



**Baader Bank**

# Group Semi-Annual Report as of June 30, 2021

*All figures are preliminary and unaudited*

## Overview of key figures – 1st half-year 2021 <sup>1</sup>

All figures are preliminary and unaudited

BAADER BANK GROUP Key P&L figures	1 <sup>st</sup> half-year 2021 EUR'000	1 <sup>st</sup> half-year 2020 EUR'000	Change in %
<b>Income</b>	<b>135,582</b>	<b>112,025</b>	<b>21.0</b>
<i>Of which</i>			
Net interest income and current income	-482	-1,505	68.0
Net commission income	9,656	22,175	-56.5
Net trading income	115,070	84,690	35.9
Revenue	5,719	5,606	2.0
Other income	5,619	1,036	>100.0
Net income from interests in associates	0	23	-100.0
<b>Expenses</b>	<b>-91,825</b>	<b>-87,988</b>	<b>4.4</b>
<i>Of which</i>			
Personnel expenses	-42,337	-33,346	27.0
Other administrative expenses and other operating expenses	-25,540	-22,691	12.6
Amortisation and depreciation on intangible assets and property, plant and equipment	-4,154	-3,981	4.3
Other amortisation and depreciation/Risk provision	-1,405	-12,970	-89.2
<i>of which write-downs/write-ups of loans and advances and certain securities as well as additions to provisions in lending business</i>	-1,405	-12,970	-89.2
Additions to the fund for general banking risks <sup>2</sup>	-18,389	-15,000	22.6
<b>Earnings before tax (EBT)</b>	<b>43,757</b>	<b>24,037</b>	<b>82.0</b>
<b>Operating result<sup>3</sup></b>	<b>59,372</b>	<b>52,669</b>	<b>12.7</b>

BAADER BANK GROUP Key balance sheet figures	30/06/2021 EUR'000	31/12/2020 EUR'000	Change in %
<b>Total assets</b>	<b>1,234,267</b>	<b>888,578</b>	<b>38.9</b>
<b>Balance sheet equity ratio</b>	<b>12.7%</b>	<b>13.6%</b>	<b>-</b>
<b>Common Equity Tier 1 ratio (CET 1)</b>	<b>15.9%</b>	<b>14.6%</b>	<b>-</b>

<sup>1</sup> Financial figures of the Baader Bank Group; all figures preliminary and unaudited; reported in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch - HGB).

<sup>2</sup> The transfer to the fund for general banking risks also takes into account the statutory transfer to the fund for general banking risks in accordance with Section 340e HGB at the end of the year.

<sup>3</sup> Gross profit (= net interest income + current income + net commission income and trading income + revenues) less personnel expenses and other administrative expenses as well as amortisation/depreciation on intangible assets and property, plant and equipment.

## FIRST HALF-YEAR 2021

### The market

The first half-year of 2021 was characterised by the increasing progress made in vaccinating the population against coronavirus. After vaccines started to be rolled out in January, progress was initially slow in many European countries as regulatory authorisations for the developed vaccines were only granted very gradually and supply of the vaccines was scarce at first due to huge global demand and the centralised procurement strategy. At the end of the first quarter, only 12% of the German population had received their first dose of the vaccine. However, the rate of vaccination was considerably faster in several countries outside the EU (USA: 29%, United Kingdom: 46%). In the second quarter, the availability of vaccines improved significantly, which meant that by the middle of the year 55% of the German population had had their first vaccine (USA: 54%, United Kingdom: 66%).

Due to the very slow start to the vaccination programme at the beginning of the year, the lockdown measures implemented in many countries in the autumn of 2020 largely remained in place during the first quarter. It was not until the second quarter that falling case numbers led to a gradual reduction in social distancing measures and travel warnings. The resulting prospect of a return to normal life and economic activity was accompanied by a sharp rise in economic sentiment indicators. This development was also followed by a very expansive monetary and fiscal policy. For example, the new US President Biden announced the launch of extensive stimulus packages. Against this backdrop, global growth expectations were gradually revised upwards. While the consensus estimate for global real GDP growth in 2021 was still 5.2% at the beginning of the year, by mid-year it was already at 6.0%.

