

/ BAADER /



Baader Bank AG

# Baader Bank 2.0

Annual Report 2020

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

## Key figures Baader Bank Group

	2020 EUR'000	2019 EUR'000	Change to previous year <i>Relative</i> %
<b>Income</b>	<b>212,661</b>	<b>104,336</b>	<b>&gt;100.0</b>
of which net interest income and current income	-2,634	-799	-
of which net commission income	30,976	32,111	-3.5
of which net trading income	168,215	46,149	>100.0
of which revenue	11,962	12,808	-6.6
of which other income	4,142	14,014	-70.4
<b>Expenses</b>	<b>-156,642</b>	<b>-104,268</b>	<b>50.2</b>
of which personnel expenses	-71,239	-46,522	53.1
of which administrative expenses and other operating expenses	-48,141	-44,604	7.9
of which amortisation and depreciation	-20,425	-13,142	55.4
of which transfers to fund for general banking risks	-16,837	0	-
<b>Earnings before taxes (EBT)</b>	<b>56,019</b>	<b>68</b>	<b>&gt;100.0</b>
<b>Operating result<sup>1</sup></b>	<b>81,529</b>	<b>-8,017</b>	<b>-</b>
<b>Total assets</b>	<b>888,578</b>	<b>617,375</b>	<b>43.9</b>
<b>Balance Sheet Equity Ratio</b>	<b>14 %</b>	<b>12 %</b>	<b>-</b>
<b>Hard core capital ratio (CET 1)</b>	<b>17 %</b>	<b>14 %</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 31/12/2020)</b>	<b>Supervisory Board (as at 31/12/2020)</b>
<b>ISIN</b>	DE0005088108	Nico Baader (Chairman)	Dr. Horst Schiessl (Chairman)
<b>Reuters</b>	BLMG.MU	Dieter Brichmann (Deputy Chairman)	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 Hanover Stuttgart XETRA		



- 30.87 % free float
- 0.30 % Uto Baader
- 5.43 % Ubtrend GmbH & Co. KG
- 63.40 % Baader Beteiligungs GmbH

# WELCOME TO **Baader Bank 2.0**



## #WeEnable FINTECHS

- 36** Digital asset managers 12|2020
- +38%** Volume of securities accounts in 2020
- +179%** Number of accounts
- +8** B2B cooperation partnerships

## #WeEnable TRADING

- > 800,000** Order books
- +40% Turnover**  
on all German stock exchanges
- +90%** Number of trades in market making in 2020
- +52%** Trading volume in low touch brokerage
- +44%** Trading volume in high touch brokerage

## #WeEnable ASSET MANAGEMENT

- Modern infrastructure** + integrated  
realisation of asset management processes
- 55** Fund mandates 12|2020
- EUR 6.3 bn** Assets under management



Dear shareholders,

In my letter to you a year ago, I described the historic change that has been taking place in our industry and is still ongoing now. I also described the opportunities that this change opens up for our bank – Baader Bank.

At that time, our view was that banks, stock exchanges and trading firms that take advantage of the moment to change their thinking and that are able successfully to adapt their business models, strategies and market alignment and implement automation and digitalisation in their businesses and in processes for and with their business partners and clients will emerge stronger from this change in the industry.

**We seized the opportunity.** The financial year 2020 was one of the most successful years in the company's history. Our economic success alone, however, is much less important than the fact that we positioned ourselves in a leading role in our markets. The excellent financial result in 2020 is therefore secondary to the long-term effect and the sustained potential of our bank. We worked hard to build up this potential in an extensive and critical strategic review, with significant changes to and interventions in our structure and strategic priorities. We succeeded. **Today, Baader Bank is a driving force and beneficiary of a new stock exchange culture in Germany.**

We generated consolidated earnings before tax for the Baader Bank Group of EUR 56.0 million in financial year 2020, after slightly positive earnings of EUR 68 thousand in the previous year. The addition of EUR 16.8 million to the fund for general banking risks, along with other risk reserves, has already been taken into account.

The continued high trading volume on the stock exchanges and trading platforms forms the basis of this strong result. **Our strategic desire to create Baader Bank 2.0 and to continue to develop its integrated platform business is on the rise as a result.** The number of accounts and securities accounts in our banking operations more than doubled once again. We now also have a healthy Group structure. All the subsidiaries included in the Group also contributed positively to the overall result for the 2020 financial year.

**We have a promising future ahead of us.** The positive conditions for consistently high trading volumes are strengthening a continued increase in demand for banking services at Baader Bank. If these conditions and key points are maintained, we on the Board of Directors of Baader Bank expect in 2021 to exceed even the level of earnings and operating profit from 2020.

Subject to the relevant Board resolutions and supervisory requirements, we plan to distribute a dividend to our shareholders for financial year 2020.

The Board of Directors of Baader Bank thanks you, our shareholders, for your loyalty to the company through what have often been difficult years. Your patience despite the unsatisfactory share prices and financial figures is paying off. Our share price is performing impressively. The rise in price not only shows the potential that investors see in us, but also underscores the potential we actually have.

Similarly to last year, I would particularly like to highlight the fact that the continued stable structure of our shareholders, which comprise private shareholders, institutional investors and shareholders from among the Bank's management and employees and the Baader family, is one of the greatest structural strengths of Baader Bank, especially compared to our competitors. We will maintain that strength.

I would like to thank all the employees of the Baader Bank Group as a whole for their commitment and passion. Your work has been astonishing. We must not forget that, in 2020, Baader Bank's enormous business volumes had to be handled under difficult restrictions due to the pandemic.

Finally, I would also like to thank all our business partners and clients for their trust in our quality and first-class services. The business partnerships, the underlying processes and the IT infrastructure have successfully withstood historically high turnover requirements.

Our goals for the current financial year are not only to achieve excellent financial figures, but also to secure and even expand our position in the markets that are relevant to us, to place a clear focus on our clients, to act effectively at all times at the internal organisation level and to generate investment capital for further growth.

#### From left to right

**Nico Baader**

Chairman of the Board of Directors

**Responsibility**

Market Making, Equity Capital Markets, Strategy, Legal, Treasury, Communication

**Dieter Brichmann**

Deputy Chairman of the Board of Directors

**Responsibility**

Finance, Human Resources, Credit, Operations

**Oliver Riedel**

Member of the Board of Directors

**Responsibility**

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



**We have set the course for further profitable growth.** We have done so primarily by focusing on our core competencies, which have produced our integrated business model together with trading and banking services, as well as by strategically adjusting our market and sales activities and implementing an extensive cost and process optimisation program. In addition, we have initiated and implemented extensive measures to bring our group, our company and our business activities as a whole to the right size and reduce the overall profitability threshold. All the measures are designed to make our business more stable and scalable, to take advantage of the challenges of the revolutionary transformation in the trading and banking sector and to achieve an excellent level of profitability even in unfavourable conditions, with significant leverage when market conditions are favourable. **Together, I am convinced, we will succeed.**

Unfortunately, I will not be able to welcome you personally at a traditional shareholders' meeting this year. We have to choose the virtual format again in order to be able to ensure the necessary protection for everyone involved. The virtual shareholders' meeting is scheduled for 1 July 2021. I am looking forward all the more to being in contact with you, the shareholders, through alternative means of communication.

Stay healthy



Best regards, Nico Baader,  
Chairman of the Board of Directors of Baader Bank



## #WeEnable INSIGHTS

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

**> 600** European stocks

**+34%** New research clients in 2020

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

/ **Baader** CONFERENCE Investment

/ **Baader** SWISS EQUITIES Conference

## #WeEnable BUSINESS

**58** Special Execution transactions in 2020

**+25%** 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 family-run 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, Stuttgart and, until 1 December 2020, Dusseldorf.

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 had reduced its stake in Conservative Concept Portfolio Management AG (CCPM AG or CCPM) to 19.9 % as at 31 March 2019. This has been reported under equity investments since financial year 2020, having previously been included in the consolidated financial statements as an associated company. CCPM AG has its headquarters in Frankfurt am Main.

Baader Bank continues to hold a 5.39 % stake in the research provider AlphaValue S.A., France (AlphaValue). The holding in AlphaValue was acquired in 2019 for strategic reasons. AlphaValue is the exclusive partner for the market alignment of the research service provided by Baader Bank.

At the end of 2020, a total of 420 staff members were employed at the Baader Bank Group and 388 employees at Baader Bank AG.

During the reporting period, it was announced that Dietmar von Blücher would be joining the Baader Bank management team as Executive Vice President from 1 January 2021. This has allowed early arrangements to be made for the succession process to replace Dieter Brichmann (CFO), who will be retiring from the company's Board of Directors in the course of 2021 for reasons of age after more than 20 years of service. Following approval by the banking supervisory authority, Mr von Blücher will take over some of Mr Brichmann's responsibilities as a Member of the Board of Directors and Chief Financial Officer from 1 July 2021.

There were no changes to the Supervisory Board of Baader Bank during the reporting period.

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 a 63.4 % stake in Baader Bank, Ubtrend GmbH & Co. KG holds 5.43 %, 0.30 % is directly owned by the company's founder and the former Chairman of the Board of Directors, Uto Baader, and the remaining 30.87 % of the 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 supplemented by the business lines Banking Services, Asset Management Services and Research, which cover complementary business needs of customer groups from the respective core business lines. This basic structure of six client- and market-focused business lines continued throughout financial year 2020 in a structurally unchanged manner.

### 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, on over-the-counter trading platforms and in over-the-counter securities trading.

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 objective is to ensure fundamentally homogeneous task execution 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**

The services portfolio in the Equity Capital Markets (ECM) business line comprises the provision of independent advice for capital market transactions and the execution of equity transactions or hybrid financing alternatives. The supplementary Corporate Brokerage service package brings together the integrated monitoring of the capital market presence of listed companies and their support within the framework of designated sponsoring.

The Special Execution services offered include the performance of capital measures, capital increases and decreases, the support for takeover or acquisition offers in respect of listed companies as well as squeeze-out procedures, and the assumption of paying agent services.

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

The Multi Asset Brokerage segment comprises all the services provided for clients on the secondary market as well as the placement and sale of (own) primary market transactions. The main services provided by Baader Bank in this area include sales and trading for institutional investors. In particular, this includes brokerage, i.e. order execution in shares, bonds, ETPs and derivatives for clients on the national and international stock exchanges and trading platforms to which Baader Bank is connected directly or via partner institutions. Moreover, as part of its sales activities, Baader Bank actively addresses institutional end clients and sells research products and trading

ideas. The aim is to generate client orders in financial instruments and to place primary market transactions. The services in the area of execution/sales trading comprise the acceptance and execution of client orders, support and advice, e.g. in portfolio trading and the provision of trading-related services such as clearing services.

### **1.2.2 Support business lines**

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

Baader Bank includes the securities accounts and accounts business under Banking Services, with all original banking functions and services provided exclusively within the framework of B2B2C cooperation agreements with traditional asset management clients or fintechs.

Asset managers benefit from the global trading connections, the modern infrastructure and the complete mapping of asset management processes, taking into account regulatory expertise and a banking law perspective.

As a full-service bank and platform provider, Baader Bank follows an intermediary approach and acts as a partner for asset managers in account and custody 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 business line, Baader Bank provides services in the area of financial portfolio management as defined under the applicable regulatory requirements, and other services for institutional buyers. As a bank 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. 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 or its cooperation partners regularly prepare comprehensive studies for investors and provide opinions on and 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 active investment strategies.

The research product 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 on the German-language capital market for Anglo-Saxon and German-speaking investors by the Baader Helvea Group and the brokerage of promissory note loans, name titles and money market investments 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.

## 1.3 Further development of the business lines

The core and support business lines form the Bank's main sources of income. Superordinate sub-strategies, such as the risk, IT, personnel, remuneration and shareholding strategy, make it possible to carry out a continuous analysis and adjustment of business processes. The restructuring measures initiated in 2018 were continued in 2019 and 2020. The basic alignment of the six core and support business lines remained unchanged. In 2020, the overall focus was on re-establishing profitability and optimising processes. In particular, the profitability threshold of Baader Bank was sustainably reduced across all business lines. Structural and sub-strategic measures within the relevant business lines are examined in detail in section 2.2 and in the relevant forecasts at 3.2.

## 2. Report on the economic position

### 2.1 Macroeconomic and sector-specific environment

#### 2.1.1 Macroeconomic environment in financial year 2020

Financial year 2020 was marked by the global spread of the Covid-19 pandemic and the many measures adopted by international governments to contain it. In particular, the “hard” lockdowns in place in many European countries from mid-March led to significant declines in growth. As some restrictions began to be lifted from May onwards, the economy did begin to recover, helped enormously by the coordinated monetary and fiscal policy support measures introduced in the spring. Though growth was very strong in the third quarter, the incremental return of tighter restrictions on activity from late autumn once again led to a decline in economic performance.

Overall, the German economy recorded a 5 % decrease in real GDP in 2020, which in recent decades was second only to the 5.7 % slump seen in 2009 in the wake of the financial crisis. The fall in growth was even more severe in many other European countries, which for the most part were worse affected than Germany by the wave of infections.

As the pandemic spread around the world, prices on the international financial markets slumped significantly. They were already driven by the fear in the run-up to the lockdown that the pandemic and the suppression thereof would have a massive impact on economic development. In addition, fears about the threat to companies’ solvency as a result of the crisis triggered significant distortions in credit markets and the availability of liquidity.

This prompted central banks to take significant countermeasures from the middle of March. The ECB initially expanded its bond purchases, which had already resumed in autumn 2019, and subsequently announced a new purchase programme worth EUR 750 billion, which was increased by a further EUR 600 billion at the beginning of June and finally by a further EUR 500 billion in December. It also significantly relaxed the refinancing conditions for the banking sector. The US Federal Reserve also took significant far-reaching measures, such as a return to a zero interest rate policy and the renewed start of bond purchases, which were extended to corporate bonds for the first time.

In addition to the widespread monetary stimulus, many countries have put in place considerable aid programmes for households and businesses. These have included grants, tax relief, funding programmes, loan guarantees and investments in struggling companies. In Germany, many European countries and also in the USA, the volume of these fiscal measures went well beyond the state aid granted in the wake of the global financial crisis.

After global leading indicators had fallen to historic lows by April in the wake of the Covid-19 crisis, the massive monetary and fiscal stimulus and the gradual withdrawal of the lockdown measures eventually led to a marked recovery in economic sentiment indicators. From their low point in April, the early indicators recovered significantly into the autumn, before declining again to some extent at the end of the year. The rapid and clear improvement in sentiment was also driven by early recovery trends in China and hopes of a vaccine. Following their approval across the EU, the first vaccine doses were actually administered towards the end of the year.

Following a friendly start to the year, these developments led to an unprecedented V development, particularly in the equity markets. The DAX, for example, lost almost 40 % between its all-time high in mid-February and mid-March, but actually slightly exceeded its previous high towards the end of the year. It was only in October that another temporary correction occurred as a result of uncertainty surrounding the results of the US presidential election on 3 November and growing signs of a massive second wave of infections, leading to a fall in the DAX of more than 10 %.

On balance, however, the DAX increased by 3.5 % in 2020. This development is extremely remarkable, particularly given the significant downward revision of earnings estimates for 2020 and 2021, and the sharp rise in infection rates again in the second half of the year. While the recovery of most European equity indices was somewhat more moderate compared to the DAX, the NASDAQ Composite reached a new all-time high in the USA in June. Prices of other asset classes that are sensitive to economic development also experienced extreme fluctuations. For example, the price of oil fell by more than 70 % to below USD 20 from January to April, but was once again above USD 50 by the end of the year. The euro recovered significantly against the US dollar in the course of the year. While it declined slightly at times in the spring, dropping below USD 1.10, it rallied to over USD 1.20 by the end of the year. On the other hand, the price of gold increased significantly, especially into the summer, before a consolidation in August that was still persisting by the end of the year.

### **2.1.2 Baader Bank's handling of the possible impacts of Brexit**

The withdrawal of the United Kingdom (UK) from the European Union (EU) became final on 31 January 2020. As part of this, the EU and the UK reached a withdrawal agreement setting out a transition period during which EU law would continue to apply and the UK would have unfettered access to the EU single market. This transition period ended on 31 December 2020.

During the 2020 reporting period, Baader Bank continued the cross-sectoral project initiated in 2019 for the UK withdrawal scenario, which still remains uncertain. As part of this project, all business activities in and originating from the United Kingdom were analysed in order to ensure that Baader Bank would be able to act appropriately even in the event of a hard Brexit.

In 2020, Baader Bank and its London-based subsidiary Baader Helvea Ltd., which caters primarily to British clients, were in possession of the European passport, which gave them free rein to do business in the European Economic Area (EEA). In preparation for a possible withdrawal of the European passport on account of Brexit, the impact on existing business relationships, both with Baader Bank and with Baader Helvea Ltd., were reviewed and adjustments were made in order to ensure that business could continue in the respective areas.

After months of negotiations, the UK and the EU adopted a Brexit trade agreement in late December 2020. However, the UK has been treated as a third country since 1 January 2021.

Baader Bank considers itself to be well positioned on account of its London-based subsidiary Baader Helvea Ltd. and the framework conditions resulting from the Brexit agreement do not, in the view of the Board of Directors, pose any significant risks to Baader Bank.

