

/ BAADER /



Baader Bank AG

Banking & Trading.

Annual Report 2023

www.baaderbank.de

Key figures Baader Bank Group

	2022 EUR mn	2023 EUR mn	Delta
Result from interest business	4.9	35.8	30.9
Result from commission business	73.6	79.5	5.9
Result from trading activities	53.2	37.4	-15.8
Revenue	21.3	11.4	-9.9
Other income	6.5	6.7	0.2
Income	159.6	170.8	11.2
Personnel expenses	65.0	72.6	7.6
Other operating expenses	75.6	90.6	15
Risk provision	6.8	3.7	-3.1
Expenses	147.4	166.9	19.4
Earnings before taxes (EBT)	12.2	4.0	-8.2
Taxes	3.2	1.1	-2.2
Minorities	0.2	0.0	-0.2
Group results	8.7	2.8	-5.9
Earnings per share in EUR	0.18	0.06	-0.12
Return on equity after tax in %	5.3	1.7	-3.6
Return in investment	0.5	0.1	-0.4
Total Assets	2,376	3,938	1,562
Equity capital	164.9	165.5	0.6
CET 1/Total capital ratio in %	24.3	23.0	-

Key data and other information

WKN	508810
ISIN	DE0005088108
Reuters	BLMG.MU
Bloomberg	BWB@GR
Ticker	BWB
Sector	Banks
Stock market listing	1/8/1994
Admission segment	Outside market
Home stock exchange	Munich / m:access
Other stock exchanges	Berlin Dusseldorf Frankfurt Hamburg Stuttgart XETRA

Board of Directors (as at 31/12/2023)

Nico Baader
(Chairman)

Oliver Riedel
(Deputy Chairman)

Supervisory Board (as at 31/12/2023)

Helmut Schreyer
(Chairman)

Prof. Dr. Georg Heni
(Deputy Chairman)

Christoph Mast

Dr. Louis Hagen

Michael Frank

Timon Hauser



- 28,26 % free float
- 5,40 % Ubtrend GmbH & Co. KG
- 66,34 % Baader Beteiligungs GmbH

HIGH
Performance BANKING

Banking & Trading

under one roof

as a **unique setup**

usable through our

**high-performance
platform**

Dear Shareholders,

The capital markets were characterised by high inflation and the declining growth of the global economy during the 2023 financial year. It was a challenging and politically turbulent year overall. Trading volumes in particular, which have a significant impact on Baader Bank's earnings, remained at a historically low level in 2023. This was accompanied by selective performance on the stock markets as well as a shift in investor preferences towards interest-bearing securities, prompted by the rate hikes.

Over time and in spite of the difficult environment, the deflection of sales volumes away from the traditional stock exchanges with remuneration models to **free trading venues** continued in 2023. Fee-optimised best execution platforms, such as the electronic market place gettex, have gained increased market shares from traditional German regional exchanges, especially since the exceptional years of 2020 and 2021.

In order to actively shape this change in the securities business, in the 2023 financial year Baader Bank focused once more on making the optimisations and investments that would allow systematic implementation of its strategic objectives. We remain on track with our ongoing **High Performance Banking** strategy programme, and offer our clients a unique trading and banking setup using a single powerful platform that offers optimum access both to trading and to the capital markets using a secure, automated and scalable approach. We are one of the leading European partners for investment and banking services. With this in mind, we have positioned ourselves as a quality service provider and a reliable and professional partner in the **securities trading and capital market business**, operating a scalable interface-based platform that uses market-leading

technology and processes. It goes without saying that our overall banking strategy is closely tied to our **long-term financial objectives**.

Based on our clearly defined and further developed business unit strategies, we also derive measures for achieving targets at the overall bank level and measure progress on the basis of our **relevant strategic KPIs** for each business line.

In the current year, our efforts to achieve growth are focused on building on the successes and progress we have already achieved. We are constantly optimising our internal processes as well as our external customer interfaces in order to be able to properly handle the increasing volume from a technical point of view and in compliance with regulatory requirements, and we are extending our capital strength in the interests of our stakeholders. In 2024, Baader Bank is a bank that is **growing profitably** and promises the highest quality in terms of **performance and delivery capability** for its partners.

With a **net profit** (before taxes) of EUR 4.0 million, Baader Bank closed the financial year successfully in this economically and politically difficult environment and maintained its level of investment. The **return on equity** was 1.7% for the year, with all four quarters of 2023 showing a positive result. Earnings per share amounted to EUR 0.06. As such, the Board of Directors does not intend to pay a dividend for the 2023 financial year, subject to the relevant committee decisions and supervisory requirements.

In terms of the number of accounts held within the Group, the Baader Bank account and securities account business **grew** by 51% to 1,277,000 securities accounts over the year as a whole. Since the start of 2023, the securities account volume has increased by EUR 12.5 billion to a total of EUR 28.2 billion. Given the interest rate developments, the B2B business experienced a shift in investor preferences in the wake of rate hikes in 2023, but the (neo) broker and (online) asset manager business continued to grow, albeit at a slower rate.

In Baader Bank's base case scenario for the **2024 financial year**, we expect that given continued growth in terms of customers, market volumes and products, the account and securities account business will be further scaled up and the number of securities transactions will increase slightly compared to the previous year. In terms of the sales volume for 2024, we expect an increase compared to the previous year. Besides the continuing increase in the number of private investors in Germany and

Europe in the retail customer business, the expected slight increase in business volumes across all business areas is also helping to stabilise unit figures and volumes.

Baader Bank has been synonymous with the highest levels of professionalism in **securities trading** for over 40 years. To continue offering our clients and partners a first-rate service in the future, we are subsuming our trading activities and services under **Baader Trading** with effect from the current financial year. For B2B clients this includes direct trading, market making and order book management, market making on gettex, crypto trading, high-touch brokerage, electronic market access and designated sponsoring. We also target B2C clients with our OTC trading via direct trading partners.

In the new financial year we will be focusing in particular on clearly defining our trading offerings so that Baader Bank can position itself on the market even more distinctly and improve its market positioning in order to actively shape the securities trading business.

Dear Shareholders, The Board of Directors of Baader Bank would like to thank you for your loyalty and confidence in our company as we dealt with the challenges faced in 2023. Last year, a strategically important year, we set the course for the years to come and invested in future growth. The capitalisation of Baader Bank is proving to be a solid basis.

As at 31 December 2023, Baader Bank's **total assets** had increased by around 66% compared to the end of the previous financial year, growing to EUR 3.9 billion. Baader Bank's **equity** increased to EUR 165.5 million and the total capital ratio for the past financial year is 23.0%.

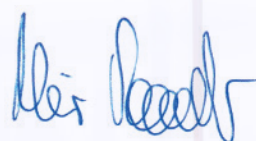
We highly value the continued stable shareholder structure, comprising private and institutional investors as well as shareholders from among Baader Bank's management and employees and the Baader family. This gives us structural strength vis-à-vis our competitors.

The Board of Directors has once again decided that the shareholders' meeting will be held virtually. This is scheduled for 4 July 2024. As in the previous year, we will establish all technical and organisational framework conditions in the interests of our shareholders so that our shareholders' meeting satisfies the needs of all shareholders as defined by the amended legal requirements.

The Board of Directors would like to thank all employees of the entire Baader Bank Group for a very challenging and once again busy year in 2023.

We would also like to thank all of our business partners for the trust they have placed in us and for their successful and long-term collaboration, which is a crucial factor in Baader Bank's overall success.

For the current financial year, we have continued to set ourselves the goal of generating long-term participation potential for our stakeholders, achieving market and price leadership in the client business and making further improvements at the organisational and procedural level, as well as actively contributing to shaping the European stock and securities market.



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



Nico Baader | Chairman of the Board of Directors

Responsibility: Group Strategy & Management, Group Legal & Corporate Finance, Human Resources & Corporate Services, Information Technology, Backoffice, Treasury, Riskmanagement & Regulatory Reporting, Compliance, Internal Audit

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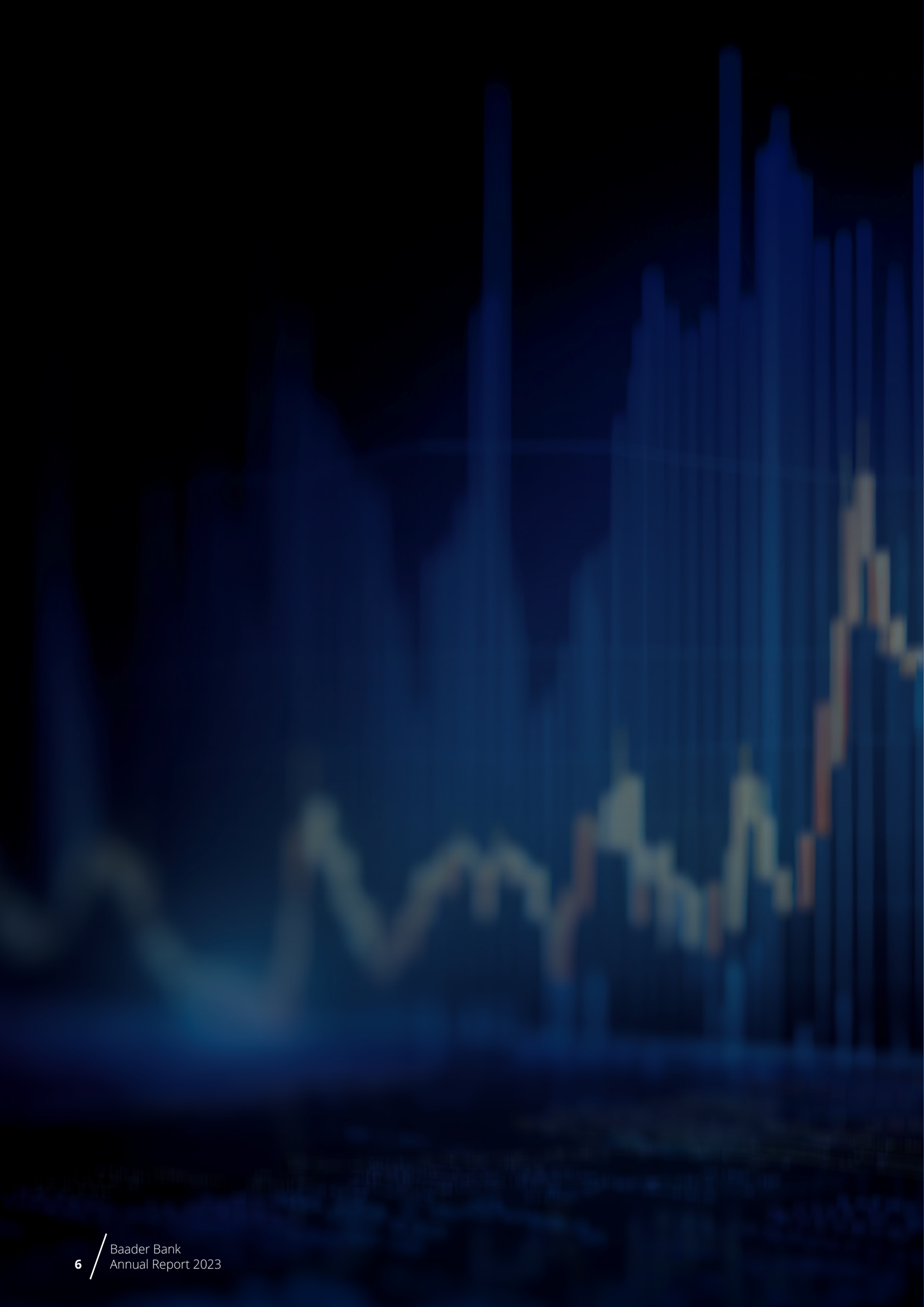
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Baader Bank has been synonymous with the highest levels of professionalism in securities trading for over 40 years. To continue offering our clients and partners a first-rate service in the future, we are subsuming our trading activities and services under Baader Trading with effect from the current financial year.