Growth in demand was consequently stronger than expected and, as such, led to shortages and supply bottlenecks for numerous primary and intermediate products. The resulting and somewhat massive price increases triggered a significant rise in inflationary pressure. In May, US inflation reached its highest rate in 13 years, at 5.0%. However, as this development was predominantly driven by factors that were considered temporary, the central banks did not signal a direct change in monetary policy at first.

This reflationary environment, characterised by increasing growth and inflation expectations, led to significantly opposing developments on the financial markets. The prices of commodities such as oil (rising from USD 52 to USD 75) and copper (rising from USD 7,750 to USD 9,350) increased sharply. Equities benefited from a significant and stronger-than-expected increase in corporate profits. The development of the euro against the US dollar and the price of gold largely showed sideways movement. By contrast, the prices of fixed-income securities suffered as a result of the marked rise in yields on government bonds. The yield on 10-year German federal bonds rose from -0.57% to -0.21%, while the yield on 10-year US Treasury bonds increased from 0.91% to 1.74% in the first quarter alone. It was not until the end of the second quarter that this trend reversed somewhat. Many equity indices, however, were posting close to their all-time high at mid-year and managed to defend the significant double-digit performance achieved in the first half of the year (DAX: +13.2%, EURO STOXX 50: +16.6%, S&P 500: +15.3%).

## Events and developments in the first half of 2021 in individual business lines

### Manifesting stock exchange culture ensured sustainable trading activities and high sales volumes in Market Making at the beginning of the year

The start of 2021 saw the high level of trading volumes on the stock exchanges and the trading platforms of the international financial markets of the previous year continue. As a result, sales also developed noticeably positively on the whole, with a continued stable trend, particularly with regard to the trading venues where Baader Bank acts as a market maker.

Although volatilities stabilised at a lower level compared to the previous year, they were nevertheless higher by historical standards. In the first half of the year, the CBOE Volatility Index reached an all-time high at the end of January and the end of February. Accordingly, monthly securities trading turnover on the German stock exchanges was constant, or in some cases higher, compared to the same period in the previous year. Overall, the proportion of traded foreign equities on the German stock exchanges and trading platforms rose significantly, whereas the proportions of other asset classes, such as domestic equities, ETFs and funds, remained relatively constant or even decreased. Nevertheless, as a service provider in market making within the Equities, Funds and ETF segments, Baader Bank profited from gaining new clients in the form of neo-brokers via various trading platforms (in particular gettex) thanks to its strong positioning in retail trading. A correspondingly high trading volume — especially among retail clients — became apparent over the turn of the year, and markedly so in the first quarter. In addition, the onboarding of new clients to Baader Bank in the second quarter contributed to the continued positive development in Market Making.

In the context of volatile markets, it is worth highlighting, among other things, the phenomenon of short-squeeze equities, which occurred during the first half of the year. The associated investor behaviour and resulting order flows lifted trading and market making to a new level. Disproportionate equity-price developments, in some cases by more than 100% as with GameStop shares, for example, required maximum performance on the part of trading and technical settlement. As a result, Baader Bank was once again able to position itself as a reliable partner in the global capital market environment with its efficient IT and process infrastructure. Due to the solid capital and liquidity position, the consistently high trading volumes were handled reliably, even during particularly volatile market phases. In addition, the strong volatilities in individual stocks were reflected in significant increases in revenue from all Baader Bank trading divisions, including the Market Making ATF.

It appears that the strategic and procedural development from the recent past, combined with a stock exchange culture that is continuing to establish in Germany, is functioning very well. The strong trading set-up in Baader Bank's Market Making is also able to be competitive in the exceptional conditions on the markets and provide the bank's clients with high-quality trading and quotation. In this context, sustainable cross-selling effects emerge in the Banking Services division through partnerships, in particular with neo-brokers and the best execution service on gettex, the Munich Stock Exchange trading platform. New providers are still coming onto the market; they represent competition for each other but not for Baader Bank. Instead, as potential cooperation partners, these market participants offer additional potential for Baader Bank's platform business.