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

Order book-keeping market makers in German-speaking countries, including Baader Bank, operate in a highly competitive and increasingly fragmented market environment. In addition to the market models of closed order books operated on German floor exchanges, in which only one specialist is responsible for quoting securities orders at a time, the Board of Directors considers the models at the international level to consist almost exclusively of so-called multi-market maker models. The latter create an open competitive situation within the management of an order book between several quoting market makers, who are permanently in competition with each other with regard to speed and the narrowest possible spreads of their quotes.

Within the landscape of the German stock exchange, fee-optimised best execution platforms continue to play a significant role and, with their flexible price strategies, are the main reason for market share losses on traditional regional stock exchanges (see 2.2.2.1). In this environment, Baader Bank benefited in 2020 from the increasing trading activities in the "mobile broker" and "robo-advisor" segments and sustainably expanded its market position. This led to growing client numbers in the B2B2C client pool, with positive effects on the business activities of Baader Bank in the segment as an order flow provider.

In the capital market services segment, the same competitive situation as in previous years continues to endure. Competition for capital market mandates that influence profits, driven by competition in prices and services, characterises the market landscape. In combination with the anticipated general economic conditions, Baader Bank expects the competitive situation, which has for now been made worse by the Covid-19 pandemic, to remain difficult.

Baader Bank sees sustained high potential in the expansion of its business relationships with 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 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.

With regard to comprehensive services in the area of asset management functions and trading desk services, portfolio management companies are increasingly opting to outsource services, due in part to increasing regulatory requirements since the entry into force of MiFID II and rising cost pressure. In the view of the Board of Directors, this development offers sustained competitive advantages for Baader Bank, which is able to offer the right services from its broad range.

## 2.2 Business developments

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

The key performance and profit drivers of Baader Bank are net trading income and net commission income, which constitute the majority of the Bank's overall profits. These are determined both by the exogenous developments on the relevant markets described below and by the prevailing market sentiments and volatilities.

Alongside numerous geopolitical uncertainty factors, such as the trade conflict between the USA and China, the uncertainty with regard to the outcome of the Brexit negotiations between the UK and the EU, which has continued to the end of the year, and the political unrest surrounding the US election on 3 November 2020, the Covid-19 pandemic is by far the greatest challenge of 2020 in a global context. The outbreak of the virus, the still ongoing global safety measures, the restrictions on economic and public life and the "Covid stock market low" on 18 March 2020 all fell within the reporting period.

At the beginning of the first half of 2020 in particular, volatility as measured by the CBOE Volatility Index (VIX) at first saw a noticeably moderate increase in January, then rose sharply in March. The significant increase in trading activity had a direct effect on the securities trading of Baader Bank and on corporate profits, as costs remained virtually unchanged. Equity trading in the retail investor segment in particular increased significantly. Driven by the effects described above, trading income increased by more than 250 % overall relative to the previous year.

Multi Asset Brokerage development across the Group was a key driver of net commission income, supplemented by commission income from Equity Capital Markets, Asset Management Services and Research business. In addition, within the securities accounts business, both cross-selling effects on trading income and contributions to commissions were generated. Overall, Baader Bank expanded its market position in all business lines.

Despite the uncertainties caused by the Covid-19 pandemic, net commission income remained virtually constant compared to the previous year, recording a corresponding change of -4 % at Group level (Baader Bank AG: -17 %) compared to the previous year. Rising commission income from client business was partially offset by higher commission expenses from the settlement of trading transactions.

### 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 significantly in 2020. Originating in the USA, changes in investor behaviour have taken hold in Germany in the form of a structural change in the national brokerage industry. At the start of the year – before the outbreak of the Covid-19 pandemic – an initial volatility could already be seen on the markets. This was amplified in the medium term by the "Covid effect" in 2020, but a sustained trend had manifested by the end of 2020 that can still be observed in early 2021.

In particular, the share of sales in the German equity segment held by retail clients and retail investors was significantly higher than in the previous year. The effects on newer stock exchanges are substantial, allowing Baader Bank, with its OTC ("over-the-counter") products and market making on the gettex marketplace, to move further away from depending solely on established stock exchanges. This development is based on the sustainable strategic alignment and points the way towards further diversification in this business line, to which the Bank aspires. Overall, trading volumes of all asset classes on all German stock exchanges in the market as a whole increased by 39.7 % in 2020; the number of trades increased by 90 % in the same period.

The so-called best execution platforms, with their investor-friendly fee models, proved once again to be profitable in the past financial year. In this context too, Baader Bank has benefited from this development with regard to appropriate best execution policies through market making on gettex and the acquisition of clients there, and has strengthened its own market position. The trading volume of Baader Bank on gettex increased by around 350 % overall in financial year 2020 compared to the previous year. The Board of Directors therefore considers the selected focus of Baader Bank to be consistent and correct. Nevertheless, there is still considerable competition among trading venues. In order to continue to participate in the sales growth of best execution providers, Baader Bank continued to accelerate its sales activities and entered into long-term trading partnerships. This continued alignment of its sales strategy resulted in associated successes during the reporting period with sustainable development potential.

The ATF (Algorithmic Trading Facility) trading segment shows a growth in market sales on XETRA for exchange traded funds (ETFs) traded of over 50 % and has essentially shown profitable development in the course of the financial year. This relates in particular to the strong growth in market maker and designated sponsor mandates for ETFs of around 360 % and a significant expansion of the trading universe. The increase in profitability for 2020 has also resulted in an increased market share of trade on the overall Xetra market and initial positive effects on trading activity. With its ATF business activities, Baader Bank is further distancing itself from established stock exchanges in order to strengthen the independence of its business model and to generate diversified income sustainably, including on multi-market maker platforms.

In OTC trading, revenues in the equity segment were higher than the previous year's level, showing a significant increase by the end of financial year 2020. One of the main reasons for this is the increased market volatility due to the Covid-19 pandemic. The order flow potential from existing and newly acquired partnerships with online and direct banks that participate in Baader Bank's quote, trading and settlement systems has progressed successfully but, in the opinion of the Board of Directors, it has still not been exhausted, and the expansion of OTC activities will therefore continue to be a long-term goal for Baader Bank into the future.

There was no market recovery in 2020 in the bond market, the development of which depends to a large extent on European interest rate policy. However, while a low-interest environment manifested in the USA in the context of the Covid-19 pandemic – with the Fed ("Federal Reserve", the US central bank) focusing strategically on support for the US labour market – there was no question of an early interest rate hike; rather, the focus is on preventing the economy from stalling and taking pressure off the labour market. Accordingly, the Governing Council of the ECB adjusted its monetary policy decisions at the end of 2020 to the special financial situation in the context of the Covid-19 pandemic. It decided that the low interest rate was still appropriate and expanded the Pandemic Emergency Purchase Programme (PEPP) in December by EUR 500 billion to a total of EUR 1,850 billion, fixed until March 2022.

Despite all this, the bond trading sector was able to achieve significant revenue growth in 2020. In spite of a sustained low-interest environment and continuing central bank measures, the Bank has been able to work its way out of a four-year downward trend. The trading figures were correspondingly better, with an increase of around 7 %, while the sales trend on the German stock exchanges was virtually constant (-5 %). In financial year 2020, the bond trading sector was further optimised and streamlined for profitability with the closure of the Düsseldorf office, which had conducted bond transactions exclusively.

Baader Bank once again gained new order books, continuing the trend seen in recent years. In the reporting period, it was mandated to act as a specialist for six IPOs in the Prime Standard segment of the Frankfurt Stock Exchange. It took over the order books of PharmaSGP Holding SE, Brockhaus Capital Management AG, Knaus Tabbert AG, Hensoldt AG, Siemens Energy AG and Nagarro SE.

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

The high volatility on the market in financial year 2020, which was amplified by the uncertainties associated with the outbreak of the Covid-19 pandemic from March 2020, is a significant disadvantage in planning and preparing an IPO. As a result, some companies postponed or cancelled their IPOs, which strengthened the intense competition for mandates for conventional equity transactions in the past year. Although business activities in the Equity Capital Markets line were markedly subdued in 2020, Baader Bank took advantage of the challenging environment to optimise the processes behind its strategic realignment in the Equity Capital Markets (ECM) business line. In addition, the establishment and expansion of business relationships in the German-speaking area, including the hitherto underutilised Swiss capital market, continued to be actively pursued.

In financial year 2020, Baader Bank assisted Deutsche Industrie REIT-AG with its successful capital increase. This increase was carried out against cash deposits from authorised capital and with the exclusion of the subscription rights of shareholders. The measure was placed with institutional investors through accelerated bookbuilding, and included 10 % of the existing share capital.

The ranking of the Equity League Tables, which in previous years served as a gauge for the market position of the company in the transaction business, was not consulted in the course of the realignment of the business unit, and on account of the circumstances described in the reporting period. The Board of Directors is of the view that this would be a disproportionate approach.

The Corporate Brokerage division, which sees Baader Bank offer capital market processing services such as designated sponsorship and research, acts as a strategic link to the long-term initiation of sell-side contacts, which the Equity Capital Markets area ultimately also benefits from. By the end of financial year 2020, 74 corporate clients had used the corporate brokerage services of Baader Bank (previous year: 59 clients), which, in terms of the number of mandates, represents an increase of over 25 % compared to the previous year.

Due to the uninterrupted demand for Special Execution services, which are affected by market fluctuations to a far smaller extent than the Equity Capital Markets business, in 2020, the Special Execution division was able to increase revenues across the entire portfolio of services. A total of 58 transactions were supported during the financial year, which on the one hand represents a slight decline (previous year: 65), but on the other hand shows constant development in a challenging market environment.

Similarly to the number of paying agent mandates, the number of bond issues also increased, with a further increase of over 10 % compared with the previous year, indicating the emergence of a sustained trend in this business line. The restructuring of the Gerry Weber International AG fashion brand in the context of insolvency proceedings elicited great interest. Two capital increases were successfully carried out. Furthermore, in return for outstanding payables of the companies, creditors received bearer bonds with a total value of around EUR 31,000 thousand. Further capital increases were carried out in financial year 2020, including for ABO Wind AG and JUMIA Technologies AG.

Baader Bank has been the paying agent of EQS Group AG since 2018. This client relationship was strengthened in the fourth quarter of 2020 with a 10 % capital increase for which Baader Bank provided securities assistance and subscription. The company (EQS) thereby generated a liquidity inflow of around EUR 9,100 thousand. In addition to its existing mandates in the area of ETF approvals, such as BlackRock, Vanguard, J.P. Morgan and Goldman Sachs, Baader Bank, acting as co-applicant, also acquired a collaboration with DWS ("Deutsche Gesellschaft für Wertpapiersparen", a listed asset manager and part of Deutsche Bank).

### 2.2.2.3 Multi Asset Brokerage business line

The Multi Asset Brokerage business line was also significantly influenced during the reporting period by economic developments and market volatility in the course of the Covid-19 pandemic. Business activities and even client contact also had to take place solely in digital form, which was decidedly challenging in terms of gaining additional market shares in Multi Asset Brokerage. Nevertheless, a positive trend in trading volume could be seen within the business line in low- and high-touch trading. Compared to the previous year, the volumes traded increased by 52 % and 44 % respectively. It was also clear to what extent, within their brokerage activities, the unbundling of research services to be priced separately from order execution could have a negative impact in the form of a reduction in clients and orders. Baader Bank has initiated measures to counteract this, namely the strengthening of its international acquisition activities with the aim of increasing the total number of brokerage clients. Firstly, the number of research clients was further increased (see 2.2.3.3) and secondly, newly created potential in the execution segment was exploited.

Despite the challenging environment and the regulatory framework, the focus within the business line was on profitability. New projects were selected in a targeted way to ensure cost efficiency.

Similarly, new technologies were used to focus the expansion of the trading infrastructure with the aim of establishing additional market ties. However, the automation is still in the implementation process, which is running behind schedule and could not be completed within the reporting period.

Because the valuation basis for internationally recognised rankings for brokerage and research services that have been used in the past was changed by the awarding institutions during the reporting period, Baader Bank is initially refraining from positioning itself in this context, as global brokers are now being considered here. In respect of its regional focus, however, 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

Despite the significant fluctuations that characterised the markets in 2020, Baader Bank achieved extraordinary growth in terms of securities accounts clients in the Banking Services business line. This increase applies to both the number of clients and the resulting volume.

During the reporting period, Scalable Capital Broker was launched as a new brand by Scalable Capital, a long-standing business partner of Baader Bank. Clients can use this to trade in equities, ETFs and funds and to take advantage of a price model that offers a flat securities trading rate. Through this partnership as well as its collaboration with free brokers, Baader Bank is consolidating its market position in the so-called “neobroker” segment. Baader Bank’s participation in this segment is twofold: it acts as a custodian bank on the one hand and as a market maker on the other by processing client orders through gettex, the electronic trading platform of the Munich Stock Exchange. Because of the growing trade affinity in the retail segment in 2020, neobroker partnerships are increasingly leading to a rise in transaction activities. The neobroker range in particular, supplemented by ETF savings plans, represents a long-term investment horizon for users.

Alongside the neobroker models, B2B partnerships with digital asset managers already established on the market drove stable growth in 2020. Overall, the number of securities accounts increased by around 179 % compared to the previous year as a result of Baader Bank’s banking operations in 2020. The volume of managed rose by 38 % over the course of the year. This growth results from, among other things, the implementation of a total of eight new B2B cooperation partnerships in the areas of asset management and banking.

The asset managers and fintechs acquired as new clients in 2020 mainly originate from German-speaking Europe. At the end of financial year 2020, Baader Bank was looking after a total of 72 financial services providers (previous year: 66), about half of which are digital asset managers.

### 2.2.3.2 Asset Management Services business line

In the course of business in 2020, the assets in the Asset Management Services business line for which Baader Bank acted as financial portfolio manager on behalf of capital management companies recorded a slight decrease of approximately 10.5 % to EUR 6.3 billion (total volume at 31 December 2019: EUR 7.1 billion). Compared to the previous year, the number of fund mandates decreased from 58 to 55 mandates, which is attributable, among other things, to consolidation of individual funds. 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.

### 2.2.3.3 Research Services business line

As a provider of equity research, Baader Bank operates in a highly price-driven competitive environment, which has come under additional pressure as a result of the entry into force of the MiFID II Directive. Research providers still need to offer a price model that strikes a balance between meeting the needs of clients, being competitive against other providers and complying with regulatory requirements. As a result, some firms have even closed their research divisions.

During the reporting period, the partnership with the French analysis provider AlphaValue was driven forward in terms of expanding Baader Helvea’s own product range and, accordingly, the new shared research platform Baader Europe was launched in August. Clients can use this to make use of the Baader Bank Group’s research products through a consolidated, interactive platform. 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.

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 led to a 34 % increase in the number of research clients in financial year 2020.

## 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 2020, the positive development of Baader Helvea was driven forwards. In addition to the expansion of the partnership through the SIX Stage programme with the Swiss Exchange, the client base was also successively grown. 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 now 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 2020 is reflected in a positive contribution to the Baader Bank Group's earnings for financial year 2020; in 2019 this was still slightly negative.

This market success is due on the one hand to the cost and process optimisation in the Swiss research and brokerage firm, and on the other to the adjustment of the service and product range in accordance with the needs and potential of the individual client groups. The global Covid-19 pandemic in 2020 had 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.

This wind farm, located on the Croatian coast, saw wind levels in 2020 that were virtually equal to the high levels in 2019. Wind returns declined slightly year on year.

The technical availability of the wind farm in 2020 was highly satisfactory overall despite occasional damage. The entry into force of the planning permission for a second expansion stage of the wind farm was particularly important in terms of commitment. Work was also focused on developing a financing concept for the expansion. In addition, the responsible Ministry of Agriculture has approved the use of the site for a further 30 years. The ongoing Covid-19 pandemic had no discernible impact on the business activities and earnings development of the Selan Group.

Overall, the Selan Group made a positive contribution to the Baader Bank Group's earnings in 2020, though this was slightly lower than in 2019, mainly due to individual special costs.

**Baader & Heins Capital Management AG** is a financial services institution that specialises in acting as an intermediary between issuers and 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 was and still is intensive, and is also strongly affected by the prevailing conditions on the international capital markets. The sustained low-interest environment and negative interest rates, low risk surcharges on bonds and the increasing consolidation pressure on important market players in the wake of mergers and acquisitions, as well as the Covid-19 pandemic and the associated economic uncertainty, led to a continued economic headwind in 2020.

During financial year 2020, Baader & Heins succeeded in growing compared to the previous year, in terms of both the number of transactions concluded and brokered volume. As a result, net commission income increased significantly compared to the previous year. The operating result also saw significant growth, placing it considerably higher than the previous year's level. The business and earnings development of Baader & Heins for financial year 2020 can therefore be considered highly satisfactory.

## 2.2.5 Comparison of actual business performance in 2020 with the forecasts published in the previous year

For financial year 2020, the Board of Directors of Baader Bank initially predicted that it would be possible to achieve a positive operating result at Group level again under normal market conditions, i.e. at a market level equivalent to that of the previous five to seven years. This expectation reflected a steady positive improvement in the business and financial figures, especially in comparison with the two previous financial years.

The expectation of an improvement in earnings under constant, normal circumstances was based on the fact that, from 2020, Baader Bank was able to launch a new strategic setup.

Following an intensive phase of reviewing and adjusting the overall alignment and the overall banking strategy, but also the individual business lines and business line strategies, including the development and implementation of organisational and process improvements, cost optimisation measures and market cultivation and sales optimisation measures, Baader Bank has now set the course for profitable and sustainable growth.