Oliver Riedel | Deputy Chairman of the Board of Directors

Responsibility: Distribution, Production / Markets Operation, Capital Markets, Business Management Clients & Markets, Market Making Stuttgart, Market Making Fonds / ETFs / Equities FFM, Verbriefte Derivate, Market Making Bonds, Client Service Group, Business Management Administration, Fund Services



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1. General information about the Baader Bank Group

1.1 Organisational and legal structure

Baader Bank Aktiengesellschaft (Baader Bank or Baader Bank AG) is a majority family-owned, listed 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 of 31 December 2023, the Baader Bank Group (hereinafter referred to as the "Baader Bank Group") comprised the parent company Baader Bank AG and seven companies – of which three are subsidiaries and four are sub-subsidiaries. Baader Bank, together with its subsidiaries and sub-subsidiaries, is hereinafter referred to as the "Baader Bank Group". The Group is headquartered in Unterschleißheim near Munich. There are further national offices of Baader Bank located in Frankfurt am Main and Stuttgart.

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

Baader Bank holds a 100% interest in Selan Holding GmbH, headquartered in Unterschleißheim. This company in turn holds a 100% interest in the Croatian wind farm operator Selan d.o.o. in Senj, Croatia, and in Vjetropark Vrataruša d.o.o. in Vrataruša, Croatia, which together with Selan Holding GmbH form the Selan Group. Due to the lack of business activities, a decision was taken to liquidate Vjetropark Vrataruša d.o.o.; 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 has held a strategic stake in the French research provider AlphaValue S.A. (AlphaValue) in Paris, France, since 2019. Since 2021, Baader Bank's share has remained unchanged at 13.30%. AlphaValue is the exclusive partner for the market positioning of the research service provided by the Baader Bank Group.

Baader Bank holds a 19.90% stake in LeanVal Asset Management AG in Frankfurt am Main, Germany (LeanVal AG or LeanVal).

At the end of 2023, a total of 560 staff members were employed by the Baader Bank Group and 525 employees by Baader Bank AG (calculated as number of employees).

During the reporting period, the Supervisory Board extended the Board of Directors mandate of Mr Oliver Riedel by a further five years. With effect from 1 April 2023, Mr Oliver Riedel was appointed as a member of the Board of Directors and accordingly also as its Deputy Chairman for a period of five years.

The Supervisory Board held its regular election at the shareholders' meeting of Baader Bank AG on 6 July 2023. At the ordinary shareholders meeting of Baader Bank, which was held virtually, the shareholders seconded the proposal that the current members of the Supervisory Board – Mr Helmut Schreyer, Prof. Georg Heni and Mr Christoph B. Mast – be elected to the Supervisory Board of Baader Bank for a further period of office. In addition, Dr Louis Hagen was elected by the shareholders' meeting as a new member of the Supervisory Board. Previously, on 17 April 2023, Mr Michael Frank and Mr Timon Hauser – employees of Baader Bank – were elected to the Supervisory Board as employee representatives in accordance with the provisions of the German One-Third Participation Act (Drittelbeteiligungsgesetz – DrittelbG).

With effect from the end of 12 July 2023, Board of Directors member Mr Dietmar von Blücher left the company at his own request. The Supervisory Board agreed to Mr Dietmar von Blücher's request for an early departure and he thus resigned his mandate on the Board of Directors. Mr Dietmar von Blücher had been Chief Financial Officer of Baader Bank since 2021 and was responsible for the Internal Audit, Group Corporate Security, Compliance, Risk Management, Credit, Accounting, Controlling and Back Office divisions. As part of this change, the responsibilities of the Board of Directors in the front and back office divisions have been reallocated in accordance with regulatory requirements. Responsibility for the back office divisions has been taken over by Mr Nico Baader as the Chairman of the Board of Directors. Since then, the front office divisions have been under the responsibility of Mr Oliver Riedel as the Deputy Chairman of the Board of Directors.

As part of Baader Bank's management expansion, Mr Kai Göhring was named Executive Vice President with effect from 1 November 2023. Mr Kai Göhring has been part of the Bank's first-level management team for many years and, as Divisional Head of Group Legal & Corporate Finance, is responsible for key operational and strategic matters within the Bank. In addition, Mr Kai Göhring is a member of the supervisory boards of multiple subsidiaries of the Baader Bank Group.

The shares of Baader Bank are traded on the open market on the Munich Stock Exchange in the m:access market segment as well as on other German exchanges and trading venues.

Baader Beteiligungs GmbH, Munich, holds 66.34% of shares in Baader Bank, Ubtrend GmbH & Co. KG holds 5.40%, and the remaining 28.26% of shares are held by free float shareholders.

1.2 Business model of the Baader Bank Group

With its securities and banking services on the international capital market, Baader Bank acts as a partner for companies, stock exchanges and trading partners (including direct banks, institutional investors, companies, asset managers, fintechs, institutional buyers, and portfolio managers). Baader Bank's core business is based, among other things, on the profitable processing of trades and comprises the provision of services in particular in the areas of Market Making, Capital Markets and Brokerage. Operationally, Baader Bank implements its strategy in six business lines. The Account Services, Fund Services and Research Services business lines supplement the range of services by providing complementary services to client groups in Market Making and Brokerage as well as in the Capital Markets business line. The basic structure of six client- and market-focused business lines continued throughout financial year 2023 in a structurally unchanged manner. As part of the annual strategy process, a resolution was passed that, in the current financial year (2024), the existing Research Services business line would from now on be integrated into the Capital Markets business line. Baader Bank's business model has been implemented in five business lines since 1 January 2024. The aim of the step is for cross-selling potential and synergies in both business lines to be utilised even better. Due to the closer collaboration, costs can also be optimised and income increased. The basis of the business model is the in-house IT platform, which functions as a system, process and connection infrastructure and connects all of Baader Bank's business areas.

1.2.1 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 bilateral direct trading in Germany and Austria. It acts as a full-service provider for quoting stock-market prices and the execution of orders and relies on diversity in terms of stock exchanges and cooperation models.

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

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

1.2.1.2 Capital Markets business line

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

The consulting function in the transaction process is bolstered by our placement and structuring expertise. There are also cross-selling potentials with the offering of company and sector research and from services for corporate clients in Corporate Brokerage and in the Special Execution division.

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

1.2.1.3 Brokerage business line

The Brokerage business line comprises all the services to be provided for clients on the secondary market as well as the placement and sale of primary and secondary market transactions. Baader Bank's main services in this area include low-touch trading for clients on national and international stock exchanges and trading platforms to which Baader Bank is connected. This includes automated order execution in equities, bonds, ETPs and securitised derivatives, as well as derivatives and crypto assets. Additionally, high-touch trading and sales trading are offered as direct individual support and order execution for institutional clients.

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

1.2.1.4 Account Services business line

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

1.2.1.5 Fund Services business line

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

1.2.1.6 Research Services business line

In the Research Services division, Baader Bank co-operates with the French research provider AlphaValue. The joint offering includes independent, pan-European stock and sector research, as well as research on selected companies and industries from the GSA-Region (Germany, Switzerland and Austria). The target group is corporate clients seeking capital, as well as investors who are looking for investment ideas. Accordingly, the research offering forms the interface between two client groups that are of particular relevance to Baader Bank: corporate clients, most of whom come from the GSA-Region, and international institutional investors, who generate investment ideas and derive investment decisions from analyses.

Within the framework of a fundamental, technical and quantitative top-down approach, Baader Bank's Equity Research Team develops index targets, analyses relevant macroeconomic topics, defines economic scenarios and makes statements on market timing (strategy research) and European sector trends. At the individual value level, sector specialists from the Baader Bank Group regularly prepare comprehensive studies for investors and provide estimates for investments. In addition to equity research, Baader Bank's ETF research product supports institutional investors in making decisions on asset allocation and implementing investment strategies. ESG research is also included in the service portfolio.

Together with its subsidiary Baader Helvea, Baader Bank regularly organises conferences that foster and promote dialogue between the international investors and companies presenting themselves there. In individual meetings or discussion rounds, corporate insights are given and investment ideas developed. Every year, the Baader Investment Conference takes place in Munich and the Swiss Equities Conference take place in Bad Ragaz, Switzerland. Companies that are part of the respective index and other listed companies meet here with investors from the GSA-Region, Europe, the United Kingdom and North America.

1.2.2 Subsidiaries' business lines

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

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

2. Report on economic position

2.1 Macroeconomic and sector-specific environment

2.1.1 Macroeconomic environment in financial year 2023

In 2023, global economic growth weakened further and, according to the International Monetary Fund (IMF), reached around 3.1%, down from 3.5% in 2022. Despite the slowdown, the economy proved to be more robust on the whole than had been expected at the start of the year, with the IMF predicting an increase of just 2.9% in January 2023. Global growth was thus only slightly below the long-term average of 3.4% that had been achieved in the years since 1980.

Seen from a regional perspective, in particular the 2.5% growth in the USA was a positive surprise due to the unexpected strong consumer demand favouring a striking upward revision of growth estimates during the year. On the other hand, growth of 5.2% in China was at the level expected at the start of the year, while it was slightly below expectations in the euro area at 0.5%. This was also due to poor figures from Germany, whose GDP shrank by 0.3% in 2023 although growth of 0.1% had been expected at the start of the year.

Clear calming of energy costs also contributed to the better-than-expected global economic development. The price for Brent crude oil was almost consistently below the level from the previous year, while the key price of gas in Europe even decreased by around 70% on average. This contributed towards a clear drop in inflationary pressure during the year, which – along with simultaneous considerable increases in wages and salaries – had a positive effect on the purchasing power of private households.

However, after the core inflation rates – which are so important for central banks – had barely made movements back to their previous levels in the USA and in the euro area up until the third quarter, the Federal Reserve and the ECB initially raised their key interest rates further. While the Fed hiked the target rate for the Fed Funds by July by a further 100 basis points to between 5.25 and 5.50%, the ECB's hikes reached 200 basis points by September. The deposit rate decisive for the euro money market interest rates thus reached a record high of 4.0%, with the refinancing rate reaching 4.5%.

Yields on the bond markets initially continued to rise in the wake of the central banks' interest rate hikes, which continued into the third quarter and were therefore more severe than expected. In October, the yield on 10-year US government bonds reached 5% in the short term, while 10-year German federal bonds rose to around 3%. Due to the increasing confidence that the central banks would not increase interest rates further after the third quarter, the bond markets saw a clear easing through to the end of the year.