In the context of the bond markets, the central banks' activities did not cease during the first half of 2021. Even if the Covid-19 pandemic ends, it is expected that the Federal Reserve will only minimally reduce its bond purchases in order to avoid damaging the financial markets and the real economy, and to avert irritation when it comes to interest rates. It remains to be seen whether the US monetary authorities will actually implement the first approximations of a cautious turnaround in interest rates, and appears not to have been decided for the first half of the year. The possibility of rising inflation, i.e. whether it will be temporary or lasting, is also on the minds of market participants. Uncertainty regarding the way in which monetary policy

will progress on both sides of the Atlantic remains a determining factor for further development on the bond markets, even though interest rates deprived them of their actual function years ago. And the ECB's bond purchases did not attest to a real interest rate turnaround, only flexible bond purchases. In this manner, the bond market did not represent a serious alternative to investing in equities over the first half of the year.

### **Capital market business experiences more activity and solid development in the Special Execution and Corporate Brokerage Services divisions in the wake of Covid-19**

After a difficult year for the capital market business in 2020, the first half of 2021 was a lot more lively again. In the Equity Capital Markets division, Baader Bank acted as co-manager of BAUER AG during this period following the capital increase. As a result of the capital increase with subscription rights, BAUER AG generated net issue proceeds of EUR 63.3 million. Furthermore, Baader Bank acted as a Financial Advisor for the IPOs of two US biotech companies, Sensei Biotherapeutics and ATAI Life Sciences.

In general, a positive development in ECM business became apparent over the turn of the year and continued throughout the year. Overall, the brightened sentiment in capital market business meant that delays to IPOs from 2020 could also be caught up on and other additional initial capital market measures could be put in place. In the first half of the year, 15 companies were already listed on the stock exchange. To date, plans are afoot for an IPO mandate and a mandate for a capital increase for the coming months. Furthermore, a mandate was acquired for a share repurchase programme of the Munich-based machine manufacturer, Wacker Neuson.

The revival of IPO activities also had a positive impact on Baader Bank's Special Execution services. A total of 44 transactions were carried out, around 50% more than in the same period in the previous year, giving rise to a continued increase in revenues. The largest transaction by volume was a bond issued by ETC Issuance GmbH. Within the growing segment of cryptocurrencies, there is also an increase in demand for technical support. For example, the listing of certain cryptocurrency products of CoinShares Digital Securities Limited on the Frankfurt Stock Exchange was accompanied as co-applicant.

As at the half-year reporting date, Baader Bank managed a total of 80 mandates in the Corporate Brokerage division. This represents an increase of around 30% compared to the same period in the previous year. Notably, larger mandates were also obtained, meaning that Baader Bank also provided capital market processing and designated sponsoring services to some MDAX stocks, such as Scout24, MTU Aero and Teamviewer. In keeping with an increase in commission income, which was another effect of the successful acquisition activities in 2020, this development is very positive given the persistently intense competitive environment.

## Private investors spur on B2B business with online asset managers and neo brokers

The sustained stock exchange culture manifesting in Germany was accompanied mainly by increased participation in the equity markets in terms of cash investments by private investors. Among the customers of neo-brokers and online asset managers were, on the one hand, active client groups which operated increasingly in the short to medium term, and on the other hand long-term investors with a preference for ETFs and savings plans.

As a result of this development, Baader Bank was once more successfully able to connect with a number of cooperation partners in banking services in the first half of the year. These included two new neo-brokers, three online asset managers and other traditional asset managers. The cooperation with Gratisbroker, which began in 2019, was characterised in the first half of this year by the acquisition by online portal Finanzen.net and the renaming of the broker as "Finanzen.net zero".

For the second half of the year, the focus is most notably on gaining a market share in the brokerage business by onboarding new market participants (in particular neo-brokers), in both the GSA region and across the EU. Additionally, Baader Bank will focus on cooperation with digital asset managers in order to profit from additional economies of scale with regards to Baader Bank's processes and systems. Both developments had a very favourable effect on the increase in the volume of and the number of securities accounts, with 76 cooperation partners, which is almost the same as last year's figure (same period in the previous year: 74). At around 315,000, the number of accounts and securities accounts has increased by more than 300% compared to the same period in the previous year (approx. 73,000). The securities account volume increased by around 70% to a total of approximately EUR 9.3 billion (same period in the previous year: EUR 5.5 billion). The assets under management in the in the Asset Management Services business area, as well as the mandates advised, declined by around 37% compared with the previous year's level. However, this development does not necessarily represent a continuing trend.