The result of the measures was to reduce the banking group, the company itself and Baader Bank's business activities as a whole to the right size and to lower the overall profitability threshold. The measures are therefore designed to make Baader Bank's business more stable and scalable and to achieve a good level of profitability even under unfavourable conditions. They also provide a clear opportunity for an above-average increase in earnings and profit under favourable market conditions.

Market and business development in and for Baader Bank in the 2020 financial year, on the other hand, was more positive than expected and than initially forecast.

In the first quarter of 2020, Baader Bank's business activities had already increased significantly. Trading and net commission income increased here by around 250 % and 50 % respectively compared to the same period in the previous year. Baader Bank's earnings and profit remained strong in the second quarter of 2020. As at the half-year reporting date, trading income had already quadrupled compared to the first half of 2019. The development of net commission income weakened to a share of total income of 15 %. Net commission income also includes commission expenses, which rise as trading activities increase. Higher trading volumes therefore exert downward pressure on net commission income.

In light of the fact that the operating result had already reached a positive level of EUR 51,891 thousand in the first half of 2020, the Board of Directors raised the forecast for 2020 as a whole. From that time, Baader Bank announced that it expected a significantly positive operating result for 2020 overall. The above-average development of the operating result, like that of all other key earnings figures, also progressed, reaching EUR 66,178 thousand for the first nine months of 2020. Ultimately, Baader Bank generated positive earnings before taxes of EUR 56,019 thousand in total at Group level in financial year 2020, with an operating result of EUR 81,529 thousand. Business development in the final quarter therefore remained unbroken.

The main drivers for the business development of Baader Bank in 2020 were:

Firstly, the earnings and cost effects of Baader Bank's strategic adjustment, the effect of which has already been presented in this section.

Secondly, the market developments in securities trading, which included the continuation of high volatility and sales volumes throughout the year. The above-average growth in sales volumes, which at times reached historic highs, was largely due to massive trading activity primarily by private investors, as well as the strategic measures already taking effect, which in the view of the Board of Directors will lead to the long-term structural development of the trading setup and trading quality in Market Making.

Thirdly, the unbroken growth rates in the account and custody account business of Baader Bank. 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 2020 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.

The high sales volumes are due to a new client base of mainly private but very active investors. Starting in 2020, a transformation and a new stock exchange culture can be observed in Germany. Active self-directed investors have straightforward technical access via mobile apps, which they use for cost-optimised active trading. It is also characterised by now established robo-advisors, which also implement investment strategies with cost optimisation for private individuals. In technical terms, this new stock exchange culture is conducted virtually free of cost through simple market access, via online applications on mobile devices in real time.

This also applies to the digital form of account and custody account management. This 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.

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, in some cases higher than planned.

## 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 (Aktiengesetz – AktG) and audited by the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, Germany. The annual financial statements for financial year 2020 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 improved significantly compared to the previous year with positive earnings before taxes in the amount of EUR 56,019 thousand (previous year: EUR 68 thousand). The results of operations of the Baader Bank Group as well as Baader Bank AG in financial year 2020 compared to the previous years 2018 and 2019 were as follows (see next page):

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

	2018 EUR'000	2019 EUR'000	2020 EUR'000	Change to the previous year	
				Absolute EUR'000	Relative %
<b>Income</b>	<b>98,121</b>	<b>104,336</b>	<b>212,661</b>	<b>108,325</b>	<b>&gt;100</b>
of which net interest income <sup>1</sup> and current income	527	-799	-2,634	-1,835	>-100
including net interest income	-445	-1,537	-3,217	-1,680	>-100
including current income	972	738	583	-155	-21
<i>Share of income</i>	<i>1 %</i>	<i>-1 %</i>	<i>-1 %</i>		
of which net commission income <sup>1</sup>	40,518	32,111	30,976	-1,135	-4
<i>Share of income</i>	<i>41 %</i>	<i>31 %</i>	<i>15 %</i>		
of which net trading income <sup>1,2</sup>	40,976	46,149	168,215	122,066	>100
<i>Share of income</i>	<i>42 %</i>	<i>44 %</i>	<i>79 %</i>		
of which revenue	13,095	12,808	11,962	-846	-7
<i>Share of income</i>	<i>13 %</i>	<i>12 %</i>	<i>6 %</i>		
of which other income	3,005	14,014	4,142	-9,872	-70
including other operating income	3,005	3,514	4,142	628	18
including income from the liquidation of the fund for general banking risks	0	10,500	0	-10,500	-100
<i>Share of income</i>	<i>3 %</i>	<i>13 %</i>	<i>2 %</i>		
of which net income from interests in associates	0	53	0	-53	-100
<i>Share of income</i>	<i>0 %</i>	<i>0 %</i>	<i>0 %</i>		
<b>Expenses</b>	<b>117,496</b>	<b>104,268</b>	<b>156,642</b>	<b>52,374</b>	<b>50</b>
of which personnel expenses	54,686	46,522	71,239	24,717	53
<i>Share of expenses</i>	<i>47 %</i>	<i>45 %</i>	<i>45 %</i>		
of which other administrative expenses and other operating expenses	45,385	44,604	48,141	3,537	8
including other administrative expenses	43,735	42,763	44,603	1,840	4
including other operating expenses	1,650	1,841	3,538	1,697	92
<i>Share of expenses</i>	<i>39 %</i>	<i>43 %</i>	<i>31 %</i>		
of which amortisation and depreciation	17,391	13,142	20,425	7,283	55
including depreciation, amortisation and write-downs on intangible assets and property, plant and equipment	10,916	9,001	11,148	2,147	24
including other depreciation, amortisation and write-downs <sup>3</sup> as well as additions to provisions for credit transactions	6,475	4,141	9,277	5,136	>100
<i>Share of expenses</i>	<i>15 %</i>	<i>13 %</i>	<i>13 %</i>		
of which other expenses	0	0	16,837	16,837	100
of which income from the addition of the fund for general banking risks	0	0	16,837	16,837	100
<i>Share of expenses</i>	<i>0 %</i>	<i>0 %</i>	<i>11 %</i>		
of which net income from interests in associates	34	0	0	0	0
<i>Share of expenses</i>	<i>0 %</i>	<i>0 %</i>	<i>0 %</i>		
<b>Earnings before taxes (EBT)</b>	<b>-19,375</b>	<b>68</b>	<b>56,019</b>	<b>55,951</b>	<b>&gt;100</b>
Taxes	1,649	483	9,177	8,694	>100
<i>Tax ratio</i>	<i>9 %</i>	<i>&gt;100 %</i>	<i>16 %</i>		
<b>Consolidated net profit before minority interests</b>	<b>-21,024</b>	<b>-415</b>	<b>46,842</b>	<b>-</b>	<b>-</b>
<b>Minority interest in net income</b>	<b>-286</b>	<b>-176</b>	<b>-313</b>	<b>-137</b>	<b>-78</b>
<b>Consolidated net profit for the year</b>	<b>-21,310</b>	<b>-591</b>	<b>46,529</b>	<b>-</b>	<b>-</b>
<b>Net profit/loss of the parent company brought forward</b>	<b>-11,036</b>	<b>-33,644</b>	<b>-6,792</b>	<b>26,852</b>	<b>80</b>
<b>Transfers to/withdrawals from retained earnings</b>	<b>-1,298</b>	<b>27,443</b>	<b>-20,494</b>	<b>-</b>	<b>-</b>
<b>Consolidated net retained profit/loss</b>	<b>-33,644</b>	<b>-6,792</b>	<b>19,243</b>	<b>-</b>	<b>-</b>
<b>Key figures</b>					
Gross profit (revenue) <sup>4</sup>	95,116	90,269	208,519	118,250	>100
Operating result <sup>5</sup>	-14,221	-8,017	81,529	-	-
Expense-income ratio	120 %	100 %	74 %		
Personnel expenses ratio <sup>6</sup>	57 %	52 %	34 %		
Administrative expenses ratio <sup>7</sup>	46 %	47 %	21 %		
Return on equity before taxes <sup>8</sup>	-25 %	0 %	46 %		

<sup>1</sup> Related income and expenses are shown as net | <sup>2</sup> Net income from the trading portfolio | <sup>3</sup> Depreciation, amortisation and write-downs on receivables and certain securities as well as equity investments, and securities held as assets | <sup>4</sup> Equivalent to the gross profit arising from the net interest income and current income, net commission income, net trading income and revenue | <sup>5</sup> Gross profit less personnel and other administrative expenses as well as depreciation and amortisation on intangible assets and property, plant and equipment | <sup>6</sup> Personnel expenses as a % of revenue or gross profit | <sup>7</sup> Administrative expenses as a % of revenue or gross profit | <sup>8</sup> EBT as a % of equity

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

	2018 EUR'000	2019 EUR'000	2020 EUR'000	Change to the previous year	
				Absolute EUR'000	Relative %
<b>Income</b>	<b>74,344</b>	<b>83,990</b>	<b>188,523</b>	<b>104,533</b>	<b>&gt;100</b>
of which net interest income <sup>1</sup> and current income	3,679	1,847	-1,103	-	-
including net interest income	1,227	360	-2,248	-	-
including current income	2,452	1,487	1,145	-342	-23
<i>Share of income</i>	<i>5%</i>	<i>2%</i>	<i>-1%</i>		
of which net commission income <sup>1</sup>	24,727	20,511	17,014	-3,497	-17
<i>Share of income</i>	<i>33%</i>	<i>24%</i>	<i>9%</i>		
of which net trading income <sup>1,2</sup>	40,976	46,149	168,215	122,066	>100
<i>Share of income</i>	<i>55%</i>	<i>55%</i>	<i>89%</i>		
of which other income	4,962	15,483	4,397	-11,086	-72
including other operating income	4,962	4,983	4,397	-586	-12
including income from the liquidation of the fund for general banking risks	0	10,500	0	-10,500	-100
<i>Share of income</i>	<i>7%</i>	<i>18%</i>	<i>2%</i>		
<b>Expenses</b>	<b>96,805</b>	<b>86,480</b>	<b>134,705</b>	<b>48,225</b>	<b>56</b>
of which personnel expenses	45,042	40,043	64,097	24,054	60
<i>Share of expenses</i>	<i>47%</i>	<i>46%</i>	<i>48%</i>		
of which other administrative expenses and other operating expenses	39,424	38,299	40,810	2,511	7
including other administrative expenses	38,474	37,520	38,907	1,387	4
including other operating expenses	950	779	1,903	1,124	>100
<i>Share of expenses</i>	<i>41%</i>	<i>44%</i>	<i>30%</i>		
of which amortisation and depreciation	12,339	8,138	12,976	4,838	59
including depreciation, amortisation and write-downs on intangible assets and property, plant and equipment	5,673	4,284	3,659	-625	-15
including other depreciation, amortisation and write-downs <sup>3</sup> as well as additions to provisions for credit transactions	6,666	3,854	9,317	5,463	>100
<i>Share of expenses</i>	<i>13%</i>	<i>9%</i>	<i>10%</i>		
of which other expenses	0	0	16,822	16,822	100
of which income from the addition of the fund for general banking risks	0	0	16,822	16,822	100
<i>Share of expenses</i>	<i>0%</i>	<i>0%</i>	<i>12%</i>		
<b>Earnings before taxes (EBT)</b>	<b>-22,461</b>	<b>-2,490</b>	<b>53,818</b>	<b>-</b>	<b>-</b>
Taxes	147	28	8,583	8,555	>100
<i>Tax ratio</i>	<i>1%</i>	<i>1%</i>	<i>16%</i>		
<b>Net profit (NP)/-loss for the year</b>	<b>-22,608</b>	<b>-2,518</b>	<b>45,235</b>	<b>-</b>	<b>-</b>
Retained earnings/losses from the previous year	-11,036	-33,644	-6,792	26,852	80
Transfers to/withdrawals from retained earnings	0	29,370	-19,200	-	-
<b>Balance sheet profit/loss</b>	<b>-33,644</b>	<b>-6,792</b>	<b>19,243</b>	<b>-</b>	<b>-</b>

**Key figures**

Gross profit (revenue) <sup>4</sup>	69,382	68,507	184,126	115,619	>100
Operating result <sup>5</sup>	-19,807	-13,340	77,463	-	-
Expense-income ratio	130%	103%	71%		
Personnel expenses ratio <sup>6</sup>	65%	58%	35%		
Administrative expenses ratio <sup>7</sup>	55%	55%	21%		
Return on equity before taxes <sup>8</sup>	-31%	-4%	46%		

<sup>1</sup> Related income and expenses are shown as net | <sup>2</sup> Net income from the trading portfolio | <sup>3</sup> Depreciation, amortisation and write-downs on receivables and certain securities as well as equity investments, and securities held as assets | <sup>4</sup> Equivalent to the gross profit arising from the net interest income and current income net commission income and net trading income items | <sup>5</sup> Gross profit less personnel and other administrative expenses as well as depreciation and amortisation on intangible assets and property, plant and equipment | <sup>6</sup> Personnel expenses as a % of revenue or gross profit | <sup>7</sup> Administrative expenses as a % of revenue or gross profit | <sup>8</sup> EBT as a % of equity

Due to lower dividend payments, current income was EUR 155 thousand lower than in the previous year, at EUR 583 thousand (Baader Bank AG: increase of EUR 342 thousand to EUR 1,145 thousand). This includes dividend payments to Baader Bank AG from the subsidiary Baader & Heins amounting to EUR 563 thousand. Interest income in the past financial year was once again negative at EUR 2,634 thousand (Baader Bank AG: EUR -2,248 thousand). As was the case in the previous year, net interest income was characterised by interest income from fixed-interest securities with a significant decline of EUR 2,863 thousand to EUR 2,188 thousand, correspondingly offset by interest expenses from the issue of own promissory note loans (EUR 4,313 thousand) and the refinancing of the Group headquarters in Unterschleissheim (Baader Bank AG: EUR 460 thousand). In addition, as in the previous year, the Group mainly incurred interest expenses of EUR 725 thousand from the external financing of the wind farm at the wind farm operator Selan d.o.o. With a negative interest in total earnings amounting to -1 % (Baader Bank AG: -1 %), net interest income and current income – unchanged compared to the previous year – is of minor importance for the Group and Baader Bank AG's results of operations.

At EUR 30,976 thousand (Baader Bank AG: EUR 17,014 thousand), net commission income made a significant contribution, as in the previous year, and represents 15 % of the Group's earnings (Baader Bank AG: 9 %). Overall, the Group's net commission income was 4 % or EUR 1,135 thousand lower than in the previous year (Baader Bank AG: 17 % or EUR 3,497 thousand). A key driver of the decline in net commission income is the rise in settlement and exchange fees, resulting from the sharp increase in trading activities, by EUR 13,774 thousand to EUR 27,484 thousand (Baader Bank AG: EUR -13,772 thousand to EUR 27,448 thousand). Income from commercial agent's commissions was also lower (EUR -4,347 thousand) (Baader Bank AG: EUR -5,525 thousand), as was income from management and performance fees (EUR -1,338 thousand) (Baader Bank AG: EUR -1,338 thousand). On the other hand, revenue growth was achieved in the cash equity business compared to the previous year, including the sale of research products at the level of Baader Bank AG and the Baader Helvea Group. Overall, commission income from order routing and client commission business and other commission income saw a significant increase of EUR 13,660 thousand to EUR 45,344 thousand (Baader Bank AG: increase of EUR 12,406 thousand to EUR 37,236 thousand). In addition, the brokerage and transaction result was EUR 4,512 thousand higher at EUR 14,660 thousand (Baader Bank AG: EUR +4,512 thousand), and commission income from capital market services was EUR 152 thousand higher at EUR 3,220 thousand (Baader Bank AG: EUR 220 thousand higher at EUR 3,168 thousand).

Trading income at Group level in the past financial year increased very sharply by EUR 122,066 thousand to EUR 168,215 thousand and resulted entirely from Baader Bank AG as a trading book institution. It contributed 79 % to the Group's total income (Baader Bank AG: 89 %). 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 7 % or EUR 846 thousand to EUR 11,962 thousand, compared to the previous year. The level of revenue in total income amounts to 6 %. This is offset by operating costs for the wind farm (EUR 2,710 thousand), refinancing costs (EUR 725 thousand) and depreciation of these amounting to EUR 3,452 thousand.

Other income declined significantly by EUR 9,872 thousand to EUR 4,142 thousand (Baader Bank AG: by EUR 11,086 thousand to EUR 4,397 thousand). In the previous year, the Board of Directors had exercised its option of compensating for negative earnings developments in accordance with Section 340g HGB in the amount of EUR 10,500 thousand.

Total expenses rose significantly in the past financial year by EUR 52,374 thousand to EUR 156,642 thousand (Baader Bank AG: EUR 48,225 thousand to EUR 134,705 thousand).

Owing to higher variable compensation components, personnel expenses were significantly higher at Group level by 53 % or EUR 24,717 thousand, at EUR 71,239 thousand (Baader Bank AG by 60 % or EUR 24,054 thousand at EUR 64,097 thousand).

Other administrative expenses and other operating expenses also rose, this time by EUR 3,537 thousand to EUR 48,141 thousand (Baader Bank AG: by EUR 2,511 thousand to EUR 40,810 thousand).

As a result of the factors described above, gross profit more than doubled, increasing by EUR 118,250 thousand to EUR 208,519 thousand (Baader Bank AG: EUR 115,619 thousand to EUR 184,126 thousand). Operating profit before depreciation, amortisation and tax is also markedly positive at consolidated and individual financial statement levels, at EUR 81,529 thousand and EUR 77,463 thousand respectively.