On the stock markets, the increasing signs of a gradual end to the central banks' cycle of interest rate hikes and the associated growing hope of a soft landing for the global economy fuelled positive sentiment. The DAX index rose by 16.5% (DAX performance index including dividends: 20.3%), while the Euro STOXX 50 climbed by 19.2%. Technology companies in particular benefited from the strong growth outlook coming from the area of artificial intelligence. This resulted in even stronger gains for the US stock market. The S&P 500 gained 24.2%, with the NASDAQ 100 rising some 53.8%. In general, however, development on stock markets was very selective. The strong performance on the US stock markets was significantly buoyed by a few mega caps, while many smaller caps recorded significantly weaker performance than the overall market, both in the USA and in Europe.

In the meantime, the upward trend on the stock markets was only interrupted by two developments: In spring, the crisis hitting some US regional banks and the forced takeover of Credit Suisse provided uncertainty in the short term; and from July there was a correction due to the weak bond markets and concerns about an escalation of the conflict in the Middle East. Although cyclical equities underperformed in each of these two phases, they nevertheless outperformed over the year as a whole due to the overall better-than-expected economic performance and the prospect of a soft landing for the global economy, which strengthened towards the end of the year in particular. Growth stocks, which are typically able to achieve positive earnings growth even in economically challenging times, did not outperform low-valued value stocks in 2023. This was also due to the strong performance of bank stocks, which was mainly down to the significant change in the interest rate environment.

2.1.2 Business, market position, and changes in competitive position

The slightly more positive sentiment on the stock markets throughout the year compared to the previous year only had a limited impact on the securities trading business in the past financial year. The past capital market year was characterised by high interest rates and high inflation as well as a capital market that trended partly sideways. The number of trades and revenue on the German stock markets in 2023 declined compared to the previous year. On the stock exchanges relevant to Baader Bank

(Frankfurt, Stuttgart, Munich, Berlin and gettex), the number of trades and revenue decreased significantly compared to the previous year – with gettex a material exception. The market participation of the stock exchanges relevant to Baader Bank, i.e. the percentage share in revenue and number of trades as well as the market share of Baader Bank itself, partly increased in 2023 compared to the previous year. On the whole, the first quarter was characterised by weaker performance compared to the strong performance seen in the same quarter of the previous year, which was due to the lack of greater market volatilities. The bonds asset class benefited from the environment of rising interest rates. Both revenue and the number of trades on the German stock exchanges increased on the whole, especially in the first quarter. With regard to bonds as an asset class, Baader Bank's market share on the relevant stock exchanges (Frankfurt, Munich, Berlin and gettex) also increased slightly. In 2023, the competitive environment of market makers on German stock exchanges was consolidated because one of the competitors in the area of bond market order books left the market and their order books were taken over by another competitor.

The deflection of sales volumes – away from the traditional stock exchanges with remuneration models and towards free trading venues – progressed further in 2023. Fee-optimised best execution platforms continued to gain increased market shares from traditional German regional exchanges, especially since the exceptional years of 2020 and 2021. The electronic trading platform gettex recorded increases in order book revenues totalling over 40% across the classes of foreign shares, domestic shares, ETFs, bonds and certificates, and a more than 20% increase in the number of trades.

The competition for market makers in the German-speaking world that manage order books remains intense in a still-fragmented market environment. The advancing international establishment of so-called multi-market maker models is leading to an open competitive situation in international competition between several price-setting market makers, who are in permanent competition with each other as regards speed and the narrowest possible spreads in pricing.

In addition, Baader Bank's Brokerage business as a trading partner, particularly for cash equity products in the GSA-Region, is occurring in a consolidating market. The market environment was rather challenging in the period under review in a distinctly competitive environment.

The year 2023 was marked by global political instability, rising interest rates and high inflation, with significant effects on the capital market services market. The negative trend from 2022 continued in the past financial year, with a total of three IPOs taking place in Germany.

Baader Bank continues to see high potential in the expansion of its business relationships with online brokers, (online) asset managers, family offices and fintechs, with both new and existing cooperation partners. The number of people who invested in equities, equity funds or share-based ETFs in Germany in 2023 is 12.3 million, which is almost at the previous year's level. In addition to the national business, competitors operating elsewhere in Europe are increasingly driving forward further market growth. With a significant IT infrastructure and its comprehensive banking service offering, from account and securities account business through to trade connections, order management and reporting, Baader Bank is not in competition with, but supplements the range of services provided by online brokers, asset managers, family offices and fintechs.

In the equity research business, Baader Bank continues to be in a highly price-driven competitive environment since the MiFID II Directive came into force. Pricing models must meet the needs of clients, be competitive with other providers, and meet regulatory requirements.

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

2.2 Business developments

2.2.1 Development of the key financial performance and profit drivers

Net trading income and net commission income – and income from the interest business due to interest rate developments – account for a substantial share of Baader Bank's total net banking income, and are the key performance and profit drivers. The drivers are subject both to the stated exogenous developments in relevant markets, i.e. the prevailing sentiment and volatility, as well as to internal process optimisation and pricing models. In 2023, income from the interest business once again made up a clearly positive share of the net income.

Baader Bank's **total income** amounted to EUR 170.8 million (previous year: EUR 159.6 million) and increased by 7% in total compared to the previous year in the context of selective performance on the stock markets and the interest rate hikes that continued into the third quarter.

Earnings from the trading business are mainly influenced by the trading volume and the prevailing volatility. During the year as a whole, revenue and the number of trades on German stock exchanges declined compared to the previous year. Accordingly, earnings from the trading business recorded a decline of almost 30% and came to EUR 37.4 million for the past financial year (previous year: EUR 53.2 million).

Earnings from the commissions business came to EUR 79.5 million (previous year: EUR 73.6 million), which is an increase of 8% despite a challenging market environment.

Earnings from the interest business came to EUR 35.8 million (previous year: EUR 4.9 million) and increased due to the interest rates hikes and higher client deposits.

The earnings contributions of the three subsidiaries of the Baader Bank Group, the Swiss Baader Helvea Group, Baader & Heins Capital Management AG and the Selan Group, each contributed positively to the annual results.

Earnings before taxes (EBT) of EUR 4.0 million for the Baader Bank Group are lower than the previous year's result (2022: EUR 12.2 million) and correspond to the adjusted annual forecast published in the fourth quarter, which assumes balanced earnings before taxes (original EBT forecast: ranging between EUR 15.0 million and EUR 25.0 million).

Total expenses for the past financial year increased to EUR 166.9 million (previous year: EUR 147.4 million). Due to investments in the IT infrastructure to optimise platform functionalities, operating expenses amounted to EUR 90.6 million (previous year: EUR 75.6 million).

The increase in personnel expenses to EUR 72.6 million (previous year: EUR 65.0 million) is due to the growing staff complement as well as one-off effects (e.g. inflation compensating premium).

As at 31 December 2023, Baader Bank's total assets had increased by around 66% compared to the end of the previous financial year, growing to EUR 3.9 billion (31 December 2022: EUR 2.4 billion). Baader Bank's equity increased to EUR 165.5 million (31 December 2022: EUR 164.9 million) with the total capital ratio for the past financial year at 23.0% (31 December 2022: 24.3%). With this basis, Baader Bank has sufficient capacities for further growth and investment.

Furthermore, Baader Bank's non-financial performance indicators are employees and environmental concerns (see Section 2.4 Non-financial report).

2.2.2 Business development in the business lines

2.2.2.1 Market Making business line

The continued deflection of sales volumes – away from the traditional stock exchanges with remuneration models and towards free trading venues – progressed further in 2023. Despite markets moving sideways at times, high inflation and rising interest rates, the number of equity savers amounts to 12.3 million according to the Deutsches Aktieninstitut. Of these, more than 80% invest in funds and ETFs. This consistent development is supported by various factors, including the growing number of neo-brokers and online asset managers available.

The gettex exchange increased its market share despite the mixed environment. Order book revenues and the number of trades rose by 44% and 22% respectively across all classes (equities, bonds, ETPs and certificates). Accordingly, the gettex exchange is benefiting considerably from Baader Bank's (new-client) growth in the cooperation partner and securities account business, as this generates significant order volumes for gettex and thus for Baader Bank as a market maker. Supplemented by numerous OTC direct connections, Baader Bank is very well positioned in securities trading with retail clients. The strong revenue growth of these two trading venues contributed to the Bank not being impacted by the general decline in revenues in 2023 and being able to develop its market share again in 2023.

With the gettex exchange, Baader Bank countered the rise in demand for bonds, which was due to the interest rate hikes, by extending the trading times for interest-rate products. Since the fourth quarter, all of the bonds managed by Baader Bank have been traded until 10 pm. As a result, 8,500 euro bonds and 6,100 bonds in 22 other currencies, ranging from the US dollar and pound sterling to the Japanese yen, can be traded on gettex during this period. Looking at the German stock exchanges as a whole, revenue and the number of trades in the bond asset class roughly doubled in 2023 compared to the previous year.

In OTC trading, revenue in 2023 was at an immaterially higher overall level than in the previous year. The bond asset class recorded a comparatively higher share of revenue, while the share of the ETF asset class declined. Baader Bank benefits from this development as a liquidity provider at OTC trading venues.

The order flow potential from existing and newly acquired partnerships with online and direct banks that participate in Baader Bank's quota, trading and settlement systems remained at a solid level. Especially in 2024, the expansion of OTC activities remains a long-term goal for Baader Bank, with this being bundled with the entire trading offer of Baader Bank under a uniform identity under the new brand "Baader Trading".

As was the case in previous years, Baader Bank was once again able to attract new order books. It was mandated as a specialist on the Frankfurt Stock Exchange five times during the reporting period. Accordingly, it took over the order book management for IONOS Group SE, thyssenkrupp nucera AG & Co. KGaA, SCHOTT Pharma AG & Co. KGaA, SMG Technology Acceleration SE and Marley Spoon SE.

2.2.2.2 Capital Markets business line

After an already very subdued previous year, the capital market services business continued to decline significantly in 2023, with a total of three IPOs in the Prime Standard in Germany. The total issue volume dropped from EUR 9.1 billion in the previous year to EUR 1.9 billion in 2023. While the performance of the equity market was generally positive in the reporting period, rising interest rates, political uncertainties and a weakening overall economy had a dampening effect on the IPO business.

In the Capital Market business, Baader Bank acted as a listing agent for the de-SPAC of GFJ ESG Acquisition I SE in the first quarter. The company, learned, was listed on the regulated market of the Frankfurt Stock Exchange as part of the business combination. As early as 2021, Baader Bank assisted in the de-SPAC of Lakestar SPAC I SE and thus the stock exchange debut of the company HomeToGo. In the German-speaking region, three de-SPAC transactions have been concluded in recent years, with Baader Bank assisting with two of the three transactions. This highlights Baader Bank's expertise in assisting with complex and innovative transaction structures.

Furthermore, Baader Bank's team managed several advisory mandates and was thus able to meet its financial targets for this business field for the past year.