## Positive development in Multi Asset Brokerage despite Covid-19 restrictions

The Multi Asset Brokerage division also showed positive progression in the first half of 2021, with substantial developments in the first quarter. Significant drivers of this were an increase in trading activities, including among institutional investors, positive effects from the private investor growth market on Baader Bank's account and securities account business, as well as further projects that are in the pipeline.

In the first half of 2021, the hygiene rules implemented in response to the Covid-19 pandemic largely resulted in the shift of business activities and customer communication to virtual channels. It was only in the second quarter that some face-to-face meetings could again be held. This continues to be the preferred option in the future. Although the entirety of the Swiss Equity Conference in January was held virtually, the initial events for the second half of the year are currently scheduled to take place at the very least in a hybrid format.

Whereas individual market participants are withdrawing from the Brokerage sector, Baader Bank continues striving to achieve a sustainable expansion of its business and an increase in market share. At the same time, both automation and increased efficiency are being driven forward within the business line. Thus, Baader Bank's Multi Asset Brokerage offering should become even more competitive.

## Noticeable interest in research services and events despite continuing pandemic regulations

Baader Bank's existing investment in AlphaValue SA, an independent French research provider that has been in place since 2019 was increased from 5.39% to 13.75% as at 11 March 2021. Whereas the exclusive partnership with the "Baader Europe" research platform came to the fore last August, the increase in the number of holdings represents a way to advance the strategic orientation of the research business. The in-house research offering constitutes an interface between two customer groups of particular relevance for Baader Bank: corporate customers, the majority of whom are from the GSA region, and international institutional investors.

While it was not possible for any events to take place at the start of the pandemic, the easing of restrictions has meanwhile become effective in the first half of 2021. In particular, hybrid events were once again feasible in the interim and have developed into a successful alternative to the conventional event concepts for Baader Bank in immediate implementation. Alongside a number of other virtual roadshows, the in-house Swiss Reverse Roadshow, which 12 Swiss companies and over 75 investors took part in, was a particular success. The line-up for the Baader Investment Conference to be held in September is therefore very impressive – to date, 223 companies with around 70% company representatives from board level have agreed to participate.

The Baader Helvea Top Pick list generated an alpha of 8% for the year to date. Coverage in the Research Service was expanded to include Software One and Shop Apotheke.

## NET ASSETS

### Baader Bank Group

All figures are preliminary and unaudited

ASSETS	30/06/2021	31/12/2020	Change
	EUR'000	EUR'000	%
1. Cash reserves	778,771	488,841	59.3
2. Loans and advances to banks	125,436	163,003	-23.0
3. Loans and advances to clients	65,725	47,261	39.1
4. Debt securities and other fixed-income securities	81,941	43,735	87.4
5. Equities and other variable-income securities	760	1,916	-60.3
6. Trading portfolio	71,239	36,800	93.6
7. Equity investments	8,277	9,605	-13.8
8. Intangible assets	10,661	9,278	14.9
9. Property, plant and equipment	74,049	74,524	-0.6
10. Other assets	6,749	2,009	>100.0
11. Prepaid expenses and deferred charges	3,903	3,938	-0.9
12. Excess of plan assets over pension liabilities	6,756	7,668	-11.9
<b>Total assets</b>	<b>1,234,267</b>	<b>888,578</b>	<b>38.9</b>

EQUITY AND LIABILITIES	30/06/2021	31/12/2020	Change
	EUR'000	EUR'000	%
1. Bank loans and advances	76,324	82,642	-7.6
2. Liabilities to customers	875,235	593,644	47.4
3. Trading portfolio	21,434	4,934	>100.0
4. Other liabilities	19,910	12,826	55.2
5. Prepaid expenses and deferred charges	276	253	9.1
6. Provisions	37,039	44,854	-17.4
7. Fund for general banking risks	46,846	28,457	64.6
8. Equity	157,203	120,968	30.0
<b>Total equity and liabilities</b>	<b>1,234,267</b>	<b>888,578</b>	<b>38.9</b>

Total assets as at 30/06/2021 increased by 38.9% compared to the balance sheet date as at 31/12/2020 and now amount to EUR 1,234.3 million.