Depreciation and amortisation in the Baader Bank Group rose by EUR 7,283 thousand to EUR 20,425 thousand. Of this, EUR 11,148 thousand relates to depreciation and value adjustments on intangible assets and property, plant and equipment and EUR 9,277 thousand to amortisation and value adjustments on receivables and certain securities treated as assets. Of the amortisation and value adjustments on intangible assets and property, plant and equipment, EUR 4,967 thousand is attributable to property, plant and equipment (land and buildings EUR 763 thousand, operating and office equipment EUR 4,134 thousand and low-value assets EUR 70 thousand) and EUR 6,181 thousand to intangible assets (goodwill EUR 3,971 thousand, order books EUR 607 thousand, software EUR 1,532 thousand, licences and industrial property rights EUR 71 thousand). In addition, due to a permanent depreciation using recognised valuation methods, an unscheduled depreciation of goodwill for Selan d.o.o. was carried out in the amount of EUR 2,839 thousand. Finally, valuation and disposal losses of EUR 9,277 thousand arose in the non-trading book, mainly attributable to securities treated as fixed assets and allocated to the liquidity reserve.

Depreciation and amortisation at Baader Bank AG also increased by a total of EUR 4,838 thousand to EUR 12,976 thousand. As well as a decline resulting from the total depreciation of individual order books and goodwill and depreciation of the office building amounting to a total of EUR 3,659 thousand, depreciation, amortisation and write-downs on receivables and certain securities and the depreciation of equity investments, shares in affiliated companies and securities treated as investments recorded an increase of EUR 5,463 thousand to EUR 9,317 thousand.

In compliance with Section 340e (4) HGB, an amount of EUR 16,837 thousand (Baader Bank AG: EUR 16,822 thousand) was added to the fund for general banking risks in financial year 2020.

The tax expense in the consolidated financial statements is mainly a result of the significantly positive profit from ordinary business activities. In addition, the Group exercised the option of not accounting for asset surpluses from deferred taxes.

As a result of the factors described above, earnings before taxes of EUR 56,019 thousand (previous year: EUR 68 thousand) and the consolidated net profit for the year of EUR 46,529 thousand (previous year: EUR -591 thousand) were both positive and thus increased several times over compared to the previous year. Baader Bank AG reported a net profit for the year of EUR 45,234 thousand (previous year: EUR -2,518 thousand).

### 2.3.3 Financial position and net assets

As at the balance sheet date, total assets amounted to EUR 888,578 thousand, and, with an increase of EUR 271,203 thousand, are higher than the previous year's level (Baader Bank AG: increase of EUR 275,271 thousand to EUR 865,891 thousand). The balance sheet structure of the Baader Bank Group has undergone changes on both the assets and liabilities side. The changes in the assets are primarily due to a decrease of EUR 63,710 thousand in equities and debt securities to EUR 45,651 thousand, while cash reserves increased significantly by EUR 251,072 thousand to EUR 488,841 thousand and loans and advances to banks by EUR 84,412 thousand to EUR 163,003 thousand. Accordingly, on the liabilities side, liabilities to customers and banks increased significantly by EUR 170,376 thousand to EUR 676,286 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 (see next page):

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

	2018 EUR'000	2019 EUR'000	2020 EUR'000	Change to the previous year	
				Absolute EUR'000	Relative %
<b>Current assets</b>	<b>598,398</b>	<b>509,896</b>	<b>787,503</b>	<b>277,607</b>	<b>54</b>
<i>Share of current assets in net assets</i>	<i>84%</i>	<i>83%</i>	<i>89%</i>		
of which cash reserves	209,096	237,769	488,841	251,072	>100
of which cash reserves including due on demand	99,195	78,591	163,003	84,412	>100
including other loans and advances	89,748	69,098	161,794	92,696	>100
of which loans and advances to clients	9,447	9,493	1,209	-8,284	-87
of which debt securities and other fixed-income securities	26,780	38,525	47,261	8,736	23
of which equities and other variable-income securities	192,276	94,947	43,735	-51,212	-54
of which trading portfolio	15,442	14,414	1,916	-12,498	-87
of which other assets and prepaid expenses and deferred charges	49,407	37,869	36,800	-1,069	-3
	6,202	7,781	5,947	-1,834	-24
<b>Non-current assets</b>	<b>114,792</b>	<b>107,479</b>	<b>101,075</b>	<b>-6,404</b>	<b>-6</b>
<i>Share of non-current assets in net assets</i>	<i>16%</i>	<i>17%</i>	<i>11%</i>		
of which equity investments and interests in associates	7,986	7,288	9,605	2,317	32
of which intangible assets	17,596	14,199	9,278	-4,921	-35
of which property, plant and equipment	81,708	77,412	74,524	-2,888	-4
of which excess of plan assets over pension liabilities including pension obligations	7,502	8,580	7,668	-912	-11
including fair value of plan assets <sup>1</sup>	-11,127	-11,704	-12,153	-449	-4
	18,629	20,284	19,821	-463	-2
<b>Total assets</b>	<b>713,190</b>	<b>617,375</b>	<b>888,578</b>	<b>271,203</b>	<b>44</b>
<b>External financing</b>	<b>599,560</b>	<b>514,963</b>	<b>689,112</b>	<b>174,149</b>	<b>34</b>
<i>External financing ratio as % of total assets</i>	<i>84%</i>	<i>83%</i>	<i>78%</i>		
of which bank loans and advances including due on demand	98,814	61,816	82,642	20,826	34
including with agreed term or notice period	28,890	19,987	54,006	34,019	>100
of which payables to clients including due on demand	69,924	41,829	28,636	-13,193	-32
including with agreed term or notice period	487,155	444,094	593,644	149,550	34
of which other liabilities	333,847	313,249	491,991	178,742	57
	153,308	130,845	101,653	-29,192	-22
	13,591	9,053	12,826	3,773	42
<b>Other refinancing funds</b>	<b>37,601</b>	<b>27,649</b>	<b>78,498</b>	<b>50,849</b>	<b>&gt;100</b>
<i>Other refinancing ratio</i>	<i>5%</i>	<i>4%</i>	<i>9%</i>		
of which trading portfolio	1,803	3,325	4,934	1,609	48
of which prepaid expenses and deferred charges	426	366	253	-113	-31
of which provisions	13,252	12,338	44,854	32,516	>100
of which fund for general banking risks	22,120	11,620	28,457	16,837	>100
<b>Balance sheet equity</b>	<b>76,029</b>	<b>74,763</b>	<b>120,968</b>	<b>46,205</b>	<b>62</b>
<i>Balance sheet equity ratio</i>	<i>11%</i>	<i>12%</i>	<i>14%</i>		
of which subscribed capital	45,632	45,632	45,632	0	0
of which capital reserve	31,431	31,431	31,431	0	0
of which retained earnings	30,920	3,666	23,711	20,045	>100
of which minority interests	1,690	826	951	125	15
of which balance sheet profit/loss	-33,644	-6,792	19,243	-	-
<b>Off-balance-sheet commitments</b>	<b>7,792</b>	<b>2,273</b>	<b>737</b>	<b>-1,536</b>	<b>-68</b>
of which contingent liabilities from guarantees and indemnity agreements	208	208	208	0	0
of which obligations from loan commitments	7,584	2,065	529	-1,536	-74
<b>Key figures</b>					
Liquid funds <sup>2</sup>	298,844	306,867	650,635	343,768	>100
Balance sheet liquidity surplus <sup>3</sup>	191,763	139,649	212,466	72,817	52
Modified equity ratio <sup>4</sup>	14%	14%	17%		

<sup>1</sup> The plan assets comprise the fair values of the following balance sheet items: Loans and advances to banks, shares and other variable-income securities, reinsurance from insurance policies | <sup>2</sup> By definition, liquid funds comprise the balance sheet items cash reserves and loans and advances to banks due on demand | <sup>3</sup> The balance sheet liquidity surplus is equivalent to the total of short-term receivables, available-for-sale securities and current liabilities | <sup>4</sup> Balance sheet equity ratio including the fund for general banking risks

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

	2018 EUR'000	2019 EUR'000	2020 EUR'000	Change to the previous year	
				Absolute EUR'000	Relative %
<b>Current assets</b>	<b>588,316</b>	<b>502,995</b>	<b>776,447</b>	<b>273,452</b>	<b>54</b>
<i>Share of current assets in net assets</i>	<i>87%</i>	<i>85%</i>	<i>90%</i>		
of which cash reserves	209,094	237,769	488,840	251,071	>100
of which loans and advances to banks	84,259	66,332	149,086	82,754	>100
including due on demand	75,988	58,062	149,086	91,024	>100
including other loans and advances	8,271	8,270	0	-8,270	-100
of which loans and advances to clients	33,695	46,748	52,044	5,296	11
of which debt securities and other fixed-income securities	192,276	94,947	43,736	-51,211	-54
of which equities and other variable-income securities	14,422	14,414	1,916	-12,498	-87
of which trading portfolio	49,407	37,869	36,800	-1,069	-3
of which other assets and prepaid expenses and deferred charges	5,163	4,916	4,025	-891	-18
<b>Non-current assets</b>	<b>91,384</b>	<b>87,625</b>	<b>89,444</b>	<b>1,819</b>	<b>2</b>
<i>Share of non-current assets in net assets</i>	<i>13%</i>	<i>15%</i>	<i>10%</i>		
of which equity investments and interests in affiliated companies	35,290	33,728	36,559	2,831	8
of which intangible assets	10,307	8,044	7,105	-939	-12
of which property, plant and equipment	38,285	37,273	38,112	839	2
of which excess of plan assets over pension liabilities	7,502	8,580	7,668	-912	-11
including pension obligations	-11,127	-11,704	-12,153	-449	-4
including fair value of plan assets <sup>1</sup>	18,629	20,284	19,821	-463	-2
<b>Total assets</b>	<b>679,700</b>	<b>590,620</b>	<b>865,891</b>	<b>275,271</b>	<b>47</b>
<b>External financing</b>	<b>571,641</b>	<b>494,321</b>	<b>674,433</b>	<b>180,112</b>	<b>36</b>
<i>External financing ratio as of % of total assets</i>	<i>84%</i>	<i>84%</i>	<i>78%</i>		
of which bank loans and advances	70,017	40,641	69,115	28,474	70
including due on demand	28,888	19,987	54,006	34,019	>100
including with agreed term or notice period	41,129	20,654	15,109	-5,545	-27
of which payables to clients	489,528	446,286	594,427	148,141	33
including due on demand	338,072	317,423	496,469	179,046	56
including with agreed term or notice period	151,456	128,863	97,958	-30,905	-24
of which other liabilities	12,096	7,394	10,891	3,497	47
<b>Other refinancing funds</b>	<b>34,545</b>	<b>25,303</b>	<b>75,227</b>	<b>49,924</b>	<b>&gt;100</b>
<i>Other refinancing ratio</i>	<i>5%</i>	<i>4%</i>	<i>9%</i>		
of which trading portfolio	1,803	3,325	4,934	1,609	48
of which deferred income	426	365	253	-112	-31
of which provisions	10,181	9,978	41,583	31,605	>100
of which fund for general banking risks	22,135	11,635	28,457	16,822	>100
<b>Balance sheet equity</b>	<b>73,514</b>	<b>70,996</b>	<b>116,231</b>	<b>45,235</b>	<b>64</b>
<i>Balance sheet equity ratio</i>	<i>11%</i>	<i>12%</i>	<i>13%</i>		
of which subscribed capital	45,632	45,632	45,632	0	0
of which capital reserve	31,431	31,431	31,431	0	0
of which retained earnings	30,095	725	19,925	19,200	>100
of which balance sheet profit/loss	-33,644	-6,792	19,243	-	-
<b>Off-balance-sheet commitments</b>	<b>7,792</b>	<b>2,273</b>	<b>737</b>	<b>-1,536</b>	<b>-68</b>
of which contingent liabilities from guarantees and indemnity agreements <sup>n</sup>	208	208	208	0	0
of which obligations from loan commitments	7,584	2,065	529	-1,536	-74
<b>Key figures</b>					
Liquid funds <sup>2</sup>	285,082	295,831	637,926	342,095	>100
Balance sheet liquidity surplus <sup>3</sup>	181,218	134,320	201,997	67,677	50
Modified equity ratio <sup>4</sup>	14%	14%	17%		

<sup>1</sup> The plan assets comprise the fair values of the following balance sheet items: Loans and advances to banks, shares and other variable-income securities, reinsurance from insurance policies | <sup>2</sup> By definition, liquid funds comprise the balance sheet items cash reserves and loans and advances to banks due on demand | <sup>3</sup> The balance sheet liquidity surplus is equivalent to the total of short-term receivables, available-for-sale securities and current liabilities | <sup>4</sup> Balance sheet equity ratio including the fund for general banking risks

### 2.3.3.1 Current assets

Loans and advances to banks rose by EUR 84,412 thousand to EUR 163,003 thousand (Baader Bank AG: by EUR 82,754 thousand to EUR 149,086 thousand), while cash reserves increased significantly by EUR 251,072 thousand to EUR 488,841 thousand (Baader Bank AG: by EUR 251,071 thousand to EUR 488,840 thousand). Loans and advances to clients also rose slightly by EUR 8,736 thousand to EUR 47,261 thousand (Baader Bank AG: by EUR 5,296 thousand to EUR 52,044 thousand). Against the backdrop of continued reduction of risk positions and the protection and maintenance of the liquidity coverage ratio (LCR), the portfolio of bonds and other fixed-interest securities issued by both public issuers and other issuers in the amount of EUR 1,441 thousand or 5 % and EUR 49,771 thousand or 73 % respectively has been significantly reduced. During the reporting year, the newly acquired shares and other variable-interest securities were allocated exclusively to the liquidity reserve. The trading portfolio had decreased by EUR 1,069 thousand or 3 % to EUR 36,800 thousand by the reporting date.

After the considerable reduction, the securities portfolio contained a low level of bonds and debt securities from issuers in the "GIIPS" countries (Greece, Italy, Ireland, Portugal and Spain) in the following amounts as at 31 December 2020. Of this, EUR 51 thousand relates to Greece (public issuers).

Other assets and prepaid expenses and deferred charges had decreased by EUR 1,834 thousand to EUR 5,947 thousand by the reporting date (Baader Bank AG: by EUR 891 thousand to EUR 4,025 thousand).

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

During the reporting year, the carrying value of equity investments and interests in associates rose by EUR 2,317 thousand in the Group to EUR 9,605 thousand. Changes resulted from further deposits to Earlybird DWES Fund VI GmbH & Co. KG of the venture capital investor Earlybird and the deconsolidation of CCPM AG. Due to the future extent of the influence on business and financial policy at CCPM AG, the Board of Directors decided to continue administering the company amongst the equity investments.

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

Intangible assets decreased for the Group in the reporting year by a total of EUR 4,921 thousand to EUR 9,278 thousand. Property, plant and equipment also decreased slightly by EUR 2,888 thousand to EUR 74,524 thousand. Intangible assets and property, plant and equipment decreased for the Group in the reporting year by a total of EUR 7,809 thousand to EUR 83,802 thousand.

The additions to intangible assets including reclassifications are primarily related to investments in computer software (EUR 1,244 thousand), completely attributable to Baader Bank AG's investment. In addition, intangible assets and property, plant and equipment were reduced by scheduled depreciation as well as an unscheduled depreciation of goodwill.

At Baader Bank AG, property, plant and equipment and intangible assets declined slightly by EUR 100 thousand to EUR 45,217 thousand. This is due to the scheduled depreciation of EUR 3,659 thousand in the financial year, which was offset by investments including reclassifications from prepayments made in the amount of EUR 3,559 thousand.

No further significant investments beyond the scope of normal business activities were planned either on 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 912 thousand to a total of EUR 7,668 thousand. The reason for this was the plan assets measured at fair value which decreased to EUR 19,821 thousand. Plan assets consisted of EUR 9,976 thousand in loans and advances to banks and EUR 9,845 thousand in shares and other variable-income securities.

### 2.3.3.5 External financing

External financing comprised solely bank loans and advances and loans and advances to clients as well as other liabilities. On the whole, external financing was higher than the previous year (increase of EUR 174,149 thousand) and amounted to EUR 689,112 thousand (Baader Bank AG: increase of EUR 180,112 thousand to EUR 674,433 thousand) as at the balance sheet date. The sharp increase was largely due to higher liabilities to customers from sight deposits of EUR 149,550 thousand (Baader Bank AG: EUR 148,141 thousand) and liabilities to banks of EUR 20,826 thousand (Baader Bank AG: EUR 28,474 thousand).

As at the balance sheet date, other liabilities increased by EUR 3,773 thousand to EUR 12,826 thousand (Baader Bank AG: by EUR 3,497 thousand to EUR 10,891 thousand).

### 2.3.3.6 Other refinancing funds

Other refinancing funds increased in the reporting year by EUR 50,849 thousand to EUR 78,498 thousand (Baader Bank AG: EUR 49,924 thousand to EUR 75,227 thousand). The change is attributable primarily to the addition of the special item in the amount of EUR 16,837 thousand to EUR 28,457 thousand (Baader Bank AG: by EUR 16,822 thousand to EUR 28,457 thousand), the increase in provisions of EUR 32,516 thousand to EUR 44,854 thousand (Baader Bank AG: EUR 31,605 thousand to EUR 41,583 thousand) and higher trading portfolio liabilities of Baader Bank AG on the reporting date (by EUR 1,609 thousand to EUR 4,934 thousand).