Despite the overall low volume of transactions, Baader Bank was able to continue to hold its ground in the market for capital market services and position itself in a promising manner for the current stock exchange year. The IPO-free phase could thus be used to prepare for potential transactions in 2024. Predatory competition remains strong despite market growth, which may arise depending on the market situation. Mandates are highly price- and person-driven. During the reporting period, Baader Bank entered into a cooperation agreement with DZ Bank to utilise mutual synergies with respect to the product portfolios in the Capital Market business for customers in Switzerland. The aim of the strategic collaboration between the two banks is to increase the value added for the stated client group as the product and service spectrum of both banks complement each other ideally.

Demand for Baader Bank's securities technology services in the Special Execution segment remained high in 2023. Income increased compared to the previous year despite a lower number of assisted transactions. A total of 68 transactions were carried out in the financial year (previous year: 93) and 790 service mandates were supported (previous year: 768).

The market entry into Switzerland was significantly advanced in the second half of 2023, enabling the go-live of Special Execution services in Switzerland to be launched in October. Baader Bank thus has the securities technology to provide services for all securities in the GSA-Region (DE-ISIN, AT-ISIN and CH-ISIN).

2.2.2.3 Brokerage business line

In the wake of the challenging capital market environment, Baader Bank's Brokerage business remained stable in 2023 compared to the previous year. This has improved the Bank's own competitive position. Although stock market sales have declined overall – especially in the main markets such as Xetra – the number of trades in Baader Bank's Brokerage business, on the other hand, increased slightly compared to the previous year.

The environment remains characterised by noticeable competition and consolidation. Additional clients were gained despite a challenging environment. The prerequisite for this was, and remains, permanent market expansion and the permanent automation of the trading infrastructure thanks to the use of new technology.

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

In terms of corporate brokerage, Baader Bank offers listed companies capital market services such as designated sponsoring services. The team also acts as a strategic link for the longer-term initiation of sell-side contacts, which also benefits the Capital Markets division. By the end of financial year 2023, 79 corporate clients had used the Corporate Brokerage services of Baader Bank (previous year: 77 clients). New mandates exceeded the mostly delisting-related cancellations. Contract negotiations for further new mandates were in process at the end of the year.

2.2.2.4 Account Services business line

Baader Bank acts as a business partner and platform provider for the respective client groups (e.g. neo-brokers, online and traditional asset managers, fintechs). In the course of the 2023 interest rate hikes, the B2B business saw a shift in investor preferences, with a renewed surge in investor demand for the bond asset class. Despite this development, the neo-broker and online asset manager business grew further in 2023, albeit at a weaker rate.

In terms of the number of securities accounts held within the Group, the Baader Bank account and securities account business grew by around 51 % to 1,277,000 securities accounts across 2023 as a whole (31 December 2022: 843,000), which represents a significant increase in the number of new clients gained. For 2023 as a whole, the deposit volume recorded a significant increase of 75% (or EUR 1.5 billion) to EUR 3.5 billion. Since the start of 2023, the securities account volume increased by EUR 12.5 billion to a total of EUR 28.2 billion. The growth is due, among other things, to the technical securities account transfer of existing smart broker clients with EUR 5 billion in assets under management, which was implemented in the fourth quarter of 2023. In the course of this, almost all the client base were transferred to the Baader Bank platform. The onboarding of this large number of customers marks an significant milestone for Baader Bank.

Further growth will be based on the development of existing B2B cooperation partnerships. Further asset managers and family offices were also gained as clients, with the latter in particular enquiring about the trading services offered by Baader Bank. Likewise, one more client in the end-client broker segment was connected.

In the third quarter, Baader Bank launched its secured loan together with a B2B cooperation partner. This loan is used by neo-broker end clients in particular to make investments on the capital market without having to liquidate existing positions. The product process is automated and standardised, so is scalable. Accordingly, other cooperation partners are currently in the implementation phase and are expected to be connected to the product process in the coming months.

As part of its high-performance banking strategy programme, Baader Bank continues to focus more on ensuring technical and procedural performance and delivery capability to cooperation partners and end clients. This is associated with process optimisations up to full automation, including internationalisation and/or successfully implementing the Europeanisation of its own business with its cooperation partners.

2.2.2.5 Fund Services business line

In the course of business in 2023, the assets in the Fund Services division for which Baader Bank acted as financial portfolio manager on behalf of portfolio management companies recorded an increase of around 4% to EUR 6.03 billion (total volume at 31 December 2022: EUR 5.78 billion). The number of fund mandates remained stable at 51 (previous year: 52). The fact that the managed assets nevertheless increased is due to the equity and bond markets recording positive returns

and yields in the past year. The higher interest rates, however, had a negative effect on the performance of mixed funds. Nonetheless, the increasing regulatory requirements are having a positive effect on demand for the services offered by Baader Bank in the Fund Services division.

2.2.2.6 Research Services business line

Due to the more positive sentiment in the stock market environment in 2023 compared to the previous year, the demand for research tended to decline at times. The number of research contracts with clients or investors therefore remained almost unchanged in financial year 2023 at a total of 261 (previous year: 263). In the (equity market) environment described, the demands for the research on offer changed in that investors had less interest in small- and mid-cap research than large-cap research. Overall, Baader Bank added further new securities to the covered universe in the financial year 2023. In addition, Baader Bank's ESG rating was established further, for small and mid caps and now also for large caps. This resulted in tailwind for the research business thanks to the increasing importance of ESG aspects.

In 2023, Baader Bank acted as a chaperone as part of a collaboration with Caixa Bank BPI in order to implement the sale of research services in America. While Baader Bank was able to maintain its market position in the reporting period, the research market consolidated further – especially in the Swiss market.

The Research Services business line continues to adhere to its fundamental, sector-oriented approach, which has a high degree of specialisation thanks to targeted selection and qualitative analysis of business models.

With respect to event formats, the demand from company representatives and investors, measured by the number of participants, was almost constantly high compared to previous years. While virtual concepts continue to have their place, physical participation is still preferred by the majority. On the whole, Baader Bank supported 100 roadshows for covered companies in the past financial year – in the previous year this number stood at 106.

2.2.3 Development of the subsidiaries' business

The Swiss *Baader Helvea Group* is a central 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 10 years, Baader Helvea has provided brokerage and research

services for institutional investors worldwide, focusing mainly on investors in the United Kingdom, Switzerland, the USA and Canada.

In 2023, Baader Helvea's upward trend continued despite challenging markets. The client base was expanded across all locations, and the cross-selling of products and services in international locations increased. Existing partnerships, such as the SIX Stage programme with the Swiss stock exchange were successfully expanded, and Baader Helvea consolidated its position as a leading provider in Switzerland. Together with the French company AlphaValue, in which Baader Bank holds a participating interest, it allows Baader Bank to provide a comprehensive research platform. The product range covers over 600 pan-European analysis securities.

The main earnings driver for Baader Helvea is commission income from sales and research activities. In 2023, the share of income from execution-only business increased. The market success of the Baader Helvea Group in 2023 is reflected in a clearly positive contribution to the Baader Bank Group's earnings for the financial year 2023, thus continuing the trend from the previous year. This is due to the continued optimisation of costs and processes, as well as the adjustment of the service and product range to meet the needs and potential of individual client groups.

In mid-2023, the company relocated its headquarters in Zurich to a new office building and is now in a more modern and more representative location.

The profit drivers of the **Selan Group** are the revenues generated by the wind farm operator Selan d.o.o. from the production and marketing of wind-generated power. This source of revenue is significantly influenced by the wind conditions on the Croatian coastline and the electricity prices on the Croatian electricity market.

After the crisis in Ukraine began in February 2022, energy costs in Europe rose to unprecedented levels. As a result, many national governments introduced state support measures to protect their citizens and, above all, their industries from the effects of the extreme rise in prices. Almost two years later, the wholesale prices for electricity have now almost returned to their pre-war level. Selan d.o.o. benefited from this unusual market situation by concluding a three-year fixed-price agreement with a national electricity marketer in July 2022, starting on 1 January 2023. In addition to the market prices for electricity, the result achieved by the Selan Group is also significantly influenced by the technical availability of the wind power installations operated by the wind farm operator Selan d.o.o. and from the wind conditions in Senj on Croatia's Adriatic coast.

The weather situation in the Adriatic region (Slovenia and Croatia) also impacted the wind-related result in the past financial year. Long periods of weak winds and no wind work partially relieved by extreme phases

of gusty wind or heavy storms which, in the end, also resulted in reduced operation to protect the wind power installations.

Baader & Heins Capital Management AG is a securities 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, and 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.

In the past financial year, the war in Ukraine, the conflict in the Middle East, high inflation and the associated rapid rise in interest rates and risk premiums on bonds, the increasing pressure to consolidate among important market players as part of mergers and acquisitions, as well as the after-effects of the insolvency of Bremer Greensill Bank provided headwind.

In this generally still very difficult environment, Baader & Heins AG was able to assert itself in the market for illiquid interest rate products. The established market position of Baader & Heins AG was also reflected in the reporting year in the fact that both existing and some new clients continued to actively seek contact with Baader & Heins AG. In contrast to the ongoing staff reductions and closures of business lines in the bond market at banks and other competitors, the company maintained its service sector in the brokerage of illiquid interest rate products with a focus on promissory note loans and registered bonds, and was thus able to continue to consolidate its position in this market. As a result, Baader & Heins AG was once again able to achieve a satisfactory result in the financial year 2023, despite the very challenging prevailing conditions.

2.2.4 Comparison of actual business performance in 2023 with the forecasts published in the previous year

The Board of Directors of Baader Bank initially issued a forecast for financial year 2023 with earnings before taxes ranging between EUR 15.0 million and EUR 25.0 million and a return on equity after taxes of 7% to 11%, assuming normalising market volatility but trending higher, as well as further growth in business. This expectation was based on the assumption that support from exogenous influencing factors would decrease compared to the previous year as well as Baader Bank's strategic investment expenses in financial year 2023. Due to the development of the key financial performance indicators (earnings from the trading business, earnings from the commission business and earnings from the

interest business) and earnings drivers, and in particular earnings from the trading business, earnings before taxes of EUR 4.0 million were lower than initially forecast in the year as a whole at Baader Bank Group and at Baader Bank AG. Accordingly, return on equity after taxes stood at 1.7% for the past financial year.

For the earnings from the trading business, a forecast range of EUR 110 million to EUR 150 million was issued for the Baader Bank Group and Baader Bank AG at the beginning of the year (according to the presentation by management: EUR 70 million to EUR 90 million). Due to high interest rates and high inflation, as well as a capital market that trended sideways in some cases, further developments in the real economy and on the financial markets have been considerably impacted. The number of trades and revenue on the German stock markets declined in 2023 compared to the previous year across all asset classes. The first quarter of 2023 in particular saw a significant year-on-year decline in earnings from the trading business, while the other quarters were roughly on a par with 2022. At the end of the financial year, the earnings from the trading business stood at EUR 37.4 million for both the Baader Bank Group as well as Baader Bank AG, which is thus significantly below the previous year's result and is below the forecast initially issued.

Accordingly, due to the persistent highly challenging market environment and the associated lower trading volume, Baader Bank adjusted its forecast at the beginning of the fourth quarter 2023 to balanced earnings before taxes at Group level.