On the assets side, the change resulted primarily from the significant increase in cash reserves. On the liabilities side, liabilities to customers increased due to a significant growth in customer deposits.

As at 30/06/2021, the Group had balance sheet equity in the amount of EUR 157.2 million (31/12/2020: EUR 121.0 million). Regulatory equity capital amounted to EUR 110.0 million. The balance sheet equity ratio was 12.7% and the Common Equity Tier 1 ratio (CET 1 ratio) was 15.9%. The change in equity primarily relates to the balance of the positive net income before third-party shareholders for the first six months of the financial year 2021 in the amount of EUR 36.3 million, as well as dividend distributions by subsidiaries of EUR 0.3 million.

The Group's net asset position remains sound.



## RESULTS OF OPERATIONS

All figures are preliminary and unaudited

CONSOLIDATED INCOME STATEMENT	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change
	2021	2020	%
	EUR'000	EUR'000	
1. Net interest income	-988	-1,697	-41.8
2. Current income from			
a) Equities	411	192	>100.0
b) Equity investments	95	0	100.0
	506	192	>100.0
3. Net commission income	9,656	22,175	-56.5
4. Net result from the trading portfolio	115,070	84,690	35.9
5. Revenue	5,719	5,606	2.0
6. Other operating income	4,742	1,036	>100.0
7. Administrative expenses			
a) Personnel expenses	-42,337	-33,346	27.0
b) Other administrative expenses	-24,100	-20,970	14.9
	-66,437	-54,316	22.3
8. Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment	-4,154	-3,981	4.3
9. Other operating expenses	-1,440	-1,721	-16.3
10. Depreciation, amortisation and write-downs on receivables and certain securities as well as allocations for provisions in lending business	-1,405	-12,970	-89.2
11. Income from the write-downs on equity investments, shares in affiliates and securities treated as assets	877	0	100.0
12. Net income from interests in associates	0	23	-100.0
13. Expenses from the addition of the fund for general banking risks	-18,389	-15,000	22.6
14. Profit/loss on normal activities	<b>43,757</b>	<b>24,037</b>	<b>82.0</b>
15. Taxes on income	-7,454	-5,795	28.6
16. Other taxes not shown under Item 9	-24	-28	-14.3
17. Net income before third party shareholders	<b>36,279</b>	<b>18,214</b>	<b>99.2</b>
18. Profit owing to third party shareholders	-208	-233	-10.7
19. Net profit/loss for the year	<b>36,071</b>	<b>17,981</b>	<b>&gt;100.0</b>
20. Profit/Losses from the previous year	19,243	-6,791	-
21. Balance sheet profit/loss	<b>55,314</b>	<b>11,190</b>	<b>&gt;100.0</b>

For the first half of 2021, the Baader Bank Group recorded earnings before tax of EUR 43.8 million. Sustainable customer growth and above-average trading activities by private and institutional investors were key drivers of this positive earnings growth.

At EUR -1.0 million, net interest income was slightly above the previous year's level. The holdings in bonds and other fixed-interest securities, plus negative interest rates in the current market environment, resulted in negative overall net interest income and remained of minor importance to Baader Bank.

Current income increased slightly and amounted to EUR 0.5 million.

Commission income decreased by 56.5% to EUR 9.7 million, impacted by trade-induced settlement and exchange fees, as well as commercial agent's commissions, due to the strong growth in trading volumes. Commission income adjusted for trade-induced expenses amounted to EUR 40.5 million and therefore remained at the previous year's level. While brokerage and transaction fees declined slightly, contributions to earnings increased again in the traditional brokerage business of Baader Bank and Baader Helvea in Switzerland.

Net trading income increased by 35.9% in the first half of the year compared with the same period of the previous year. It was the decisive parameter for the positive performance during the first half of the year, with a profit contribution of EUR 115.1 million. The ongoing trend continued and, as in the first quarter, led to a further growth in new and existing business which, combined with the long-term and successful development of Baader Bank, strengthened the earnings side.

The recognised revenue is fully attributable to the feed-in remuneration for electricity generated by the wind park.

Administrative expenses were up 22.3% or EUR 12.1 million compared to the previous year. The proportion attributable to other administrative expenses only increased slightly and, measured in terms of the trading volume and the current market conditions, provided further proof of the Group's operational efficiency. On the other hand, personnel expenses were higher due to variable remuneration components associated with the positive business performance.

Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment resulted entirely from scheduled depreciation, which was somewhat higher mainly due to investments in the IT infrastructure.

The transfer to the fund for general banking risks also takes into account the statutory transfer to the fund for general banking risks in accordance with Section 340e HGB.

All of the Group companies, the Baader Helvea Group, Baader & Heins Capital Management AG and the Selan Group, generated positive contributions to earnings in the first six months of the financial year.

The tax expense represents the actual taxes charged to the Group.  
As of 30/06/2021, the Group's total number of employees (in full-time equivalents) is 417 (31/12/2020: 387).  
Earnings per share amounted to EUR 0.79 (previous year: EUR 0.39).

## FINANCIAL POSITION

*All figures are preliminary and unaudited*

On 30/06/2021, current receivables and marketable securities for sale at any time amounting to EUR 1,115.0 million were offset by current liabilities in the amount of EUR 860.9 million. Netted, this results in a balance sheet liquidity surplus of EUR 254.1 million. The Group's solvency during the reporting period was assured at all times and is also secure in the future due to the Bank's risk monitoring systems.

## OUTLOOK

### The market

The ongoing Covid-19 pandemic and its potential effects on economic activity are also likely to have an impact on the framework conditions and the development of the financial markets in the second half of 2021. The fact that the number of infections is currently on the rise in many countries due to the Delta variant shows that the numerous mutations of the virus continue to pose a risk. Although the pandemic has become more manageable in a lot of countries due to the progress with immunisations, no end to the global consequences appears to be in sight.

For this reason and due to multiple high expectations, uncertainty regarding the course of economic recovery and the sustainability of this could increase once more. Growth in the global manufacturing industry could slow somewhat in the coming months because the positive momentum from inventory build-up is likely to be near a cyclical high. In addition, elevated business expectations in the services sector could also fall short if new contact or travel restrictions are introduced in the autumn.

Another risk factor for the second half of the year could be the development of interest rates. Despite the temporary lessening of the upward momentum of bond yields, there will continue to be a risk of a further rise in yields within the next few months. In the context of the current reflationary environment (high levels of economic growth in 2021 and 2022, a trend towards rising inflation expectations), the current level of returns appears to be too low in terms of correlation. Since it is likely that, in the second half of the year, the Federal Reserve will prepare the financial markets in order to begin gradually reducing its bond purchases around the New-Year period, a significant enabling factor for the bond market could gradually slow.

Given that the prospect of continued economic recovery has remained intact thus far, the general upward trend on the stock markets is likely to continue. However, there may be an increase in volatility in the autumn due to seasonal factors if economic expectations are less positive or if the Federal Reserve starts to signal that its bond purchase programme will be subject to adjustment. However, as long as the equity markets are still able to balance out temporary phases of weakness in some sectors through rotation, the risk of a setback is likely to remain limited and temporary overall. If a setback occurs, a resultant recovery can be expected again towards the end of the year.

### The bank

In the second half of 2021, the focus of activities will be on further expanding our excellent market position in on- and off-exchange market making in Germany as well as on the successful platform business with fintechs, such as neo brokers and digital asset managers, among others. This positive development is also expected to continue in the Brokerage, Asset Management Services and Research Services business lines. With its efficient IT and processing infrastructure, Baader Bank should be successful in this regard because it operates as a reliable partner in the global capital markets environment and in securities-related trading and banking services. In addition, the continued high trading volumes can reliably be handled thanks to Baader Bank's solid capital and liquidity position, even during particularly volatile market phases. Baader Bank 2.0 is thus in pole position for the new stock market culture – and not only in Germany.

For the further course in 2021, the Board of Directors expects that, while the general market conditions will remain the same, the trading activity of investors will remain above average, with a significant increase in business cooperations and continued interest in banking services. The Board still anticipates EBT at Group level for the current financial year will exceed the 2020 result by EUR 56.0 million. With regard to the financial figures, Baader Bank is very much on target and maintains its forecast. However, the development of the first half of 2021 will not necessarily continue for the entire year.

Unterschleissheim, 29/07/2021

Baader Bank AG  
Board of Directors