### 2.3.3.7 Balance sheet equity

In the current financial year 2020, there were no changes to the subscribed capital and capital reserves. The significant increase in equity of EUR 46,205 thousand to EUR 120,968 thousand is primarily due to the consolidated net profit before minority interests (EUR –46,842 thousand), dividend payments (EUR –187 thousand) as well as effects from currency translation (EUR –450 thousand). Baader Bank AG's equity increased by EUR 45,235 thousand to EUR 116,231 thousand due to the net profit for the year. Of the net profit for the year, EUR 19,200 thousand was added to the freely available retained earnings. The balance sheet equity ratio amounted to 14 % (Baader Bank AG: 13 %), and, taking into account the fund for general banking risks, the modified equity ratio amounted to 17 % (Baader Bank AG: 17 %). Baader Bank AG's total capital ratio under supervisory law is approximately 17 % (previous year: 14 %).

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 2020.

### 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 208 thousand as well as irrevocable loan commitments to clients in the amount of EUR 529 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 also kept at a consistently high level in the past financial year. The balance sheet liquidity surplus increased by 52 % or EUR 72,817 thousand to EUR 212,466 thousand (Baader Bank AG: increase of 50 % or EUR 67,677 thousand to EUR 201,997 thousand).

Baader Bank AG's liquidity coverage ratio (LCR) as at 31 December 2020 was 281.10 % (previous year: 175.20 %). 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 403 in the previous year to 420 as at the balance sheet date. There are 105 female employees and 315 male employees in the Group, from a total of 35 countries.

The number of employees at Baader Bank AG as at 31 December 2020 increased compared the previous year from 370 to 388. The 388 employees, 93 of whom are female and 295 male, come from 30 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 2020 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 2020, the central focus of occupational health and safety was on the measures associated with the Covid-19 pandemic. The ability for the majority of employees to work from home was achieved at a very early stage. 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 Unterstutzungskasse 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.

As at 1 January 2021, the Unterschleissheim and Frankfurt offices were supplied by 100 % regional green energy from the GSA region (Germany, Switzerland and Austria).

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

The business development of the Baader Bank Group for financial year 2020 was characterised by very high revenues on the stock exchanges, structural and sustainable development in the Market Making business line and the resulting multiplication in trading income. This led to a significant increase in consolidated net income before tax. The Baader Group concludes the financial year with a significantly positive result.

All the subsidiaries also made a positive and highly satisfactory contribution to the Group's economic position. The summary presentation of results of the subsidiaries of Baader Bank AG for the financial year 2020 can be found in the Section 2.2.4.

The net assets and financial position of the Baader Bank Group for financial year 2020 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 section below describes the risk situation of the Baader Bank Group and Baader Bank AG as at 31 December 2020. 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 the parent company Baader Bank AG, which 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 2020 to the previous year:

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

In EUR'000	Baader Bank Group		Baader Bank AG	
	2020	2019	2020	2019
<b>Equity</b>	67,557	67,573	73,290	72,265
<b>Equity requirements</b>	55,702 <sup>1</sup>	57,393 <sup>1</sup>	60,847 <sup>1</sup>	55,038 <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.

Because the annual financial statements have not yet been finalised, the results from 2020 in terms of regulatory equity capital will not be considered until 31 March 2021. The equity capital therefore remains virtually unchanged compared to the previous year despite an extremely successful financial year.

The capital planning is calculated in accordance with the regulatory provisions for Baader Bank and 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 the Baader Bank Group and Baader Bank AG following the economic approach as of 31 December 2020:

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

In EUR'000	Baader Bank Group		Baader Bank AG	
	2020	2019	2020	2019
<b>Risk coverage potential</b>	128,845	62,410	127,745	66,395
<b>Risk potential</b>	16,019	23,698	18,626	25,730

In the economic perspective, in contrast to the normative perspective, the net profit for 2020 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. The Baader Bank Group's total risk 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 business lines 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 Baader Bank Group's and Baader Bank AG's risk-bearing capacity was not endangered at any time in financial year 2020 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 it 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 and its individual institutions 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 2020, the losses in the worst-case scenario amounted to:

**Table 7: Stress test results**

In EUR'000	Baader Bank Group		Baader Bank AG	
	2020	2019	2020	2019
<b>Stress test (worst-case scenario)</b>	45,778	45,801	45,205	48,470

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.

### 3.1.6 Significant changes compared with the previous year

The following major changes were made to the models employed by the Risk Management department in 2020:

#### Market price risk

Model validations were carried out for the market price risk in the past financial year. Based on the results, the Risk Management department adjusted individual correction factors for the market price risk calculation, the holding periods of positions in some profit centres as well as the underlying allocation of the risk factors to the individual positions.

#### Counterparty default risk

As a result of the counterparty default risk model validation, a uniform term of one year was set in the risk calculation for loans and advances due on demand.

#### Operational risk

To date, reputational risk has been considered part of operational risk. As part of the risk inventory, reputational risk was introduced as a separate risk type. However, reputational risk was not considered to be significant at present. In addition, the calculation logic of the OpVaR calculation was homogenised on the basis of the validation results.

#### Liquidity risk

The calculation logic of the structural liquidity risk was subject to a comprehensive revision in 2020. The liquidity-value-at-risk method was replaced with a scenario-based approach. The new model simulates a potential refinancing loss on the basis of market-wide and institution-specific scenarios.

### 3.1.7 Risks of 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.

#### 3.1.7.1 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, 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-sensitive financial instrument due to changes in market interest rates. 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	
	2020	2019	2020	2019
<b>Shares</b>	15,609	15,799	15,609	15,799
<b>Bonds</b>	48,265	93,853	48,265	93,853
<b>Securitised derivatives</b>	123	88	123	88
<b>Funds, index certificates and fund-like certificates</b>	21,447	17,499	21,447	17,499
<b>Options</b>	3	151	3	151
<b>Futures</b>	182	312	182	312

Overall, a significant decline in the portfolios compared to the previous year should be noted, which is mainly attributable to the reduction of bonds in the non-trading book.

Equity price risks are measured in the Baader Bank Group 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 2020, the risk situation was as follows:

**Table 9: Market price risk**

In EUR'000	Baader Bank Group		Baader Bank AG	
	2020	2019	2020	2019
<b>Value at Risk</b>	4,189	7,468	4,101	6,987
<b>Limit utilisation</b>	24.43 %	72.75 %	23.92 %	68.40 %

The decrease in market price risk compared to the previous year can be attributed to lower market interest rate volatility. The difference in the VaR between Baader Bank AG and the Baader Bank Group is attributable to the interest rate risk arising from intra-group loans.

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 member responsible for trading 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.

During the past financial year, particularly the first half of 2020, the market turbulence resulting from the Covid-19 crisis led to a significant increase in market price risk. In the second half of the year, the risks returned to pre-crisis levels. 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.

### 3.1.7.2 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 and credit spread, which means that changing the probability of a default in the future will already have an impact on the current value of the exposure.

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 actual remaining term of the position are taken into account. The total risk across all borrower units is derived from the sum of all individual risks.

Moreover, there are additional migration and credit spread risks that are associated with the securities of the liquidity reserve. As such, additional migration and credit spread models are 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. The credit spread risks, on the other hand, take into account the risk that the yield spread between a risk-free bond and a bond that is subject to credit risk may change even if the rating is consistent. As a result, the theoretical market value loss due to credit spread changes is quantified using a model.

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 department 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 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 2020 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	
	2020	2019	2020	2019
<b>Credit risk KU</b>	230	93	633	924
<b>Credit risk KI</b>	2,691	2,625	2,215	2,348
<b>Counterparty risk</b>	347	686	347	686
<b>Issuer risk</b>	1,443	6,487	1,443	6,487
<b>Equity investment risk</b>	1,619	1,109	4,902	3,563
<b>Total</b>	<b>6,329</b>	<b>11,000</b>	<b>9,540</b>	<b>14,008</b>
<b>Limit utilisation</b>	49 %	85 %	60 %	88 %
<b>Risk provisions for client loans</b>	235	80	235	80

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 2020, the counterparty default risk of the Baader Bank Group and Baader Bank AG decreased significantly as a result of maturities and sales of a significant proportion of bonds. The slight increase in risk provision is not due to the threat of credit defaults caused by the Covid-19 pandemic.

### 3.1.7.3 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 outsourcing 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. 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 2020, the risk situation was as follows:

**Table 11: Operational risk**

In EUR'000	Baader Bank Group		Baader Bank AG	
	2020	2019	2020	2019
<b>Value at Risk</b>	5,502	5,230	4,985	4,736
<b>Limit utilisation</b>	69 %	87 %	62 %	79 %
<b>Total loss per year</b>	1,790	1,675	1,789	1,675

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 financial year 2020, there was a slight increase in losses from operational risks relating particularly to one loss event in the category "Incorrect entry". The loss event was discussed in detail by the Security Committee and measures to prevent such loss events from occurring in future were initiated. 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.

### 3.1.7.4 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 department 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 departments to ensure the coordination of daily cash flows between these areas. Unusual liquidity streams from other areas 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 department 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 department 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. 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 liquidity obtained in this way is 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 2020 was as follows:

**Table 12: Liquidity risk**

In EUR'000	Baader Bank Group		Baader Bank AG	
	2020	2019	2020	2019
<b>Value at Risk</b>	0	0	0	0
<b>Limit utilisation</b>	0%	0%	0%	0%

In financial year 2020 – 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.

### 3.1.7.5 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 of the past financial year 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.

### 3.1.8 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 2020, 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.

The market environment in 2020 was characterised in particular by the Covid-19 crisis and revenue growth 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.

## 3.2 Forecast and opportunities report

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

The ongoing Covid-19 pandemic and the impact on economic activity from the countermeasures against it are likely to continue to have a significant impact on the development of the financial markets in 2021. Continued high infection rates in many countries and the open question of what complications will arise from the mutation of the virus mean that an easing of or end to the lockdown restrictions currently in place in many countries is not expected for the time being. As a result and in view of the slow rollout of the vaccine, although there is significant relief that fewer restrictions will be needed as the number of people immunised increases, it remains unclear how quickly any such easing will take effect.

Against this backdrop, uncertainty about the course of economic recovery and its sustainability is likely to continue. Following significant downward revisions, the most recent consensus forecasts for economic growth have proved to be stable in spite of the new restrictions. However, the question of how quickly economic performance can return to its pre-crisis level continues to depend on a number of unclear factors. According to current Bloomberg consensus forecasts, the eurozone economy will grow this year and next year by 4.3 % and 3.9 % respectively, having shrunk by 7.3 % in 2020. If the current lockdown measures are extended further or tightened again, however, these forecasts could be adjusted downwards once again.

As has been shown by the cabinet reshuffle that recently became necessary in Italy, and despite the largely smooth inauguration of new US President Joe Biden, political issues can still be expected to garner greater attention on the financial markets at times in 2021. This includes the Bundestag elections in Germany on 26 September 2021. Moreover, in some countries, the affordability of further fiscal support packages could be called into question if additional measures to combat the Covid-19 pandemic make it necessary to provide more financial support for the economy.

Given that the prospect of continued economic recovery has remained intact thus far, the upward trend on the stock markets is generally likely to continue, though the current high valuation of many equities could limit upward potential. This is particularly true if the current growth momentum, which is exerting an intensifying effect at present, runs out once inventories have been refilled and investing activities have been normalised. Such a development is certainly likely to begin in the second half of the year, which could cast doubt on the expected high earnings growth rates. For example, the DAX is currently expected to record an earnings growth of 30 % this year and 16 % next year. Another increase in volatility is therefore highly likely in the autumn.

The further development of capital market interest rates may also be a risk factor this year. The strong economic recovery, a renewed increase in the rate of inflation due to sharply rising commodity prices and the massive expansion of public debt could trigger a more significant increase in bond yields in the meantime.

If the return on 10-year German federal bonds rises into positive territory again, significant 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. This type of development was observed temporarily in the fourth quarter of 2020. In contrast, cyclical sectors are likely to develop more effectively over long stretches, with the focus on late-cycle securities in particular into the summer.

## **3.2.2 Outlook for the core business lines**

### **3.2.2.1 Market Making business line**

In 2021, 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 shift to alternative trading platforms. During the reporting period, Baader Bank has continued its structural and sales strategy measures and reported some initial successes. Baader Bank continued to make lasting increases to its market shares in 2020 across all stock exchanges and asset classes. The environment improved overall, which had a supporting effect.

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. The year 2020 highlights the lasting success of this sales approach and strengthens the basis for long-term client growth, rising order flow volumes and a continued positive revenue contribution from these newly created securities markets.

Compared to the previous year, similar or at times lower volatilities in securities trading can be expected in 2021. The development at the start of 2021 initially marked a seamless continuation of the high sales activities from 2020. This is due not only to the familiar effects of the Covid-19 pandemic, but also to the increasing attractiveness and popularity of the share in particular, as well as other investment instruments. This resulted in uninterrupted inflows from investors both internationally and in Germany in 2020 and at the very start of 2021.

Baader Bank is responding strategically in the Market Making business line by onboarding new clients both in over-the-counter trading and on gettex, the marketplace 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 by more straightforwardly presenting and making use of access to the significant marketplaces.

Although the effects described above did mark a high point to a certain extent with the stock market low in March 2020 and the resulting upswing, the past 15 months cannot be attributed to a simple one-off effect. In summary, the outbreak of the Covid-19 pandemic can certainly be seen as a catalyst for the effects that followed, which have given a significant boost to the development and digitisation of the entire industry.

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 on German-speaking stock exchanges and expanding its presence in over-the-counter trading platforms.

### 3.2.2.2 Equity Capital Markets business line

The significant drivers for the order situation in the Capital Markets business line 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. Added to this are the amplifying effects of the Covid-19 pandemic, the upcoming 2021 Bundestag elections in Germany, the newly elected US government under President Joe Biden and the consequences of the Brexit agreement.

In the competition for mandates, particularly in terms of large-scale transactions with guarantee components, the lower total assets figure of Baader Bank continues to be a restrictive factor when competing with larger companies. Following the restructuring of the ECM division in the course of financial years 2019 and 2020, the Board of Directors of Baader Bank is striving to enter into further cooperations with globally active commercial banks in order to maintain its presence on the capital market as a member of consortia and to generate more and more revenue as a result.

In the long run, the ECM division is expected to expand the number of mandates again in the newly formed structure and re-establish its earnings power. Its expertise as a broker in the GSA region (Germany, Switzerland and Austria) with excellent research coverage will help Baader Bank to make its name as a competent partner in special execution services for demanding capital market transactions, but also as an outsourcing partner for international market participants. The Corporate Brokerage division will also continue to be assigned the role of strategic hub in the product range for Baader Bank's corporate clients.

Another goal is to maintain its strong market positioning in the Special Execution service. 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. As a paying agent, the Bank has acquired new clients in the past financial year, which brought the number of managed securities to almost 300.

Baader Bank sees positive trends for financial year 2021 and has already supported and completed initial measures in the Special Execution business line. The coming year 2021 therefore promises to be a successful year.

### 3.2.2.3 Multi Asset Brokerage business line

Largely in line with the business lines Market Making and Equity Capital Markets, 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 2021. New market shares in Multi Asset Brokerage are likely to be strengthened in the future and will be added solely on the basis of profitability.

For 2021, a moderate overall increase in the contribution to earnings is expected in the Multi Asset Brokerage business line, although the positive effects applicable to other business lines are less strong here.

The focus for the 2021 financial year is on the sustainably optimised expansion and digitalisation of the trading infrastructure in order to expand the market connections of Baader Bank. This process is still being implemented and offers an important perspective for the Multi Asset Brokerage business line.

## 3.2.3 Outlook for the support business lines

### 3.2.3.1 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 once again to see a noticeable growth of market shares in a growing market, especially in business with account and deposit clients and in trading services for asset managers and their end clients. In addition to business connections in the German-speaking area, international partners who require comprehensive solutions for their target markets within Germany or Europe will become increasingly important. 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. It intends to significantly increase the number of accounts and deposits and the total volume once again in financial year 2021 by way of a focused selection of business partners and their predominantly digital cooperation models.

In addition to the cooperation with the broker Scalable which has already expanded its offer in only a short time, further additions are also planned for 2021. The implementation of numerous new partnerships is planned for the current year.

In line with the high expectations for 2021 for the Banking Services business line, the process optimisation and digitalisation of account and deposit management and opening remains an important task in the coming financial year.

### 3.2.3.2 Asset Management Services business line

Baader Bank has significant competitive advantages in terms of its business activities in the Asset Management Services business line 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 2021, Baader Bank expects to be able to build on the generally high level of managed assets via fund mandates achieved in 2020, taking into account the persistently high 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.

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.

### 3.2.3.3 Research Services business line

Baader Bank's Equity Research remains an important link between German-speaking corporate clients and international investors. A strong presence is to be maintained at international investor conferences and complemented by additional conferences on a smaller scale. Since the outbreak of the Covid-19 pandemic, 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. Past success in this area continued nonetheless. In the view of Baader Bank, there is therefore nothing standing in the way of any apparent development towards purely virtual roadshows.

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 range of international securities – including with regard to company size – is to be expanded further by making use of sustainable synergies.

Key measures in the research business were designed more efficiently in 2020 and additional income was generated. Last but not least, the decision by Commerzbank to stop conducting its own equity research clearly shows how intense the competition is. Some firms are moving away from this model, instead choosing to provide their research services through collaborations with other providers. Others – including Baader Bank – are strengthening their focus on research in 2021.