For the earnings from the interest and commission business, the initial forecast for the Baader Bank Group and for Baader Bank AG was initially set at a combined figure of EUR 50.0 million (EUR 100 million according to the management presentation). Actual performance in the past financial year came to EUR 115.3 million, which is in particular due to the development of the interest rates and the increase in client deposits. However, earnings from the commission business increased on the whole by 8% despite a challenging market environment.

The main drivers for the business development of Baader Bank in 2023 were:

The income and cost effects from Baader Bank's continued strategy adjustment, the additional investments in growth areas of Baader Bank and the cross-selling effects resulting from the diversification of the business model contribute to the positive overall development, despite a challenging market environment.

In addition, the continued market developments in securities trading have had a decisive influence on the result due to uncertainties, lower stock exchange revenues and the at times sideways-moving activities of market participants. Nevertheless, Baader Bank's account and securities account business continued to grow. In Ac-count Services, Baader Bank continues to build on the

growth rates of previous years, which is seen in the once again significant increase in the number of securities accounts in 2023. Due to the continued growth in clients and products, a moderate increase in trading volume and the number of securities transactions is expected, with the overall market situation recovering.

With the further development of the strategic orientation of Baader Bank as a leading partner for securities and banking services in Europe, the development and implementation of organisational and process improvements, investments in IT, and market cultivation and sales optimisation measures are progressing. As a result, the long-term strategy orientation measures are also aimed at decisive capital and financial strength. Furthermore, internal automation and digitisation have progressed, and continue to be driven forward. The strategic goal of further developing Baader Bank into an integrated and scalable platform with an intermediary strategy in Europe has come closer to being achieved in 2023. As an independent provider of trading, settlement and banking infrastructure, Baader Bank benefits from Europe-wide market developments as well as the growing number of domestic and international investors through its integrated business model.

In addition, all three subsidiaries of the Baader Bank Group – the Swiss Baader Helvea Group, Baader & Heins Capital Management AG and the Selan Group – also contributed to consolidated net income with positive financial statements.

2.3 Economic position of the Baader Bank Group

2.3.1 Net assets, financial position and results of operations

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

The annual financial statements and consolidated financial statements of Baader Bank AG were prepared in accordance with the provisions of the HGB and

the German Regulation on Accounting Principles for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV) as well as in compliance with the supplementary regulations of the German Stock Corporation Act (Aktengesetz – AktG) and audited by the auditor KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, Germany. The annual financial statements for financial year 2023 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 fell by 68% in comparison to the previous year with positive earnings before taxes in the amount of EUR 3,958 thousand (previous year: EUR 12,181 thousand). Details on new clients in financial year 2023 can be found in Section 2.2.2 (Business development in the business lines). The results of operations of the Baader Bank Group and Baader Bank AG in financial year 2023 compared to the previous years 2021 and 2022 were as follows:

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

	2021 EUR'000	2022 EUR'000	2023 EUR'000	Change to the previous year	
				absolute EUR'000	relative %
Earnings from the interest business	-2,267	4,906	35,792	30,887	630
Earnings from the commission business	63,116	73,610	79,492	5,881	8
Earnings from the trading business	134,804	53,231	37,423	-15,808	-30
Revenue	11,048	21,343	11,396	-9,947	-47
Other income	8,775	6,535	6,721	186	3
Total income	215,476	159,625	170,823	11,199	7
Personnel expenses	73,491	64,993	72,572	7,579	12
Operating expenses	65,037	75,623	90,610	14,987	20
Pension expenses	19,505	6,827	3,683	-3,144	-46
Total expenses	158,033	147,443	166,865	19,422	13
Earnings before tax (EBT)	57,444	12,181	3,958	-8,223	-68
Taxes	10,646	3,298	1,130	-2,168	-66
Minorities	243	193	38	-155	-80
Consolidated net profit for the year	46,554	8,690	2,791	-5,899	-68
Net profit/loss of the parent company brought forward	-535	-87	-228	-141	163
Transfers to/withdrawals from retained earnings	25,662	4,610	2,829	-1,781	-39
Consolidated net retained profit	21,427	4,167	190	-3,977	-95

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

	2021 EUR'000	2022 EUR'000	2023 EUR'000	Change to the previous year	
				absolute EUR'000	relative %
Earnings from the interest business	-1,557	5,376	35,865	30,489	567
Earnings from the commission business	50,986	61,135	69,306	8,171	13
Earnings from the trading business	133,875	52,180	35,304	-16,876	-32
Other income	10,593	14,254	7,017	-7,238	-51
Total income	193,897	132,945	147,492	14,547	11
Personnel expenses	66,527	57,601	66,519	8,918	15
Operating expenses	55,566	63,620	76,673	13,053	21
Pension expenses	19,477	6,807	3,669	-3,137	-46
Total expenses	141,569	128,027	146,861	18,834	15
Earnings before tax (EBT)	52,328	4,918	631	-4,286	-87
Taxes	10,036	837	669	-168	-20
Net profit / - loss for the year	42,292	4,081	-38	-4,118	-101
Retained earnings/losses from the previous year	-535	-87	-228	-141	163
Transfers to/withdrawals from retained earnings	21,400	0	0	0	n.m.
Balance sheet profit	21,427	4,167	190	-3,977	-95

Earnings from the interest business amount to a total of EUR 35,792 thousand in the Group (Baader Bank AG: EUR 35,865 thousand) due to the increased interest rate level and the higher volume of deposits and is EUR 30,887 thousand (Baader Bank AG: EUR 30,489 thousand) above that of the previous year. Net interest income was influenced by interest received on the basis of overnight deposits at the Deutsche Bundesbank (EUR 87,837 thousand). In addition, interest income from holdings of fixed-interest securities in the amount of EUR 11,097 thousand was generated. In contrast, there are interest-driven commission expenses to cooperation partners.

At EUR 79,492 thousand (Baader Bank AG: EUR 69,306 thousand), the earnings from the commission business provided the largest contribution to total earnings and, compared to the previous year, increased again by EUR 5,881 thousand or 8% (Baader Bank AG: increase of EUR 8,171 thousand or 13%). The increase is primarily due to the order routing and client commission business, driven by a significant increase in the trading volume compared to the previous year.

Earnings from the trading business at Group level in the past financial year once again saw year-on-year decline, falling by EUR 15,808 thousand to EUR 37,423 thousand (Baader Bank AG: by EUR 16,876 thousand to EUR 35,304 thousand). The decline is primarily driven by an increase in trading-related commission expenses and a lower trading result compared to the previous year.

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 -47% or EUR 9,947 thousand to EUR 11,396 thousand.

Other income in the Group was stable, increasing slightly by EUR 186 thousand to EUR 6,721 thousand. At Baader Bank AG, other income of EUR 7,017 thousand represents a substantial decline of EUR -7,238 thousand, primarily due to the advance dividend distribution from the Selan Group in the same period of the previous year.

Total expenses increased by EUR 19,422 thousand to EUR 166,865 thousand in the past financial year (Baader Bank AG: increase of EUR 18,834 thousand to EUR 146,861 thousand).

Owing to higher employee numbers (+11%), personnel expenses were 12% or EUR 7,579 thousand higher at Group level, reaching EUR 72,572 thousand (Baader Bank AG: 15% or EUR 8,918 thousand higher at EUR 66,519 thousand).

In the past financial year, operating expenses totalling EUR 90,610 thousand increased significantly by +20% or EUR 14,987 thousand (Baader Bank AG: by EUR 13,053 thousand or +21% to EUR 76,673 thousand). The main driver for this was increased IT costs due to investments in IT infrastructure.

The pension expense, consisting of the general risk provision and addition to the Fund for general banking risks, dropped significantly by 46% to EUR 3,683 thousand in financial year 2023 (Baader Bank AG: by 46% to EUR 3,669 thousand). In the past financial year, in compliance with Section 340e (4) HGB, an amount of EUR 6,810 thousand (previous year: EUR 8,310 thousand) was added to the Fund for general banking risks. Falling by EUR -1,644 thousand, at EUR -3,127 thousand the general risk provision was significantly lower than in the previous year due to valuation effects (Baader Bank AG: decrease of EUR -1,637 thousand to EUR -3,141 thousand).

The tax expense in the consolidated financial statements of a total of EUR 1,130 thousand largely resulted from Baader Bank AG with EUR 669 thousand and the Helvea Group with EUR 264 thousand.

As a result of the factors described above, earnings before taxes of EUR 3,958 thousand (previous year: EUR 12,181 thousand) and the consolidated net profit for the year of EUR 2,791 thousand (previous year: EUR 8,690 thousand) were positive. Baader Bank AG reported a net loss for the year of EUR -38 thousand (previous year: EUR 4,081 thousand).

2.3.3 Financial position and net assets

As of the balance sheet date, total assets amounted to EUR 3,938,078 thousand and, with an increase of EUR 1,562,466 thousand, are significantly higher than the previous year's level (Baader Bank AG: increase of EUR 1,555,839 thousand to EUR 3,920,106 thousand). The balance sheet structure of the Baader Bank Group has undergone changes on both the assets and liabilities sides. The changes in assets are mainly due to an increase in loans and advances to banks by EUR 1,825,054 thousand to EUR 3,221,478 thousand (Baader Bank AG: EUR 1,826,801 thousand to EUR 3,207,437 thousand) due to the investment of credit balances with the Deutsche Bundesbank. Cash reserves also decreased by EUR 129,259 thousand to EUR 30,751 thousand (Baader Bank AG: by EUR 129,260 thousand to EUR 30,750 thousand). The portfolio of debt securities and other fixed-income securities decreased significantly by EUR 198,136 thousand to EUR 339,429 thousand (Baader Bank AG: EUR 198,136 thousand to EUR 339,429 thousand). Accordingly, on the liabilities side, liabilities to clients increased significantly by EUR 1,551,949 thousand to EUR 3,546,133 thousand (Baader Bank AG: by EUR 1,546,123 thousand to EUR 3,551,433 thousand) due to higher sight deposits. The net assets and the balance sheet item changes of the Baader Bank Group and Baader Bank AG as of 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

	2021 EUR'000	2022 EUR'000	2023 EUR'000	Change to the previous year	
				absolute EUR'000	relative %
Current assets	1,716,566	2,270,441	3,826,807	1,556,366	69
Cash reserves	1,372,123	160,010	30,751	-129,259	-81
Loans and advances to banks	149,256	1,396,425	3,221,478	1,825,054	131
Loans and advances to clients	99,314	90,565	132,026	41,460	46
Debt securities and other fixed-income securities	47,474	537,564	339,429	-198,136	-37
Equities and other variable-income securities	849	8,780	8,232	-548	-6
Trading portfolio assets	41,754	57,525	66,521	8,997	16
Other assets and prepaid expenses and deferred charges	5,796	19,572	28,370	8,798	45
Non-current assets	103,117	105,170	111,271	6,100	6
Equity investments and interests in associates	9,690	11,090	12,626	1,537	14
Intangible assets	11,580	14,663	20,486	5,824	40
Property, plant and equipment	74,577	71,151	68,059	-3,092	-4
Excess of plan assets over pension liabilities	7,270	8,266	10,099	1,832	22
Total assets	1,819,682	2,375,611	3,938,078	1,562,466	66
External financing	1,557,568	2,127,193	3,670,058	1,542,865	73
Bank loans and advances	46,840	117,645	75,635	-42,010	-36
Liabilities to clients	1,497,533	1,994,184	3,546,133	1,551,949	78
Other liabilities	13,195	15,365	48,291	32,926	214
Other refinancing funds	97,651	83,478	102,506	19,028	23
Trading portfolio liabilities	2,701	3,195	11,356	8,161	255
Deferred income	243	250	199	-51	-20
Provisions	47,746	24,763	28,870	4,107	17
Fund for general banking risks	46,961	55,271	62,081	6,810	12
Balance sheet equity	164,463	164,939	165,513	574	0
Subscribed capital	46,688	48,797	48,797	0	0
Capital reserves	37,645	43,445	43,445	0	0
Retained earnings	57,759	67,630	69,502	1,872	3
Minority interests	944	899	750	-150	-17
Balance sheet profit / - loss	21,427	4,167	3,019	-1,149	-28
Off-balance-sheet commitments	6,607	10,127	11,183	1,056	10
Contingent liabilities from guarantees and indemnity agreements	8	8	3	-5	-59
Obligations from loan commitments	6,599	10,119	11,180	1,061	10

