulations and accurately presents the opportunities and risks of future development. The executive directors are also responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a management report in accordance with the applicable German statutory regulations, and in order to be able to provide sufficient suitable evidence for the statements in the management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for preparing the consolidated financial statements and the Group management report.

### **Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report**

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material – intentional or unintentional – misstatements, and whether the Group management report as a whole provides a suitable picture of the Group's position and, in all material respects, is consistent with the consolidated financial statements and with the findings gained during the audit, complies with German legal requirements and accurately presents the opportunities and risks of future development, and to issue an audit certificate that includes our audit opinions on the annual financial statements and the management report.

Reasonable assurance is a high level of security, but no guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code and the EU Statutory Audit Regulation, in compliance with the German principles of proper statutory auditing established by the German Institute of Auditors (IDW), will always reveal a material misrepresentation. Misrepresentations may result from violations or inaccuracies and are considered to be material if it could reasonably be expected that they may individually or collectively affect the economic decisions of those using these financial statements and the management report.

During the audit, we exercise our discretion and maintain a critical attitude. In addition

- We identify and assess the risks of material – intentional or unintentional – misrepresentations in the consolidated financial statements and Group management report, plan and conduct audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to serve as the basis for our audit opinions. The risk of a material misrepresentation not being detected is higher in the case of infringements than in the case of inaccuracies, as infringements may involve fraudulent interaction, forgery, intentional incompleteness, misleading representations or the circumvention of internal controls.
- We gain an understanding of the internal control system relevant to the audit of the Group financial statements and the precautions and measures relevant to the audit of the Group management report in order to plan audit activities that are appropriate in the circumstances however, not for the purpose of expressing an opinion on the effectiveness of the systems.
- We assess the appropriateness of the accounting methods used by the executive directors and the validity of the estimated values and related disclosures presented by the executive directors.
- We draw conclusions on the appropriateness of the accounting principles applied by the executive directors for the continuation of the Company's activities and, on the basis of the audit evidence obtained, whether material uncertainty exists in relation to events or circumstances that may raise significant doubts about the Group's ability to continue its business activities. If we conclude that there is a material uncertainty, we are obliged to draw attention to the corresponding information in the consolidated financial statements and Group management report in the auditor's report or, if this information is inappropriate, to modify our respective audit opinion. We base our conclusions on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may lead to the Group being unable to continue its business activities.
- We assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the Group's assets, financial position and results of operations, in accordance with the German principles of proper accounting.

- We obtain sufficient audit evidence for the accounting information of the companies or business activities within the Group to issue audit opinions on the consolidated financial statements and the Group management report. We are responsible for the guidance, monitoring and implementation of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- We assess the consistency of the management report with the consolidated financial statements, the Group management report's compliance with the law and the picture it provides of the situation of the Group.
- We carry out audit procedures on the forward-looking information presented by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence, we particularly trace the significant assumptions underlying the future-oriented statements made by the executive directors and assess the appropriate derivation of the future-oriented statements from these assumptions. We do not give an independent assessment of the future-oriented statements or the underlying assumptions. There is a significant, unavoidable risk that future events will differ materially from the future-oriented statements.

We discuss with those responsible for monitoring, the scope and timing of the audit, as well as important audit findings, including any deficiencies in the internal control system that we discover during our audit.

We make a statement to those responsible for monitoring that we have complied with the relevant independence requirements and discuss with them all relations and other matters which can reasonably be thought to have an impact on our independence and the safeguards in place to protect them.

We determine, based on the findings that we have discussed with those responsible for monitoring, the findings that were most significant in the audit of the Group financial statements for the current reporting period and are therefore the key audit matters. We describe these findings in the auditor's report unless laws or other legislation preclude the public disclosure of the findings.

## Other Statutory and other Legal Requirements

### Other statements pursuant to Article 10 of the EU Statutory Audit Regulation

We were selected as Group auditors by the shareholders' meeting on 1 July 2021. We were appointed by the Supervisory Board on 21 October 2021. We have been working as the Group auditors of Baader Bank Aktiengesellschaft, Unterschleissheim, Germany continuously since the financial year 2014.

We declare that the audit opinions contained in this auditor's report are in line with the additional report to the audit committee pursuant to Article 11 of the EU Statutory Audit Regulation (audit report).

### Responsible Auditor

The auditor responsible for the audit is Stefan Palm.

# Information and Service

The Annual Report 2021 was published in German and English. The report is available as PDF on the Internet [www.baaderbank.de/Investor-Relations/News-and-financial-reports](http://www.baaderbank.de/Investor-Relations/News-and-financial-reports)

Further information about Baader Bank can be found on the Internet at [www.baaderbank.de](http://www.baaderbank.de)

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Baader Bank AG is a joint-stock company under German law with its headquarters in Munich.

Baader Bank AG is registered at the Munich District Court under HRB 121537 and is supervised by the German Federal Financial Supervisory Authority (BaFin), Marie-Curie-Strasse 24–28, 60439 Frankfurt am Main and Graurheindorfer Str. 108, 53117 Bonn.

The VAT registration number of Baader Bank AG is DE 114123893.

The LEI (legal entity identifier) is used for the unambiguous identification of all companies and funds with registered offices in Germany, which have a reporting obligation pursuant to future regulatory requirements: 529900JFOPPEDUR61H13.

The creditors' identification numbers (Creditor Identifiers, CI) make it possible to identify a debit receiver (creditor) unambiguously under a SEPA Direct Debit scheme: DE54ZZZ00000118113.

The GIIN (Global Intermediary Identification Number) is used for reporting to the Internal Revenue Service (USA) under the FATCA (Foreign Account Tax compliant Act) as well as for establishing Baader Bank AG as a FATCA-compliant institution: HPMLSE.00000.LE.276

## Notes

We classify external data sources, which have been processed in our report, as trustworthy and reliable. Although they have been carefully researched, we accept no responsibility for the accuracy of this information. Forward-looking statements made in this report are based on current expectations, assumptions and forecasts on the basis of information currently available. No guarantee can be accepted regarding future developments. If registered brands or trademarks have been listed, they also belong to their respective owners, even if they have not been identified as such. Even if they are not labelled, they are not free names as defined by the law on brands and trademarks.

# Financial calendar 2022

<b>7 July 2022</b>	Annual General Meeting
<b>28 July 2022</b>	Publication of half-year report and press release on half-year results
<b>12 October 2022</b>	m:access Analyst Conference
<b>27 October 2022</b>	Press release on the nine-month results

## / Corporate Governance

*Good and transparent corporate governance ensures responsible management focused on value creation, and control of the institution. It strengthens the trust of clients and other business partners, investors, financial markets, employees and the general public.*

*Core features of Baader Bank's corporate governance system are the dual management system, with a transparent separation between the management and the supervision of the company split between the Management Board and the Supervisory Board, the composition of the Supervisory Board with representatives for shareholders and employees, and the shareholders' rights regarding co-administration and supervision at the shareholders' meeting.*

*In terms of the institution, the principles of stock corporation law are supplemented by the supervisory and internal governance components. Best governance, regulatory excellence and the best reputation are the guiding principles of corporate governance.*

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