### 3.2.4 Outlook for the business development of subsidiaries

As a fundamental part of the Baader Bank Group and tightly integrated in Research, Multi Asset Brokerage and Equity Capital Markets, 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 2021.

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 significantly more positive and steadily growing contribution to the total earnings of the Baader Bank Group in financial year 2021. It will continue to operate its Zurich, London and North America (New York) offices in 2021.

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. However, no significant increases in revenue are anticipated. With no change in wind levels or wind yield, the Selan Group is expected to record higher total earnings in financial year 2021.

This is thanks to the stable infrastructure and the continued high technical standard. A possible fall in electricity prices and lower wind returns could be absorbed by a reduction in the cost basis within certain ranges. Ultimately, the Selan Group's total income 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 continuing to work on 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 2021, but in general a resilient overall plan has not yet been drawn up.

As in 2020, the most important goal of **Baader & Heins Capital Management AG** in 2021 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.

An adjustable cost basis set at a lower level could absorb fluctuations in revenue. Baader Bank therefore expects Baader & Heins to continue to make a positive and stable contribution to the Group's total earnings for 2021. However, this is likely to be significantly lower than in 2020.

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

The banking and stock market is undergoing a profound transformation, both internationally and in the German-speaking area, and particularly in Germany. This transformation is opening a large growth market for Baader Bank thanks to the advantages of its integrated business model over the competition.

The transformation of the banking sector and securities trading is also creating a new stock exchange culture among investors, at least in Germany. Active self-directed investors have simple technical mobile access to securities trading, which they use for cost-optimised active trading. They are supported by established robo-advisors, which are now well established and also implement investment strategies with cost optimisation for private individuals.

For Baader Bank, in financial year 2021 this means 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 2020 or better, even if the growth curve in both areas naturally diminishes. A moderate rise in earnings contributions is also expected for the Brokerage, Equity Capital Markets and Research business lines, although their business potential for 2021 does not have the same growth potential as the other business lines.

On the other hand, further increases in government regulation, continued economically burdensome market conditions such as declines in economic performance and low interest rates and, above all, unpredictable technological developments, could reduce Baader Bank's anticipated growth opportunities.

In addition, for the overall assessment of the future development of Baader Bank, the constant current cost base, which is now significantly lower, predicted depreciation and amortisation and a clear potential for risk provisions and value adjustments must be included in the calculation.

The success of Baader Bank in 2020 shows that its integrated business model and the focus on its traditional core markets and on fintech growth markets put it in a good starting position for future, sustainable income and earnings growth. Baader Bank also has a predictable source of income from its existing client business, which is far less volatile and less dependent on the whims of the securities markets – another feature of Baader Bank's sustainable business model as a platform provider.

The high trading volumes and a further strong increase in demand for account and deposit services at Baader Bank have continued into 2021. If these general conditions continue throughout the coming year, the Board of Directors of Baader Bank expects that the level of earnings and operating profit for the 2021 financial year as a whole will exceed the 2020 result.

For the earnings drivers and earnings components of Baader Bank, this means:

The number of securities transactions at Baader Bank should continue to rise to a higher level in 2021 compared to 2020, thanks to continued high sales volumes and market volatility and supported by the effect of the in-house platform business model. This is accompanied by the corresponding effects on the trading income of Baader Bank, which for 2021 should lie in the range between EUR 125,000 thousand and EUR 185,000 thousand. Commission income, driven by the number of transactions concluded in the client areas of Baader Bank and by the number of deposit and account volumes, should fluctuate slightly around an average of EUR 40,000 thousand. It is important to keep in mind that, as trading volumes increase, the settlement costs reported in commission income will also increase.

The other income components (interest income, other income, revenue) are expected to contribute EUR 11,000 thousand to total income in financial year 2021.

Baader Bank's total expenses are scheduled to move from EUR 123,000 thousand to EUR 163,000 thousand in financial year 2021. Total expenses include variable expenses for variable remuneration, which are dependent on earnings components, and the allocation to the fund for general banking risks. Overall, the Baader Bank Group expects earnings before tax for financial year 2021 to amount to more than EUR 56,000 thousand.

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 ratio of women on the Supervisory Board is 0 %. The planned resolution of the Supervisory Board on 3 April 2019 will 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.

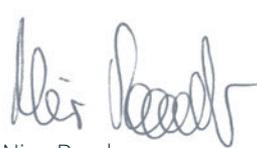
### 4.2 Closing statement on the dependency report pursuant to Section 312 AktG

Baader Bank Aktiengesellschaft (Baader Bank AG) is controlled by Baader Beteiligungs GmbH, Unterschleissheim (Baader GmbH). Baader Beteiligungs GmbH has a shareholding of 63.4 % 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:

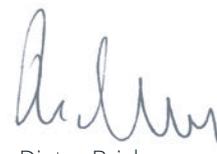
"According to the circumstances known to the Board of Directors at the time, Baader Bank AG received appropriate consideration for the legal transactions or other measures undertaken or omitted and listed in the report regarding the relationships with affiliated companies. The company was not disadvantaged 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, 17 March 2021

Baader Bank AG  
Board of Directors



Nico Baader



Dieter Brichmann



Oliver Riedel

# Report by the Supervisory Board

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

In the financial year 2020, 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. 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 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 departments.

The Board of Directors and 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 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 the Covid-19 pandemic measures, optimisation of the Group structure and succession provisions for the CFO: Thematic focal points of consulting and monitoring activities

In financial year 2020, 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.

In addition, intensive work was carried out to optimise the Group structure and individual investments further. A project involving sales efforts surrounding Baader Bank's Croatian wind farm, the strategically important increase in the shares of the French company AlphaValue, the selling off of a British equity investment and the modification of an Indian equity investment are particularly worthy of mention here.

One focus of the supervisory activities of the Supervisory Board of Baader Bank was on continuously examining the implementation status of the measures developed from the strategy project initiated in 2018.

The Supervisory Board also discussed issues regarding capital requirements and financing of Baader Bank with the Board of Directors. In the case of issues relating to operational and personnel development, the Supervisory Board and Board of Directors also 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 in the financial year 2020.

Another issue intensively scrutinised by the Supervisory Board was the IT strategy of Baader Bank, the resilience of the IT systems in the face of sharply increasing business volumes and the IT structure with respect to security issues such as cybersecurity.

A special topic of the Supervisory Board in 2020 was the organisation of the succession provisions for the CFO and Personnel Director and the associated new appointment. As a result, Baader Bank strengthened its management team on 1 January 2021 with the appointment of Dietmar von Blücher as its Executive Vice President. Following approval by the German Federal Financial Supervisory Authority, Mr von Blücher will take over the position of CFO from Dieter Brichmann as a Member of the Board of Directors. Mr Brichmann is retiring from the position during the course of 2021 after more than 20 years of distinguished service on Baader Bank's Board of Directors.

## Audit of the annual financial statements and consolidated financial statements for 2020

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 2020 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 26 March 2021. The annual financial statements have therefore been adopted.

The Supervisory Board, taking into account in particular the company's annual results from 2020, 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

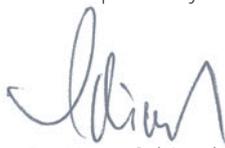
There were no changes in the membership of the Supervisory Board in financial year 2020.

## 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 financial year 2020, particularly in light of the enormous business volumes to be handled under the restrictions from the organisational measures that needed to be observed because of the Covid-19 pandemic.

Unterschleissheim, 26 March 2021

The Supervisory Board



Dr. Horst Schiessl  
Vorsitzender



# Consolidated Financial Statements



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# Consolidated balance sheet as at 31 December 2020

Assets in EUR	31/12/2020	31/12/2019
<b>1. Cash reserves</b>		
a) Cash on hand	200,000,244.42	50,000,110.12
b) Credit balances with central banks including: At Deutsche Bundesbank EUR 288,840,318.70 (previous year: EUR 187,768,658.77)	<b>288,840,318.70</b>	<b>187,768,658.77</b>
	<b>488,840,563.12</b>	<b>237,768,768.89</b>
<b>2. Loans and advances to banks</b>		
a) Due on demand	161,794,087.86	69,098,576.81
b) Other loans and advances	1,209,030.26	9,493,055.17
	<b>163,003,118.12</b>	<b>78,591,631.98</b>
<b>3. Loans and advances to clients</b>	<b>47,260,971.27</b>	<b>38,524,747.56</b>
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 including: Eligible as collateral at Deutsche Bundesbank EUR 23,044,363.61 (previous year: EUR 23,819,732.73)	25,069,601.70	26,509,645.13
ab) From other issuers including: Eligible as collateral at Deutsche Bundesbank EUR 11,292,959.33 (previous year: EUR 41,883,744.17)	18,665,788.68	68,437,329.50
	<b>43,735,390.38</b>	<b>94,946,974.63</b>
<b>5. Equities and other variable-income securities</b>	<b>1,915,850.03</b>	<b>14,413,941.85</b>
<b>5a. Trading portfolio</b>	<b>36,799,650.84</b>	<b>37,868,959.40</b>
<b>6. Equity investments</b>	<b>9,604,746.17</b>	<b>6,770,693.29</b>
including: In financial services institutionsn EUR 464,052.88 (previous year: EUR 0.00)		
<b>7. Investments in associates</b>	<b>0.00</b>	<b>516,955.18</b>
<b>8. Intangible assets</b>		
a) Concessions, industrial property and similar rights and assets, and licences in such rights and assets acquired for a consideration	7,021,753.04	7,986,971.04
b) Goodwill	2,154,585.31	6,125,866.72
c) Advance payments made	101,525.34	85,873.98
	<b>9,277,863.69</b>	<b>14,198,711.74</b>
<b>9. Property, plant and equipment</b>	<b>74,523,625.08</b>	<b>77,411,805.20</b>
<b>10. Other assets</b>	<b>2,009,852.79</b>	<b>3,654,662.77</b>
<b>11. Prepaid expenses and deferred charges</b>	<b>3,938,344.93</b>	<b>4,127,335.30</b>
<b>12. Excess of plan assets over pension liabilities</b>	<b>7,668,112.32</b>	<b>8,579,899.02</b>
<b>Total Assets</b>	<b>888,578,088.74</b>	<b>617,375,086.81</b>

Equity and liabilities in EUR	31/12/2020		31/12/2019	
<b>1. Bank loans and advances</b>				
a) Due on demand	54,006,356.75		19,986,950.01	
b) With agreed term or notice period	28,635,419.46	<b>82,641,776.21</b>	41,828,714.14	61,815,664.15
<b>2. Liabilities to clients</b>				
a) Other liabilities				
aa) Due on demand	491,990,896.85		313,249,364.70	
ab) With agreed term or notice period	101,652,536.53	<b>593,643,433.38</b>	130,844,518.55	444,093,883.25
<b>3. Trading portfolio</b>		<b>4,933,950.29</b>		3,324,694.33
<b>4. Other liabilities</b>		<b>12,826,278.72</b>		9,053,475.10
<b>5. Prepaid expenses and deferred charges</b>		<b>253,247.03</b>		365,679.74
<b>6. Provisions</b>				
a) Provisions for pensions and similar obligations	2,463,198.64		2,282,156.08	
b) Tax provisions	8,946,295.40		266,096.68	
c) Other provisions	33,444,778.16	<b>44,854,272.20</b>	9,789,723.44	12,337,976.20
<b>7. Fund for general banking risks</b>				
including: Special items pursuant to Section 340e (4) HGB	28,457,000.00	<b>28,457,000.00</b>	11,620,000.00	11,620,000.00
<b>8. Equity</b>				
a) Called up capital				
Subscribed capital	45,908,682.00		45,908,682.00	
less nominal amount of treasury shares	-276,996.00	45,631,686.00	-276,996.00	
b) Capital reserve		31,431,265.61	31,431,265.61	
c) Retained earnings				
ca) Other retained earnings	23,214,005.90		2,719,805.62	
cb) Difference in equity due to currency conversion	496,749.26	23,710,755.16	946,451.69	
d) Non-controlling interests		951,413.56	825,819.65	
e) Consolidated net retained profit / loss	19,243,010.58	<b>120,968,130.91</b>	-6,791,314.53	74,763,714.04
<b>Total equity and liabilities</b>		<b>888.578.088,74</b>		<b>617.375.086,81</b>

<b>1. Contingent liabilities</b>				
a) Liabilities from guarantees and indemnity agreements		<b>208,070.00</b>		208,070.00
<b>2. Other obligations</b>				
a) Irrevocable loan commitments		<b>529,125.96</b>		2,065,015.89

# Consolidated income statement

In EUR			2020	2019	
<b>1. Interest income from</b>					
a) Lending and money market transactions	-518,776.61			-195,731.65	
b) Fixed-income securities and book-entry securities	2,188,135.15	1,669,358.54		5,051,284.38	
<b>2. Interest expenses</b>			-4,885,879.67	-3,216,521.13	-6,392,121.79
<b>3. Current income from</b>					
a) Equities and other variable-income securities			348,964.46		679,195.19
b) Equity investments			234,024.00	582,988.46	58,506.00
<b>4. Commission income</b>			94,452,554.24		68,923,042.62
<b>5. Commission expenses</b>			-63,476,255.95	30,976,298.29	-36,811,773.88
<b>6. Net income from the trading portfolio</b>				168,215,165.14	46,148,712.15
<b>7. Revenue</b>				11,962,150.72	12,807,736.97
<b>8. Other operating income</b>				4,141,404.71	3,514,408.91
<b>9. General administrative expenses</b>					
a) Personnel expenses					
aa) Salaries and wages	-65,099,100.24			-40,159,955.10	
ab) Social security and expenses for retirement benefits and support	-6,140,223.35	-71,239,323.59		-6,361,824.49	
including: For retirement benefits EUR -846,180.80 (previous year: EUR -1,117,711.34)					
b) Other administrative expenses			-44,603,361.09	-115,842,684.68	-42,762,909.82
<b>10. Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment</b>				-11,147,901.87	-9,001,131.25
<b>11. Other operating expenses</b>				-3,537,809.72	-1,840,989.31
<b>12. Depreciation, amortisation and write-downs on receivables and certain securities as well as allocations for provisions in credit transactions</b>				-6,437,241.72	-1,053,149.58
<b>13. Depreciation, amortisation and write-downs on equity investments, shares in affiliates and securities treated as assets</b>				-2,839,945.50	-3,088,177.74
<b>14. Expenses from the addition to the fund for general banking risks</b>				-16,837,000.00	0.00
of which: Additions pursuant to Section 340e (4) HGB EUR -16.837.000.00 (previous year: EUR 0.00)					
<b>15. Income from the liquidation of the fund for general banking risks</b>				0.00	10,500,000.00
of which: Liquidations pursuant to Section 340e (4) HGB EUR 0.00 (previous year: EUR 10,500,000.00)					
<b>16. Net income from interests in associates</b>				0.00	52,902.30
<b>17. Profit/loss on ordinary activities</b>				56,018,902.70	68,023.91

Continued on next page

for the period from 1 January 2020 to 31 December 2020

In EUR		2020		2019
18. Taxes on income		-9,121,796.92		-416,021.07
19. Other taxes, unless stipulated under item 11		-55,486.48		-66,524.20
<b>20. Consolidated net income</b>		<b>46,841,619.30</b>		<b>-414,521.36</b>
21. Non-controlling interests		-313,093.91		-176,469.38
22. Net profit/loss of the parent company brought forward		-6,791,314.53		-33,643,558.69
23. Withdrawals from retained earnings				
a) From other retained earnings	5,761,592.51	<b>5,761,592.51</b>	37,307,092.83	37,307,092.83
24. Transfers to retained earnings				
a) To other retained earnings	-26,255,792.79	<b>-26,255,792.79</b>	-9,863,857.93	-9,863,857.93
<b>25. Consolidated net retained profit / loss</b>		<b>19,243,010.58</b>		<b>-6,791,314.53</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 01 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
Other changes	0	0	0	0
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>

## Statement of changes in equity as at 31 December 2019

in EUR'000	Parent company			
	Subscribed capital Ordinary shares	Capital reserve	Consolidated earnings	
			Retained earnings	Balance sheet profit / loss
<b>As at 01 January 2019</b>	<b>45.909</b>	<b>31.431</b>	<b>30.161</b>	<b>-33.644</b>
Purchase / withdrawal of treasury shares	0	0	0	0
Dividends paid	0	0	0	0
Change in group of consolidated companies	0	0	2	0
Other changes	0	0	0	0
Consolidated net profit for the year	0	0	0	-591
Other consolidated income	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-591</b>
Transfer to / withdrawal from reserves	0	0	-27.443	27.443
<b>As at 31 December 2019</b>	<b>45.909</b>	<b>31.431</b>	<b>2.720</b>	<b>-6.792</b>

Treasury shares	Equity	Difference in equity due to currency conversion	Minority interests / Minority equity	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

Treasury shares	Equity	Difference in equity due to currency conversion	Minority interests / Minority equity	Consolidated equity
-277	73.580	759	1.690	76.029
0	0	0	0	0
0	0	0	-250	-250
0	2	0	-791	-789
0	0	0	0	0
0	-591	0	177	-414
0	0	188	0	188
0	-591	188	177	-226
0	0	0	0	0
-277	72.991	947	826	74.764

# Cash flow statement

In EUR'000	2020	2019
<b>1. Net income/loss for the period</b> (incl. shares of minority interests)	<b>46,842</b>	<b>-415</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	11,807	17,840
3. Change in provisions	32,516	-807
4. Other non-cash expenses/income	23,577	-10,749
5. Gains and losses from the disposal of fixed assets	4,957	-713
6. Other adjustments (net)	553	1,942
<b>7. Sub-total</b>	<b>120,252</b>	<b>7,098</b>
<b>Change in assets and liabilities from ordinary activities:</b>		
8. Loans and advances		
8a. To banks	-83,061	17,870
8b. To customers	-9,477	-12,104
9. Securities (unless fixed assets)	46,572	104,900
10. Other assets from operating activities	1,213	-1,817
11. Liabilities		
11a. To banks	20,826	-36,986
11b. To customers	149,604	-42,755
12. Liabilities held for trading	1,609	1,522
13. Other liabilities from operating activities	3,660	-4,547
14. Interest and dividends received	3,515	6,541
15. Interest paid	-4,937	-6,670
16. Income tax payments	871	-1,813
<b>17. Cash flow from operating activities</b>	<b>130,395</b>	<b>31,239</b>
18. Proceeds from the disposal of		
18a. Financial assets	8,706	1,941
19. Payments made for investments in		
19a. Financial assets	-2,370	-6,128
19b. Property, plant and equipment	-2,960	-497
19c. Intangible assets	-1,260	-974
20. Proceeds from the sale of consolidated companies and other business units	0	1,274
<b>21. Cash flow from investing activities</b>	<b>2,116</b>	<b>-4,384</b>
22. Payments to business owners and minority interests		
22a. Dividend payments	0	0
22b. Other payments	0	0
23. Changes in cash flow from other loan capital (net)	-187	-250
<b>24. Cash flow from financing activities</b>	<b>-187</b>	<b>-250</b>
<b>25. Net change in cash and cash equivalents</b> (the sum of 17, 21 and 24)	<b>252,576</b>	<b>26,605</b>
26. Effects of changes in exchange rates and measurement on cash and cash equivalents	166	332
27. Changes in cash and cash equivalents due to the group of consolidated companies	0	-975
<b>28. Cash and cash equivalents at start of period</b>	<b>248,850<sup>1</sup></b>	<b>222,888<sup>1</sup></b>
<b>29. Cash and cash equivalents at end of period</b>	<b>501,592</b>	<b>248,850</b>

<sup>1</sup> Sight deposits are included if they are 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 2020 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 – Rech-KredV). 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) 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 2020. 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 starting in financial year 2020. 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. For the subsidiaries included in the consolidated financial statements, the risk assessment is carried out based on sensitivity (delta-normal method). 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. Holding periods relevant to the portfolio of between 0.25 to 10 days are used for the calculation as at 31 December 2020.