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

	2021 EUR'000	2022 EUR'000	2023 EUR'000	Change to the previous year	
				absolute EUR'000	relative %
Current assets	1,715,446	2,263,837	3,811,404	1,547,567	68
Cash reserves	1,372,122	160,010	30,750	-129,260	-81
Loans and advances to banks	135,876	1,380,636	3,207,437	1,826,801	132
Loans and advances to clients	113,806	101,223	133,799	32,575	32
Debt securities and other fixed-income securities	47,474	537,564	339,429	-198,136	-37
Equities and other variable-income securities	849	8,780	8,232	-548	-6
Trading portfolio assets	41,754	57,525	66,521	8,997	16
Other assets and prepaid expenses and deferred charges	3,564	18,098	25,236	7,138	39
Non-current assets	94,776	100,430	108,702	8,272	8
Equity investments and interests in associates	36,643	38,043	39,580	1,537	4
Intangible assets	10,075	13,758	19,831	6,073	44
Property, plant and equipment	40,787	40,363	39,192	-1,170	-3
Excess of plan assets over pension liabilities	7,270	8,266	10,099	1,832	22
Total assets	1,810,222	2,364,267	3,920,106	1,555,839	66
External financing	1,561,148	2,135,716	3,673,265	1,537,549	72
Bank loans and advances	46,840	117,645	75,635	-42,010	-36
Liabilities to clients	1,503,156	2,005,310	3,551,433	1,546,123	77
Other liabilities	11,152	12,762	46,197	33,436	262
Other refinancing funds	94,301	78,128	98,895	20,768	27
Trading portfolio liabilities	2,701	3,195	11,356	8,161	255
Deferred income	243	250	199	-51	-20
Provisions	44,396	19,412	25,259	5,847	30
Fund for general banking risks	46,961	55,271	62,081	6,810	12
Balance sheet equity	154,773	150,423	147,946	-2,477	-2
Subscribed capital	46,688	48,797	48,797	0	0
Capital reserves	37,645	43,445	43,445	0	0
Retained earnings	49,013	54,013	55,513	1,500	3
Minority interests	0	0	0	0	n.m.
Balance sheet profit / - loss	21,427	4,167	190	-3,977	-95
Off-balance-sheet commitments	6,607	10,127	11,183	1,056	10
Contingent liabilities from guarantees and indemnity agreements	8	8	3	-5	-59
Obligations from loan commitments	6,599	10,119	11,180	1,061	10

2.3.3.1 Current assets

The cash reserve decreased by EUR 129,259 thousand to EUR 30,751 thousand (Baader Bank AG: EUR 129,260 thousand to EUR 30,750 thousand), while loans and advances to banks increased by EUR 1,825,054 thousand to EUR 3,221,478 thousand (Baader Bank AG: by EUR 1,826,801 thousand to EUR 3,207,437 thousand) due to the investment of credit balances with the Deutsche Bundesbank under the deposit facility. Loans and advances to clients also rose by EUR 41,460 thousand to EUR 132,026 thousand (Baader Bank AG: by EUR 32,575 thousand to EUR 133,799 thousand). In contrast, the portfolio of debt securities and other fixed-income securities dropped by a total of EUR 198,136 thousand to EUR 339,429 thousand. The portfolio of debt securities and other fixed-income securities with public issuers decreased to EUR 295,280 thousand, and holdings with other issuers decreased by EUR 4,707

thousand to EUR 44,149 thousand. During the reporting year, the newly acquired shares and other variable-interest securities were allocated exclusively to the liquidity reserve. The debt securities and other fixed-income securities contain a class measured as fixed assets in the amount of EUR 275,272 thousand. The trading portfolio increased by EUR 8,997 thousand or 16% to EUR 66,521 thousand by the reporting date.

Other assets and prepaid expenses were higher, including due to the investment in precious metal holdings, increasing by EUR 8,798 thousand to EUR 28,370 thousand (Baader Bank AG: by EUR 7,138 thousand to EUR 25,236 thousand) by the reporting date.

2.3.3.2 Equity investments and interests in associates/affiliates

The carrying amount of the interests and investments in associates in the reporting year for the Group totalling EUR 12,626 thousand was EUR 1,537 thousand above the level of the previous year due to the additional payments to the investment in the Earlybird Venture Capital funds (Earlybird DWES Fund VI GmbH & Co. KG and Earlybird DWES Fund VII GmbH & Co. KG).

2.3.3.3 Intangible assets and property, plant and equipment

Intangible assets increased for the Group in the reporting year by a total of EUR 5,824 thousand to EUR 20,486 thousand. Property, plant and equipment decreased slightly by EUR 3,092 thousand to EUR 68,059 thousand.

The additions to intangible assets including reclassifications are primarily related to investments in computer software (EUR 5,700 thousand), and almost entirely attributable to Baader Bank AG's investment. In addition, intangible assets and property, plant and equipment were reduced by scheduled depreciation.

At Baader Bank AG, property, plant and equipment and intangible assets increased by EUR 4,903 thousand to EUR 59,023 thousand. This is due to the investments made in the financial year amounting to EUR 15,250 thousand, and offset by scheduled depreciation of EUR 12,014 thousand.

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

2.3.3.4 Excess of plan assets over pension liabilities

The excess of plan assets over pension liabilities increased slightly by EUR 1,832 thousand to a total of EUR 10,099 thousand. The reason for this was essentially the plan assets measured at fair value that increased to EUR 16,095 thousand.

2.3.3.5 External financing

External financing comprised loans and advances to banks and loans and advances to clients as well as other liabilities. On the whole, external financing was significantly higher than the previous year (increase of EUR 1,542,865 thousand) and amounted to EUR 3,670,058 thousand (Baader Bank AG: increase of EUR 1,537,549 thousand to EUR 3,673,265 thousand) due to strong client growth. The sharp increase was largely due to higher liabilities to clients from sight deposits by EUR 1,565,270 thousand to EUR 3,487,696 thousand (Baader Bank AG: by EUR 1,559,444 thousand to EUR 3,492,995 thousand). Other liabilities also increased by EUR 32,926 thousand to EUR 48,291 thousand (Baader Bank AG: by EUR 33,436 thousand to EUR 46,197 thousand).

In contrast, other liabilities to banks decreased by EUR 42,010 thousand to EUR 75,635 thousand (Baader Bank AG: by EUR 42,010 thousand to EUR 75,635 thousand).

2.3.3.6 Other refinancing funds

Other refinancing funds increased in the reporting year by EUR 19,028 thousand to EUR 102,506 thousand (Baader Bank AG: EUR 20,768 thousand to EUR 98,895 thousand). The change is mainly the result of a EUR 8,161 thousand increase in the trading portfolio on the liabilities side to EUR 11,356 thousand and the addition to the Fund for general banking risks (EUR 6,810 thousand to EUR 62,081 thousand). In addition, provisions of EUR 28,870 thousand increased by EUR 4,107 thousand (Baader Bank AG: by EUR 5,847 thousand to EUR 25,259 thousand).

2.3.3.7 Balance sheet equity

In the current financial year 2023, there were no changes to the subscribed capital and capital reserves. The increase in equity of EUR 574 thousand to EUR 165,513 thousand is primarily due to the consolidated net profit before minority interests (EUR 2,829 thousand), dividend payments (EUR -188 thousand) and effects from currency translation (EUR 543 thousand). Baader Bank AG's equity decreased by EUR 2,477 thousand to EUR 147,946 thousand. The balance sheet equity ratio amounted to 4% (Baader Bank AG: 4%), and, taking into account the Fund for general banking risks, the modified equity ratio amounted to 6% (Baader Bank AG: 5%). The total supervisory capital ratio stands at 23.0% (Baader Bank AG: 23.0%).

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 2023.

2.3.3.8 Off-balance-sheet commitments

Off-balance-sheet commitments as of the balance sheet date were a result of contingent liabilities (guarantees) in the amount of EUR 3 thousand as well as irrevocable loan commitments to clients in the amount of EUR 11,180 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, ensures 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 held constant in the past financial year.

Baader Bank AG's liquidity coverage ratio (LCR) as at 31 December 2023 was 436.9% (previous year: 326.0%). 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 of 100%.

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

2.4 Non-financial report

For this financial year, Baader Bank prepared a combined, separate non-financial report published at www.baaderbank.de.

2.5 General assessment of the report on the economic position

The business development of the Baader Bank Group in 2023 was characterised by slightly more positive sentiment in the stock market environment compared to the previous year. This only had a limited effect on the securities trading business in the past financial year. The year 2023 was characterised by high interest rates and high inflation as well as a partly sideways trending capital market. The number of trades and revenue on the German stock markets declined in 2023 compared to the previous year across all asset classes. On the stock exchanges relevant to Baader Bank (Frankfurt, Stuttgart, Munich, Berlin and gettex), the number of trades and revenue did increase slightly year on year.

In this environment, Baader Bank continued to focus on the structural further development of partnerships and cooperation models, in particular on free trading venues in the Market Making and Account Services divisions. The Baader Group closed financial year 2023 with a positive result despite a challenging environment and extensive strategic (IT) investments.

All the subsidiaries also made a positive contribution to the Group's position. The summary presentation of results of the subsidiaries of Baader Bank AG for the financial year 2023 can be found in the Section 2.2.3.

The net assets and financial position of the Baader Bank Group for the financial year 2023 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 Baader Bank AG and the Baader Bank Group under commercial law as at 31 December 2023. On account of the 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. The key figures of the group of institutions for regulatory purposes are reported in the Disclosure Report, which takes into account the Baader financial holding company. The Baader financial holding company also comprises the companies Baader Verwaltungs GmbH, Baader Beteiligungs GmbH and Ubtrend GmbH & Co. KG. The financial holding companies are classified as financial holding companies within the meaning of the CRR. The main business activity consists of the direct or indirect holding of investments and is not an institution within the meaning of the German Banking Act (Kreditwesengesetz – KWG).

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 Baader Bank Group has therefore established a risk management system that 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 institution can continue to operate and that creditors are protected. 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 avoided as far as possible.

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

3.1.3 Risk-bearing capacity

The risk-bearing capacity is reviewed on a regular basis. The risk-bearing capacity is calculated from a normative and economic perspective. Both perspectives are considered to be equally relevant for 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. In addition, the Baader financial holding company is also reported from a regulatory normative perspective. The following compares the capital ratios as of 31 December 2023 to the previous year:

Table 5: Overview of equity capital, risk weighted assets (RWA)

in EUR '000	Baader Bank Group		Baader Bank AG		Baader Bank financial holding company	
	2023	2022	2023	2022	2023	2022
Equity	191,464	183,309	183,044	175,743	199,465	196,731
RWA	832,757	753,216	794,234	718,782	880,869	830,520
Total capital ratio	23.0%	24.3%	23.1%	24.5%	22.6%	23.7%

The increase in equity capital results from the surplus from the financial year 2022. The increase in RWA is due in particular to the higher capital requirements for covering operational risks.

The capital planning is calculated in accordance with the regulatory provisions for Baader Bank and for the Group in both a baseline and an adverse scenario. The adequacy of the capital resources and compliance with all relevant capital ratios are reviewed continuously. This ensures the Group's risk-bearing capacity on the basis of its own resources and earning power. The period under consideration covers at least 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 the economic perspective that influence the capital available in the normative perspective are taken into account.

Both the CRR ratio requirements and all other regulatory indicators for Baader Bank and the Group are adhered to in both the base and the adverse scenario.

The economic perspective 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 the present value method. 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%.

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

in EUR'000	Baader Bank Group		Baader Bank AG	
	2023	2022	2023	2022
Risk coverage potential	186,768	174,204	170,279	164,773
Risk potential	48,252	63,674	52,675	70,340

Compared to the previous year, the risk coverage potential increased as a result of the addition to equity in the previous year. The risk potential then fell. The decline resulted from lower counterparty and market price risks.

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

A limit system is used in the economic and normative perspectives. The total risk in the Baader Bank Group is limited by the risk cover amount, which is derived from the available risk coverage potential on the basis of the risk appetite. As a general rule, the Group's Board of Directors uses only part of the risk coverage potential available (risk cover amount) to permanently secure the Group's risk-bearing capacity. It is then allocated to individual risk types and the respective divisions using a top-down approach, and, as the upper threshold for the risk limit total, acts in a restrictive capacity. The risk coverage potential, the risk potential and the risk cover amount are reviewed 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 greatest losses arising from the stress scenarios carried out are compared with the available risk coverage potential and the risk cover amount for all relevant risk types.

In summary, the risk-bearing capacity of Baader Bank AG and the Baader Bank Group was not endangered at any time in financial year 2023.

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 look at external factors, the assumptions underlying these factors, and internal factors such as risk-bearing capacity, results of operations, liquidity and so on.

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. This is carried out in the Baader Bank Group 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. 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 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. As part of the "Activities in new products or on new markets" process, the Risk Management department is also informed promptly of any potential changes to the existing risk profile. In this process, the planned activities are reviewed and the corresponding risk content is identified. Existing activities are reviewed on a regular basis. Furthermore, Baader Bank AG's Risk Management department carries out a risk inventory for the Baader Bank Group at least once a year.

The risks are **assessed** using detailed quantitative analyses or scoring procedures. 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.

Risks in the Baader Bank Group are **managed** operationally using a limit and early warning indicator system to limit the respective material risks. The limits and early warning indicators are set at least annually by means of a resolution passed by the Board of Directors based on the company's risk-bearing capacity.

The imputation of risks to limits enables the Risk Management department to conduct adequate **monitoring**. The Risk Management department has, in addition, installed an early risk identification system for monitoring purposes.

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 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 at 31 December 2023, the losses in the worst-case scenario amounted to:

Table 7: Stress test results

in EUR'000	Baader Bank Group		Baader Bank AG	
	2023	2022	2023	2022
Stress test losses	56,157	70,309	62,874	82,047

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 that 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.

3.1.6 Significant changes compared with the previous year

The following significant changes were made to the models employed by the Risk Management department in 2023:

Market price risk

With respect to the measurement of the market price risks in the economic perspective of the risk-bearing capacity – in particular the risk of interest rate changes and credit spread of the Treasury book – the volume of the positions taken into account were expanded by the fixed asset portfolio.

Counterparty risk

No significant changes were made for the calculation of the counterparty risk.

Operational risk

In December 2023, the calculation model for the operational risk was reviewed and changed in accordance with common standards. For this purpose, the separate analyses of the sub-risk types were replaced with a generalised scenario-based approach. All scenarios are now described based on their probability of occurrence and their average-case and worst-case losses. The aim of standardisation is to improve the intuitive understanding of the model and to make the calculation more efficient.

Liquidity risk

There were no significant changes in the area of liquidity risks.

3.1.6.1 Risks in the Baader Bank Group

The significant risks identified in the past financial year were unchanged: market price risks, counterparty default risks, operational risks, liquidity risks, and cost and earnings risks.

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.

3.1.6.2 Market price risk

In general, Baader Bank understands market price risks to include all dangers resulting from changes in market values or other pricing factors. Depending on the parameter that changes, the Bank distinguishes between the equity price risk, interest rate risk, credit spread risk and currency risk.

In addition, the market liquidity risk is taken into account in the market price risk through the relevant holding periods assumed by the model.

In principle, the market price risks described are restricted to the Bank's 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 of 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	
	2023	2022	2023	2022
Shares	35,532	24,466	35,532	24,466
Bonds	271,916	216,404	271,916	216,404
Funds, certificates, securitised derivatives	26,127	13,165	26,127	13,165
Options	114	0	114	0
Futures	-16,631	-5,346	-16,631	-5,346

The increase in the portfolios compared to the previous year is mainly due to increased portfolio management in Market Making and the acquisition of bonds for the Bank's Treasury book. The negative market values for futures arise from hedge positions.

Market price risks are measured in the Baader Bank central trading and monitoring system using a value-at-risk (VaR) model based on Monte Carlo simulations. The VaR is calculated with a chosen confidence level of 99.9% for the expected holding period. On 31 December 2023, the risk situation was as follows:

Table 9: Market price risk

in EUR'000	Baader Bank Group		Baader Bank AG	
	2023	2022	2023	2022
Value at risk	11,557	26,870	11,557	26,870
Limit utilisation	21 %	53 %	21 %	53 %

The significant decline in market price risks is due, among other things, to the reduction of FX risks in the Bank's non-trading book, the use of hedging transactions and a slight reduction in market volatility.

The quality of the VaR model is tested as part of back-testing by comparing VaR values and actual changes in market value.

3.1.6.3 Counterparty risk

Baader Bank considers the counterparty 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. Counterparty risks are

allocated to the highest unit in the Group (parent company). In addition to the individual borrower units, this also includes offsetting against the concentration structure limits. For example, the domicile of the parent company is used as a criterion in the calculation of the respective country's concentration structure limit.

To limit counterparty risks, the risk potential is limited and monitored with reference to the risk capital allocated by the Board of Directors.

Credit rating classes are determined using the Bank's own procedures. 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 for the counterparty default risk, which includes both expected and unexpected losses. The loss rate (LGD = loss given default) for the default of the respective BU (borrower unit, in accordance with KWG) as well as the theoretical remaining term of the position of one year are taken into account. The total risk across all BUs is derived from the sum of all individual risks.

There are additional migration risks that are associated with securities. As such, the migration risk model is used to quantify the risk of these in addition to the default risk model described above.

The individually determined risk values are aggregated accordingly to form an overall risk. When considering the counterparty risk, the Baader Bank Group makes a distinction between factors such as credit risk, counterparty risk, issuer risk and equity investment risk.

The table below shows the risk situation in the counterparty default risk as at 31 December 2023 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	
	2023	2022	2023	2022
Credit risk KU	1,742	3,912	1,324	3,912
Credit risk KI	1,389	2,898	1,452	2,898
Counterparty risk	3,187	698	3,305	698
Issuer risk	3,785	11,321	8,263	11,321
Equity investment risk	5,414	8,613	5,645	16,047
Total	15,517	27,442	19,988	34,876
Limit utilisation	51 %	55 %	50 %	70 %
Risk provisions for client loans	781	156	781	156

In addition, in order to avoid concentration risks, structural limits have also been implemented in relation to individual counterparties, credit ratings, industries and countries. These are monitored and reported to the Board of Directors as part of the risk report.

In 2023, the counterparty default risk of the Baader Bank Group and Baader Bank AG decreased as a result of the reduction of positions in bonds. At the end of the year, the risk provision had risen due to the increase in the credit portfolio.

3.1.6.4 Operational risk

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

The assessment of risk potential, i.e. the Group-wide identification and evaluation of operational risks, is identified as part of the annual risk inventory. In addition, the divisions can also promptly report any new risk potentials identified at any time.

Losses resulting from operational risks are reported and documented in the loss database. An application is available for this purpose. 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 the operational risk are quantified using the loss distribution approach, according to which the parameters of the loss amount and loss frequency are estimated on the basis of statistical methods in order to determine a total loss per year. It is assumed 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.

The database is determined on a quarterly basis using historically observed losses supplemented by scenarios that have not yet been included in the loss database but plausibly represent possible risks at the Baader Bank Group. This includes risks due to defective processes, data processing risks, personnel risks, natural hazards and others.

On 31 December 2023, the risk situation was as follows (see next page):

Table 11: Operational risk

in EUR'000	Baader Bank Group		Baader Bank AG	
	2023	2022	2023	2022
Value at risk	16,179	9,362	16,130	8,594
Limit utilisation	81 %	94 %	81 %	86 %
Total loss per year	1,002	1,114	1,002	1,114

The procedure for determining value at risk had been further developed as at the reporting date of 31 December 2023. The scenarios include a stronger impact on the risk value. This significantly increased the value at risk. In contrast, the actual total loss from the operational risk in 2023 even slightly declined compared to the previous year.

No losses were recorded from cyber risks due to working from home. 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.

3.1.6.5 Liquidity risk

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

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

The Treasury division is responsible for ensuring that the Bank's payment obligations can be met. Close collaboration takes place between the market business lines, the Treasury division and the Custody & Payment Services department to ensure the coordination of daily cash flows between these areas. Unusual liquidity streams from other divisions of the Bank are promptly reported to Treasury and to Custody & Payment Services. 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.

For the purpose of managing and monitoring the liquidity coverage ratio key performance indicator (KPI), or LCR, a limit system was installed for the market areas. This system sets limits on all netted inflows and outflows on the one hand, and limits on the total committed capital per value date and profit centre on the other hand. These liquidity limits enable the Treasury division to manage liquidity and thus also the LCR on an intra-day basis. In addition, observance of the LCR is monitored daily in connection with the risk report to the Board of Directors. Furthermore, the Treasury division submits a daily liquidity report detailing the current liquidity situation to the Risk Management department, which subjects it to a plausibility check and reviews it. In addition, the NSFR (net stable funding ratio) is determined and monitored on a quarterly basis. Due to the nature of the dispositive liquidity risk, it is not possible to limit this risk by means of the risk coverage potential and therefore quantification is ineffective (MaRisk AT 4.1 para. 4).