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 2020.

## Securities lending

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 2020, 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 call or put options 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 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, in principle, written down according to the individual useful life. 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.

## 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 2.30%. The comparative interest rate used for the required disclosures in the notes to the annual financial statements (7-year average) is 1.60% 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 2020 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 2020, there were no changes with regard to the acquisition of treasury shares.

## Currency translation

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 net trading income. 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. For foreign currency items with a remaining term of up to one year, gross expenses and income are recognised under other operating result.

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 2020, there were changes in the accounting policies resulting from the initial application of IDW RS BFA Statement 7 and the resulting formation of general value adjustments in the amount of EUR 159 thousand.

## IV. Group of consolidated companies

The consolidated financial statements as at 31 December 2020 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 2020, and were consolidated in full:

Name/headquarters	Share of capital %	Share capital EUR'000	Equity EUR'000	Total assets EUR'000	Net income for the year EUR'000	First-time consolidation
Baader Helvea AG, Zurich (Switzerland) <sup>2</sup>	100,00	5,428	9,004	9,781	120	31 August 2013
Baader Helvea Inc., New York (United States of America) <sup>1,3</sup>	100,00	1,597	2,470	2,714	225	31 August 2013
Baader Helvea Ltd., London (United Kingdom) <sup>1,4</sup>	100,00	943	1,337	1,484	810	31 August 2013
Baader & Heins Capital Management AG, Unterschleissheim	75,00	50	3,487	5,886	1,191	1 January 2005
Selan Holding GmbH, Unterschleissheim	100,00	25	8,553	8,553	-7	1 January 2017
Selan d.o.o., Senj (Croatia) <sup>5,6</sup>	100,00	2,138	16,587	42,761	3,763	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 2020 have been translated (EUR/CHF 1.08020). | <sup>3</sup> The figures for the financial year as at 31 December 2020 have been translated (EUR/USD 1.12710). | <sup>4</sup> The figures for the financial year as at 31 December 2020 have been translated (EUR/GBP 0.89903). | <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 2020 have been translated (EUR/HRK 7.56930).

There were changes in the group of consolidated companies during the past financial year in the interests held in **Conservative Concept Portfolio Management AG, Frankfurt am Main**. The shares were deconsolidated as at 31 December 2020 on the basis of the value ratios as at 1 January 2020. In the absence of future influence on business and financial policy, the shares of 19.90 % will continue to be included in the consolidated financial statements under equity investments, having been included as an associated company in the same period in the previous year. In compliance with Section 294 (2) HGB, due to the low level of importance, there were no material changes that would affect the comparability of the net assets, financial position and results of operations of the consolidated financial statements in consecutive financial years.

In **Baader Unterstutzungskasse 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 2020, 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 2020, Baader Bank AG continues to hold 21.93 % of the shares in **Parsoli Corporation Ltd., Mumbai (India)**. The departure of Baader Bank AG's representatives from Parsoli Corporation Ltd's Executive Board in financial year 2009 means that Baader Bank AG can no longer be presumed to exert significant influence on the company. The holding is 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.

#### **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 changed in financial year 2020, as described in the section "Group of consolidated companies".

## VI. Notes to the balance sheet

### Foreign currency holdings

As at the reporting date, assets in foreign currency amounted to (translated) EUR 101,257 thousand (previous year: EUR 128,905 thousand). Liabilities denominated in foreign currency totalled EUR 123,124 thousand (previous year: EUR 108,819 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	26	203	0	227	0
BRL	1	0	0	0	0
CAD	0	0	0	43	0
CHF	8,579	0	269	3,374	943
CZK	136	0	0	136	0
DKK	0	0	0	105	0
GBP	1,193	726	109	1,188	221
HKD	74	0	0	76	2
HRK	5,219	0	37,543	17,221	1,939
HUF	4	0	0	4	0
INR	473	0	0	0	0
JPY	2,282	0	0	2,291	0
MXN	0	0	0	0	0
MYR	2	0	0	0	0
NOK	518	78	0	595	0
NZD	0	0	11	10	0
OMR	6	0	0	0	0
PLN	206	0	0	206	0
SEK	88	176	0	180	0
SGD	1	0	0	0	0
USD	41,390	1,655	288	93,875	488
ZAR	1	0	0	0	0
	<b>60,199</b>	<b>2,838</b>	<b>38,220</b>	<b>119,531</b>	<b>3,593</b>

Foreign currency translation resulted in expenses amounting to EUR 1,138 thousand (previous year: EUR 834 thousand) which are recognised under other operating expenses, and income in the amount of EUR 858 thousand (previous year: EUR 690 thousand) recognised under other operating income. Earnings from the foreign currency translation of the trading portfolio amounted to EUR 627 thousand (previous year: EUR 1,068 thousand) and are recognised under net income from the trading portfolio.

### Cash reserves

In addition to credit balances with Deutsche Bundesbank in the amount of EUR 288,840 thousand (previous year: EUR 187,769 thousand), cash reserves are made up of cash balances in the amount of EUR 200,000 thousand (previous year: EUR 50,000 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 122,215 thousand (previous year: EUR 52,674 thousand) as well as loans and advances due on demand and other loans and advances in the amount of EUR 40,788 thousand (previous year: EUR 25,917 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 47,261 thousand (previous year: EUR 38,525 thousand). Loans and advances to associated companies amount to EUR 11 thousand (previous year: EUR 20 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 43,735 thousand.

The debt securities and other fixed-income securities contain a class measured as fixed assets in the amount of EUR 611 thousand. There were no indications that impairment would be permanent. The other items are allocated to the liquidity reserve.

EUR'000	31/12/2020	31/12/2019
<b>Bonds and debt securities</b>	42,955	93,172
<b>Accrued interest</b>	780	1,775
<b>Debt securities and other fixed-income securities</b>	<b>43,735</b>	<b>94,947</b>

In the coming year, bonds and debt securities totalling EUR 16,029 thousand will fall due.

EUR'000	Cost of acquisition or production				
	As at 01/01/2020	Additions	Pro rata result	Transfers	Disposals
<b>Intangible assets</b>	<b>104,416</b>	<b>1,259</b>	<b>0</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	70,919	1,244	0	0	0
Goodwill	33,411	0	0	0	0
Advance payments for intangible assets	86	15	0	0	0
<b>Property, plant and equipment</b>	<b>136,606</b>	<b>2,960</b>	<b>0</b>	<b>0</b>	<b>-527</b>
Land and buildings	56,851	81	0	0	0
Furniture and office equipment	77,406	2,614	0	0	-527
Advance payments for property, plant and equipment and assets under construction	2,349	265	0	0	0
<b>Financial assets</b>	<b>26,801</b>	<b>2,834</b>	<b>0</b>	<b>0</b>	<b>-17,148</b>
Equity investments	8,986	2,834	0	0	0
Associates	517	0	0	0	-517
Securities held as fixed assets	17,298	0	0	0	-16,631

## Equities and other variable-income securities

Under shares and other variable income securities, the Baader Bank Group has investment interest that comes under the "securities of the liquidity reserve" category totalling EUR 1,916 thousand at 31 December 2020.

## Breakdown of residual maturities

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

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	1,166	43	0	0
Loans and advances to clients	46,025	928	270	38
Bank loans and advances with an agreed term or notice period	3,878	6,982	6,544	11,231
Other liabilities to clients with an agreed term or notice period	744	22,214	48,695	30,000

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

EUR'000	Non-marketable securities	Marketable securities		Marketable securities not measured at the lower of cost or market value
		Listed	Un-listed	
Debt securities and other fixed-income securities	0	43,124	611	0
Equities and other variable-income securities	0	1,916	0	0
Equity investments	8,891	0	714	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. Moreover, in financial year 2020, an unscheduled depreciation of goodwill for *Selan d.o.o., Senj* was carried out in the amount of 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 01/01/2020	of which 2020	of which disposals	As at 31/12/2020	As at 31/12/2020	As at 31/12/2019
-90,217	-6,180	0	-96,397	9,278	14,199
-62,932	-2,209	0	-65,141	7,022	7,987
-27,285	-3,971	0	-31,256	2,155	6,126
0	0	0	0	101	86
-59,194	-4,968	-353	-64,515	74,524	77,412
-20,979	-764	0	-21,743	35,189	35,872
-38,215	-4,204	-353	-42,772	36,721	39,191
0	0	0	0	2,614	2,349
-7,352	-2,787	7,868	-2,271	10,216	19,449
-2,215	0	0	-2,215	9,605	6,771
0	0	0	0	0	517
-5,137	-2,787	7,868	-56	611	12,161

## Other assets

Other liabilities include:

EUR'000	31/12/2020	31/12/2019
Other tax receivables	1,323	2,664
Receivables from brokerage fees, exchange rate differences and transaction fees	323	140
Other trade receivables	309	807
Reinsurance claims from life insurance policies	55	44
<b>Other assets</b>	<b>2,010</b>	<b>3,655</b>

## Prepaid expenses and deferred charges

Prepaid expenses and deferred charges relate to an amount of EUR 21 thousand (previous year: EUR 31 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 clients

As at the reporting date, client deposits due on demand amounted to EUR 491,991 thousand (previous year: EUR 313,249 thousand) and payables to clients with an agreed term or notice period amounted to EUR 101,652 thousand (previous year: EUR 130,845 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:

EUR'000	31/12/2020	31/12/2019
Trade payables	4,804	4,771
Liabilities from capital market services	3,598	0
Tax liabilities	3,267	2,849
Other liabilities	1,157	1,434
<b>Other liabilities</b>	<b>12,826</b>	<b>9,054</b>

## Pension provisions

As at 31 December 2020, pension provisions amounted to EUR 18,133 thousand (previous year: EUR 17,377 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:

	31/12/2020	31/12/2019
Actuarial interest rate	2.30 %	2.71 %
Changes in salaries	2.00 % or 3.00 %	2.00 % or 3.00 %
Pension adjustments	1.80 % or 2.00 %	1.80 % or 2.00 %

In compliance with Section 253 (6) HGB, a difference of EUR 823 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 2020.

## Plan assets

EUR'000	31/12/2020	31/12/2019
Cost	23,437	22,882
Fair value	23,337	23,675
Offset liabilities	15,669	15,095

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 7,668 thousand is reported within assets (previous year: EUR 8,580 thousand). On a net basis, this results in a balance sheet recognition of pension provisions in the amount of EUR 2,463 thousand (previous year: EUR 2,282 thousand). Income and expenses from the offset assets are recognised in the net amount of EUR 1,539 thousand in compliance with Section 246 (2) HGB under the item "other operating income". Expenses in the amount of EUR 1,787 thousand were offset against income in the amount of EUR 248 thousand under application of Section 246 (2) Sentence 2 HGB.

## Other provisions

Other provisions are comprised as follows:

EUR'000	31/12/2020	31/12/2019
Personnel provisions	26,743	3,614
Administrative and commission expenses	5,644	5,137
Auditing, legal and consulting costs	558	539
Other provisions	500	500
<b>Other provisions</b>	<b>33,445</b>	<b>9,790</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).

On the reporting date, the special item was funded with EUR 28,457 thousand on the basis of additions in the amount of EUR 16,837 thousand as at the reporting date, 31 December 2020.

## Trading portfolio

Assets and liabilities held for trading as at 31 December 2020 were as follows:

Assets held for trading in EUR'000	31/12/2020	31/12/2019
Derivative financial instruments	98	173
Debt securities and other fixed-income securities	463	1,091
Equities and other variable-income securities	36,792	37,013
Risk discount	-553	-408
<b>Assets held for trading on the balance sheet</b>	<b>36,800</b>	<b>37,869</b>

Liabilities held for trading in EUR'000	31/12/2020	31/12/2019
Derivative financial instruments	3	11
Liabilities	4,931	3,314
<b>Liabilities held for trading on the balance sheet</b>	<b>4,934</b>	<b>3,325</b>

## Valuation units

No valuation units as defined by Section 254 HGB were created in the 2020 financial year.

## Derivative financial instruments

As of the reporting date, 31 December 2020, Baader Bank AG held index-related derivative financial instruments in its trading portfolio. These transactions relate to options and futures.

The procedure for recognising and measuring the assets and liabilities in the trading portfolio is described in the "Trading portfolio" section. At the reporting date, all derivative financial instruments were recognised at fair value, which corresponds to their market value.

### 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
16 December 2020 to 11 January 2021	USD	12,282
23 December 2020 to 19 January 2021	USD	12,281
29 December 2020 to 4 January 2021	USD	14,695
29 December 2020 to 4 January 2021	DKK	96
30 December 2020 to 4 January 2021	USD	3,259
30 December 2020 to 4 January 2021	USD	554
30 December 2020 to 4 January 2021	GBP	127
30 December 2020 to 4 January 2021	CHF	76
30 December 2020 to 4 January 2021	CAD	11
30 December 2020 to 4 January 2021	USD	-551
30 December 2020 to 19 January 2021	USD	12,214

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

The chart below depicts the extent and type of each category of derivative financial instruments measured at fair value (market value), including significant conditions that could influence the amount, timing and certainty of future cash flows:

## Assets held for trading

Portfolio	Description	Category	Maturity	Contracts	Currency	Market price	Market value	Carrying amount
JPM FW FB	E-Mini S&P 500® future option	Share index option	March 2021	100	USD	14.5	72,500.00	151.840,00
JPM FW FH	S&P 500® Index options (SPX)	Share index option	February 2021	24	USD	1.65	3,960.00	4.800,00
JPM FW FH	SPX weeklys <sup>SM</sup> options (SPXW)	Share index option	December 2020	24	USD	0.05	120.00	4.819,92
JPM FW FH	SPX weeklys <sup>SM</sup> options (SPXW)	Share index option	January 2021	24	USD	1.20	2,880.00	4.819,92
JPM FW FH	Bitcoin future (BTCH1)	Future	March 2021	1	USD	30,000.00	150,000.00	108.640,02

## Liabilities held for trading

Portfolio	Description	Category	Maturity	Contracts	Currency	Market price	Market value	Carrying amount
JPM FW FH	S&P 500® Index options (SPX)	Share index option	February 2021	16	USD	1.80	2,880.00	4.786,72
JPM FW FH	SPXwWeeklys <sup>SM</sup> options (SPXW)	Share index option	December 2020	16	USD	0.05	80.00	4.946,72
JPM FW FH	SPXwWeeklys <sup>SM</sup> options (SPXW)	Share index option	January 2021	16	USD	0.36	576.00	4.786,72

## Interests in investment funds

As at 31 December 2020, the Baader Bank Group has an interest of more than 10 % in the following domestic investment funds as defined by Section 1 of the German Investment Act (Investmentgesetz) or similar foreign investment interests as defined by 2 (9) of the German Investment Act:

Instrument	Investment objective	Volume	Market value	Carrying amount	Distribution 2020
		Units	EUR'000	EUR'000	EUR'000
ATHENA UI AK I <sup>1</sup> (ISIN: DE000A0Q2SF3)	Derivativ	17.223	1.916	1.916	0

<sup>1</sup> Investmentvermögen im Sinne der OGAV-Richtlinie gemäß §§ 192 ff. KAGB; Publikumsfonds

The shares in the investment assets are allocated to the liquidity reserve in full (EUR 1,916 thousand).

The investment fund shares can be returned daily.

Risk factors	Cash flows
Cash flow fluctuations arise mainly due to the change in value of the S&P 500 index (USD 50 per index point)	<ul style="list-style-type: none"> <li>Daily: difference settlement</li> <li>Cash settlement takes place on the first exchange trading day after the final settlement day</li> </ul>
Cash flow fluctuations arise mainly due to the change in value of the S&P 500 index (USD 100 per index point)	<ul style="list-style-type: none"> <li>Daily: difference settlement</li> <li>Cash settlement takes place on the first exchange trading day after the final settlement day</li> </ul>
Cash flow fluctuations arise mainly due to the change in value of the S&P 500 index (USD 100 per index point)	<ul style="list-style-type: none"> <li>Daily: difference settlement</li> <li>Cash settlement takes place on the first exchange trading day after the final settlement day</li> </ul>
Cash flow fluctuations arise mainly due to the change in value of the S&P 500 index (USD 100 per index point)	<ul style="list-style-type: none"> <li>Daily: difference settlement</li> <li>Cash settlement takes place on the first exchange trading day after the final settlement day</li> </ul>
Cash flow fluctuations arise mainly from the change in the value of Bitcoin (USD 5 per contract)	<ul style="list-style-type: none"> <li>Daily: difference settlement</li> <li>Fulfilment by delivery</li> </ul>

Risk factors	Cash flows
Cash flow fluctuations arise mainly due to the change in value of the S&P 500 index (USD 100 per index point)	<ul style="list-style-type: none"> <li>Daily: difference settlement</li> <li>Cash settlement takes place on the first exchange trading day after the final settlement day</li> </ul>
Cash flow fluctuations arise mainly due to the change in value of the S&P 500 index (USD 100 per index point)	<ul style="list-style-type: none"> <li>Daily: difference settlement</li> <li>Cash settlement takes place on the first exchange trading day after the final settlement day</li> </ul>
Cash flow fluctuations arise mainly due to the change in value of the S&P 500 index (USD 100 per index point)	<ul style="list-style-type: none"> <li>Daily: difference settlement</li> <li>Cash settlement takes place on the first exchange trading day after the final settlement day</li> </ul>

## Assets transferred as collateral

For the liabilities below, assets with the collateral values indicated were deposited as collateral as at 31 December 2020:

EUR'000	Mortgages	Securities (liquidity reserve)	Bank deposits
<b>Bank loans and advances</b>	26.200	0	44.287

## 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 and wind turbines, plan assets and discounting of other provisions (deferred tax liabilities). The tax rate used is 28.47 %. 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 45,909 thousand as at 31 December 2020 (previous year: EUR 45,909 thousand). It is subdivided into 45,908,682 (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 2016

The company's shareholder meeting created authorised capital 2016 by means of the resolution dated 22 June 2016 having the following content:

The Board of Directors was authorised, with the consent of the Supervisory Board, to increase the company's share capital by up to a total of EUR 22,954 thousand by 21 June 2021 via the issue of new shares on one or more occasions in return for cash and/or a non-cash consideration (subscribed capital 2016). When using authorised capital 2016, shareholders must be granted a subscription right. The Board of Directors is authorised to exclude the shareholders' statutory subscription rights with the consent of the Supervisory Board,

- in order to exclude fractions from the subscription right;
- if the new shares are issued for cash deposits at an issue amount that does not significantly fall below (as defined by Section 186 (3) Sentence 4 of the German Stock Corporation Act [AktG]) the share price of the already listed shares at the time the issue price is finally determined, and if 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. Shares that are issued or sold under exclusion of the shareholders' subscription right during the effectiveness of this authorisation until the date the respective authorisation is exercised, in direct or corresponding application of Section 186 (3) Sentence 4 AktG must be included in this 10 % threshold. 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, investments in companies or company divisions or assets – including by means of share swaps – and in the event of mergers.

The decision to create authorised capital 2016 was submitted for entry in the commercial register on 29 August 2016. It was entered in the commercial register on 19 December 2016.

The authorised capital 2016 was not utilised in the reporting year (previous year: EUR 0 thousand).

#### **b) Other authorised capital**

There was no other authorised capital in financial year 2020.

### **3. Contingent Capital**

#### **a) Contingent capital 2007**

The contingent capital 2007 adopted by the shareholders' meeting on 26 June 2007 was cancelled by resolution of the shareholders' meeting on 11 August 2020 from the effective date of the new contingent capital 2020.

#### **b) Contingent capital 2012**

The contingent capital 2012 adopted by the shareholders' meeting on 29 June 2012 was cancelled by resolution of the shareholders' meeting on 11 August 2020 from the effective date of the new contingent capital 2020.

#### **c) 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

#### **d) Other contingent capital**

There was no other utilisable contingent capital in financial year 2020.

### **4. Treasury shares**

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

The company's shareholders' meeting passed the following resolution on 1 July 2019:

- (1) In accordance with Section 71 (1) No. 7 AktG, the company is authorised to purchase and sell treasury shares by 30 June 2024 for the purposes of securities trading. The trading portfolio of the shares to be acquired for this purpose may not exceed five percent of the company's share capital at the end of any given day. The lowest equivalent value at which a share may be acquired is determined by the average closing price of the company's shares in Xetra trading (or a comparable successor system) on the last three trading days of the stock exchange in Frankfurt am Main prior to the acquisition in question or the respective entry of an obligation to acquire less 10 %. The highest equivalent value amounts to this average closing price plus 10 %. No more than 10 % of the share capital may be allotted to the acquired shares at any time. This includes other shares that the company has already acquired and still owns, or that are attributable to it in accordance with Section 71a et seq. AktG.

(2) **a)**

The Board of Directors is authorised to acquire treasury shares of the company up to the amount of ten percent of the current share capital by 30 June 2024 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 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 ten percent 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 ten percent 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 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 twenty percent higher or lower than the average value of the share price on the Frankfurt Stock Exchange (closing price in Xetra trading 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.

**b)**

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 authorisation 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.

**c)**

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.

**d)**

The authorisation may be exercised as a whole or in instalments, once or more than once, for one or more purposes, by the company or 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 276,996 treasury shares as at 31 December 2020. The number of treasury shares held did not change during the reporting period, and represents 0.60 % of share capital. The share capital held as treasury shares amounts to EUR 277 thousand.

Balance on 31/12/2019	Additions Number	Average price EUR	Disposals Number	Average price EUR	Balance on 31/12/2020
276,996	0	0	0	0	276,996

The average price of treasury shares held at the reporting date was EUR 2.40.

## 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/loss

EUR'000	31/12/2020	31/12/2019
Consolidated net income	46,842	-415
Non-controlling interests	-313	-176
Consolidated income after non-controlling interests	46,529	-591
Net profit/loss of the parent company brought forward	-6,792	-33,644
Withdrawals from retained earnings	5,762	37,307
Transfers to retained earnings	-26,256	-9,864
Consolidated net retained profit/loss	19,243	-6,792

The net profit for financial year 2020 of Baader Bank AG as the parent company amounts to EUR 45,235 thousand. Taking into account the loss carried forward from previous years of EUR 6,792 thousand and the transfer to retained earnings of EUR 19,200 thousand in accordance with Section 268 (1) HGB and Section 58 (2) AktG, the resulting balance sheet profit is EUR 19,243 thousand. The Board of Directors and the Supervisory Board propose a dividend payment of EUR 0.25 per share with dividend rights, totalling a maximum of EUR 11,477 thousand, to the shareholders' meeting. The Board of Directors also proposes to the shareholders' meeting that a further EUR 7,300 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 members of the Board of Directors and, as of the reporting date, amount to EUR 203 thousand (previous year: EUR 203 thousand) as well as in respect of an employee in the amount of EUR 5 thousand (previous year: EUR 5 thousand).

In addition, there is a revocable loan commitment to a Member of the Board of Directors of EUR 195 thousand (previous year: EUR 195 thousand).

### Other obligations

There are irrevocable open loan commitments to clients totalling EUR 529 thousand (previous year: EUR 2,065 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 2020, as shown in the following table:

	Remain- ing term	Financial obligation
	Months	EUR'000
Future payments from lease agreements for office space, usable areas and parking spaces	3 to 94	2,698
Future payments from vehicle lease agreements and lease agreements for furniture and office equipment	1 to 48	6,314
Future payments from other service agreements	3 to 45	12,731

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 a capital commitment (EUR 1,098 thousand) for an equity investment.

## 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 1,365 thousand (previous year: EUR 965 thousand) as well as from term and client deposits in the amount of EUR 8 thousand (previous year: EUR 11 thousand).

Negative interest in the amount of EUR 901 thousand (previous year: EUR 1,023 thousand) resulting from client deposits and time deposits, as well as expenses in the amount of EUR 3 thousand (previous year: EUR 6 thousand) from the compounding of other provisions were recognised under the item "Interest expenses".

## Revenue

Revenue of EUR 11,962 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 4,141 thousand (previous year: EUR 3,514 thousand) comprises income from the reversal of provisions (EUR 223 thousand), income from fringe benefits (company car) (EUR 455 thousand) as well as out-of-period income (EUR 722 thousand).

Furthermore, the item includes other income in the amount of EUR 2,646 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 1,655 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 44,603 thousand include expenses for the operation and maintenance of the wind farm in the amount of EUR 2,710 thousand.

## Other operating expenses

Other operating expenses in the amount of EUR 3,538 thousand (previous year: EUR 1,841 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 1,539 thousand) (previous year: other operating income EUR 372 thousand) and out-of-period expenses of EUR 274 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 2020 of EUR 9,122 thousand essentially comprises income taxes for the past financial year amounting to EUR 9,211 thousand and payments of tax arrears from previous years of EUR 141 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 2020 financial year, the average number of staff employed was 406 (previous year: 413). Of these employees, 51 held executive positions.

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

The total remuneration of the members of the Board of Directors of Baader Bank AG for their activity during the financial year amounted to EUR 3,686 thousand (previous year: EUR 1,410 thousand).

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 2020 can be broken down as follows:

EUR'000	2020	2019
Annual audit	619	460
Other confirmation services	175	200
Other services	0	3
<b>Total fees</b>	<b>794</b>	<b>663</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) Sentence 1 WpHG, the securities deposit audit and confirmation services in connection with the voluntary audit review of 30 June 2020.

## 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,  
Market Making Equities Stuttgart,  
Market Making Funds/ETF/ATF,  
Equities FFM,  
Market Making Securitised Derivatives,  
Market Making Bonds,  
Treasury, Information Technologies,  
Capital Markets, Outsourcing (from 1 May 2020)

Dieter Brichmann, Penzberg  
(Deputy Chairman)

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 (to 30 April 2020)

Oliver Riedel, Lauf

Occupation: Banker

Responsible for:  
Corporate Brokerage,  
Distribution, Products,  
Client Services/Business Development,  
Business Management Office

### Supervisory Board

Dr Horst Schiessl, Munich  
(Chairman)

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 Consultant, law firm

Ali Cavli, Frankfurt am Main  
(employee representative)

Securities trader in the Market Making  
Funds department 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 2020, 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

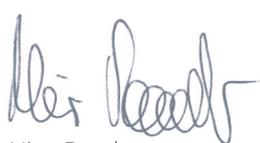
The Baader Bank Group directly holds more than 5 % of the shares in the following companies, which were not included as subsidiaries or associates as at 31 December 2020:

Name / headquarters	Share of capital %	Last interim/ annual financial statements	Equity (Total) EUR'000	Net profit/loss for the year EUR'000
Vjetropark Vrataruša d.o.o., Senj (Croatia) <sup>1</sup>	100.00	31 December 2020	445	0
Parsoli Corporation Ltd., Mumbai (India)	21.93	No current data are available as at 31 December 2020.		
Conservative Concept Portfolio Management AG, Frankfurt am Main	19.90	31 December 2020	1,606	478
Earlybird DWES Fund VI GmbH & Co. KG	6.45	31 December 2019	93,421	-2,504
AlphaValue SA, Paris (France)	5.39	31 December 2019	-523	-312

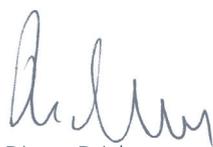
<sup>1</sup> Equity and the net profit for the financial year as at 31 December 2020 have been translated (EUR/HRK 7.55190).

Unterschleissheim, 17 March 2021

Baader Bank AG  
Board of Directors



Nico Baader



Dieter Brichmann



Oliver Riedel



# Appendix to the consolidated financial statements

## Country-by-country reporting as at the balance sheet date 31 December 2020 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 2020 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	Profit or loss before tax	Taxes on profit or loss	Number of salaried employees in full-time equivalents
	EUR'000	EUR'000	EUR'000	
Germany (EU)	194,355	55,460	-9,041	388
United Kingdom (third country)	2,668	810	0	4
Croatia (EU)	12,477	3,885	-122	2
Switzerland (third country)	5,589	128	-9	13
USA (third country)	2,538	230	-5	2

### Fully consolidated companies

Company	Activities of company	Registered office, location	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

To Baader Bank Aktiengesellschaft, Unterschleißheim

## Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

### Audit Opinions

We have audited the consolidated financial statements of Baader Bank Aktiengesellschaft, Unterschleißheim, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of Baader Bank Aktiengesellschaft, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f Abs. [paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards).

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

### Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

### Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

#### I. Impairment of Goodwill of Selan d.o.o., Senj/Croatia

Our presentation of this key audit matter has been structured as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matter:

## I. Impairment of Goodwill of Selan d.o.o., Senj/Croatia

1. In the consolidated financial statements of Baader Bank, goodwill from the consolidation of subsidiaries totalling 2.2 million (0.2 % of total assets and 1.8 % of equity) is reported under the balance sheet item "Intangible assets". Goodwill is amortized on a scheduled straight-line basis over its expected useful life. If there are objective indications of a probable permanent impairment and if these cannot be disproved, the goodwill is tested for impairment and, if necessary, an impairment loss is determined and the carrying amount is reduced. The amount of the impairment loss is determined by comparing the carrying amount of goodwill with its fair value. To simplify matters, the fair value of the investment is determined by comparing the fair value of the investment with the sum of the consolidated carrying amount of the subsidiary's net assets and the residual carrying amount of the subsidiary's goodwill. Since no market price can be used, the fair value of the investments is determined on the basis of a business valuation model. The basis of the valuation is regularly the present value of the expected future cash flows, which is determined using discounted cash flow models. The starting point for this is the budgets prepared by the legal representatives of the investees, which are updated with assumptions about long-term growth rates. Expectations of future market developments and assumptions about the development of macroeconomic factors are also taken into account. Discounting is based on the weighted average cost of capital of a comparable alternative investment. As a result of the impairment test, an impairment of the goodwill of Selan d.o.o. of 2.8 million was determined. The performance and result of this valuation is highly dependent on the assessment of the legal representatives with regard to the indications of a probable permanent impairment, the expected future cash flows, the discount rate used, the growth rate and other assumptions and is therefore subject to considerable uncertainty. Against this background and due to the complexity of the valuation, this matter was of particular importance in the context of our audit.
2. Within the scope of our audit, we have, among other things, understood the methodical procedure for testing the recoverability of goodwill. We also examined whether there were any indications of probable impairment by, among other things, interviewing employees of the Company and reviewing the annual financial statements of the subsidiaries and other documents. With regard to the determination of the fair value, we assessed the appropriateness of the calculation, in particular by reconciling the planning assumptions with general and sector-specific market expectations. With the knowledge that even relatively small changes in the discount rate used can have a

significant impact on the amount of the enterprise value determined in this way, we have intensively studied the parameters used to determine the discount rate used and reconstructed the calculation scheme. As a result, we determined that the consolidated carrying amount of net assets plus the residual carrying amount (after impairment of 2.8 million) of goodwill of Selan d.o.o. is sufficiently covered by the discounted expected future cash flows, taking into account the information available. The estimates made by the legal representatives as well as the valuation parameters and assumptions applied are generally in line with our expectations and are also within the ranges that we consider to be reasonable.

3. The Company's disclosures on goodwill are contained in section II. Accounting Policies, Intangible assets and property, plant and equipment as well as in section VI. Notes to the balance sheet, Fixed Assets of the notes to the consolidated financial statements.

### Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f Abs. 4 HGB (disclosures on the quota for women on executive boards).

The other information comprises further the remaining parts of the annual report – excluding 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 on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

## **Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report**

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowl-

edge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Other Legal and Regulatory Requirements

### Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 11 August 2020. We were engaged by the supervisory board on 18 November 2020. We have been the group auditor of the Baader Bank Aktiengesellschaft, Unterschleißheim, without interruption since the financial year 2014.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

### German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Heiko Röhrig.



# Information and Service

The Annual Report 2020 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)

## Editor

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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 2021

<b>1 July 2021</b>	Annual General Meeting
<b>29 July 2021</b>	Publication of half-year report and press release on half-year results
<b>13 October 2021</b>	m:access Analyst Conference
<b>28 October 2021</b>	Press release on the nine-month results

## / Corporate Governance

*Good and transparent corporate governance ensures responsible management, with a focus on value creation, and control of the institution. It promotes trust with customers and other business partners, investors and the financial markets, employees and the public.*

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

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