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

Possible refinancing losses are quantified through the preparation of liquidity progress reports and the calculation of potential liquidity shortfalls. A comparison is made each quarter between refinancing under current market conditions and the refinancing position if the unexpected were to occur. A scenario involving considerably more costly funding as well as unexpected cash outflows is applied to this. The resulting difference represents the refinancing loss. This difference is taken into account in determining risk-bearing capacity for the Baader Bank Group and, if necessary, covered with risk capital. The Risk Management department carries out daily reviews to ensure that the risk capital provided is sufficient to cover unexpected losses arising from liquidity risks. The risk situation as at 31 December 2023 was as follows:

Table 12: Liquidity risk

in EUR'000	Baader Bank Group		Baader Bank AG	
	2023	2022	2023	2022
Refinancing loss	0	0	0	0
Limit utilisation	0 %	0 %	0 %	0 %

In financial year 2023 – as in previous years – 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.

As part of the structural liquidity risk, the Bank draws up a refinancing plan on a quarterly basis, both for the base-case scenario and for the adverse scenario. This reflects the Bank's strategy, risk appetite and business model and takes due account of potential refinancing needs due to changes in its business activities, strategic objectives and economic environment.

The dispositive and structural liquidity risk, in turn, is included in the ILAAP (Internal Liquidity Adequacy Assessment Process). The ILAAP is defined as the process established by the institution for identifying, measuring, controlling and monitoring liquidity. It thus includes all the qualitative and quantitative information necessary to substantiate the risk appetite, including a description of the systems, procedures and methods used to measure and manage liquidity and financing risks. Baader Bank presents an annual declaration of the appropriateness of its liquidity resources: externally via a corresponding report form of the Financial and Internal Capital Adequacy Information Regulation (Fina-RisikoV) to the supervisory authority, and internally within the framework of a Liquidity Adequacy Statement (LAS) to the Board of Directors.

3.1.6.6 Cost and income risk

The cost and income risk quantifies increased risks or too little income compared to the planning in a period of up to one year. These deviations can be caused by a change in internal and external factors. This risk also includes the distribution risk.

The quantification is based on an spirit assessment by the Controlling division.

3.1.7 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. The Bank's proactive approach in identifying risks and evaluating the consequences of the risks associated with its business activities aims to recognise and, with the help of appropriate measures, to mitigate the negative consequences of such risks on the financial results and long-term strategic objectives at an early stage. The central Risk Management unit, which measures and monitors all risks within the Baader Bank Group, ensures that interdependencies between the different types of risk can be identified and that countermeasures can be implemented by Baader Bank.

As part of the risk strategy, the Board of Directors of the Baader Bank Group, based on the risk appetite, allocated only part of the available risk coverage capital to cover unexpected losses in financial year 2023, as in previous years. The breakdown and intra-year allocation of risk coverage 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 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.

High inflation, high interest rates and lower growth expectations as well as multiple geopolitical conflicts had a significant impact on the markets in 2023. Despite the difficult environment, Baader Bank was able to further expand its competitive position and increase the number of its clients. As expected, the coming financial year will also be shaped by the monetary-policy and geopolitical situation. No significant credit defaults are expected in the Baader Bank Group, as no conventional credit transactions are being conducted, but almost 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

At the start of 2024, the leading indicators are signalling a mixed picture for the economic environment. While the global purchasing managers' index for the manufacturing industry reached a level of 50 points in January for the first time in 16 months, the latest ifo Business Climate and GfK Consumer Climate surveys point to a persistently difficult growth environment. According to current forecasts, the IMF expects the global economy to grow by 3.1% in 2024, which is equivalent to the level of 2023. According to the IMF, growth in the USA (2.1%) and China (4.6%) is expected to be slightly weaker this year than last, while the euro area (0.9%) and Germany (0.5%) are likely to see slight growth. However, as the underlying trend in incoming orders in Germany has remained rather weak of late, an upturn in growth is unlikely to materialise until the second half of 2024.

Overall, it is therefore expected that the economic environment will initially remain challenging for many companies. The fact that the central banks will initially keep their key interest rates in the restrictive range is also likely to contribute to this. Both the ECB and the Federal Reserve (Fed) have recently dampened hopes of a rapid reduction in their key interest rates. Despite the significant decline in inflation rates in the second half of 2023, neither central banks yet consider their inflation target to have been reached, as price increases for services in particular are still only declining very slowly. Financing costs for households and companies are therefore likely to remain high for the time being, which should have a dampening effect on demand.

The combination of low economic growth and initially still restrictive central banks harbour the risk that financial market volatility may rise again in the coming months. The price outlook on the equity market may thus deteriorate again during the spring, especially if the expected growth recovery is postponed once again. In this connection, a risk factor assumes that the negative economic consequences could be initially delayed or abruptly visible due to the very stringent monetary policy. Other issues, such as a possible escalation of geopolitical conflicts or uncertainty about the outcome of the upcoming elections in Europe and the USA, could also have a negative impact on risk appetite on the financial markets, at least temporarily.

While the prospect of a gradual economic recovery and of interest rate cuts by the ECB and the Fed in the further course of the year can be seen as positive for the performance of equity markets in the medium term, continued yield increases on the bond markets in the first few weeks of the year could have a negative impact on the valuation of equities in the meantime. This is particularly the case because the strong stock market performance in the fourth quarter of 2023, as measured by the EURO Stoxx 50 Index, was strongly driven by the anticipation of a scenario in which a recession could be avoided and the central banks would nevertheless lower interest rates swiftly and significantly. However, until there is confirmation of this, some investors are likely to adopt a wait-and-see attitude for the time being. Against this background, the ways in which expectations for corporate profits will develop further in 2024 should also be decisive for the performance of the equity markets. As uncertainty about future economic growth and the scope for further price increases is likely to remain high for the time being, support for the stock markets from this side could be volatile at times.

However, as it is likely that – from the ECB's perspective – the aforementioned uncertainty factors will gradually recede over the course of 2024, the performance outlook on the equity markets is expected to brighten, particularly in the second half of the year. Against this background, it is initially probable that stock markets will still be more likely to see shorter-term rotations in industries and investment styles. During periods of increased volatility, quality stocks and companies with defensive business models are expected to outperform the overall market, while late-cycle value equities will be likely to underperform. In contrast, cyclical sectors are likely to benefit, particularly in those phases where growth recovery becomes more probable. However, as long as there are no signs of a clear economic recovery – as can be seen in the Ifo Business Climate and GfK Consumer Climates surveys – they are more likely to develop at a below-average rate. If the hoped-for economic recovery then materialises in the second half of the year, then small and mid caps in particular should be able to overcome their underperformance of several years.

3.2.2 Outlook for the business lines

3.2.2.1 Market Making business line

In 2024, the financial performance of the Market Making business line 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 exogenous, geo-economic and monetary policy 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 period under review, Baader Bank continued its structural and strategic sales measures and will make use of its relatively high market shares as a market maker on German floor exchanges and will continue to focus on existing and new collaborations with operators of exchange and over-the-counter trading platforms as the Baader Bank Board of Directors considers the cooperation models with neo-brokers and free-of-charge exchanges to remain attractive. In line with the high-performance banking strategy, the gradual expansion from the GSA-Region into Europe is also envisaged in order to further promote diversification in new markets. The realisation of and participation in longer-term client growth, product expansions, rising order flow volumes and constantly increasing sales are also key objectives in securities markets to be opened up in Europe. Together with its business partners, Baader Bank is taking a decisive step towards also offering its range of platform services abroad in the future.

The attractiveness of securities as an investment continues, partly due to private pension provisions, easy mobile access and low-cost passive products. In the current macroeconomic environment, the importance of bonds as an asset class continues to rise. This trend is expected to continue at a weaker pace in 2024 as moderate interest rate cuts may dampen development.

Overall, on the service side, Baader Bank is striving to further improve quality. Margin pressure and cost levels continue to increase in the competitive environment and small competitors are being squeezed out in some cases. The business continues to be strongly driven by transfer pricing, larger players and stock exchange operators (e.g. Stuttgart Stock Exchange, Frankfurt Stock Exchange, Munich Stock Exchange). In addition, new competitors (fintechs) are establishing themselves on the market.

In line with the past financial year, the Baader Bank Board of Directors expects a more stagnant overall market growth in 2024 with an occasionally volatile market environment. It is expected that the popularity of stocks as a form of investment, and mobile access to the markets on the part of investors, will continue to support Baader Bank's business, including in the GSA-Region in particular. The resulting continued growth in terms of clients, market volumes and products is expected to develop in an environment comparable to 2023, thus with a similar number of securities transactions and a renewed slight increase in sales volumes.

Nevertheless, given the increasing technical and regulatory requirements, market makers on German stock exchanges continue to be in a consolidation phase that could result in ongoing competition and which puts at risk the continued existence of smaller, less well capitalised market players. All the same, Baader Bank maintains its medium- and long-term strategic objective for the Market Making business line of expanding its current market position. For this purpose, a market offensive is planned for 2024, which will, among other things, place Baader Bank's trading offering on the market under the "Baader Trading" brand to increase the market shares in targeted ways that include over-the-counter and on-exchange trading and brokerage. Furthermore, internationalisation opportunities must be explored and exploited, and opportunities for inorganic growth, such as the acquisition of order books, should be used.

3.2.2.2 Capital Markets business line

The significant drivers for the order situation in the Capital Markets division are the general developments on the share market in terms of trading volumes as well as the prevailing volatility on the secondary markets in connection with the general competition situation and the global interest rate levels.

The Board of Directors of Baader Bank expects the market to remain subdued in 2024, albeit with the prospect of more IPOs in the second half of the year and a slowly recovering capital market services business. Internationally, especially in the English-speaking markets, there is still a dependency on the overall economic development in the Capital Markets business. Transactions are already in the pipeline for the remainder of 2024.

At the beginning of February 2024, the manufacturer of transmissions for military tanks RENK caught up on its IPO on the Frankfurt Stock Exchange, which it had cancelled in October. Baader Bank is a Specialist on the Frankfurt Stock Exchange and a Designated Sponsor on Xetra.

The aim is to achieve a moderate increase in the transaction volume for the current year to a slightly higher level than in the past financial year. In addition, the focus will be on further increasing visibility in the capital market business, supported by trading expertise (designated sponsoring, market making) and securities technology as strategic pivotal points, in order to utilise the cross-selling effects of the business model in these areas, along with expanding the volumes of these services. In this context, the expansion into the Swiss market is also being driven forward in both the ECM business and the Special Execution division.

In accordance with this, the number of mandates of Baader Bank should rise moderately again in the medium to long term – this should always take the global interest rate trend into consideration, whereby an increasing interest rate level should be classified as a barrier to business. The growing importance of ESG issues must also be increasingly included when managing capital measures. Overall, the Baader Bank Board of Directors expects a slight overall growth in the German market in 2024 compared to the previous year.

As of 1 January 2024, the former Research Services business line was integrated into the Capital Markets business line. Baader Bank expects conservative to no overall market growth in the research business for 2024. Looking ahead, a stagnating market and rising pressure on margins will impact business. However, the current level of demand continues to be justified and can, for example, be increased by price optimisations in the sense of improving the Bank's own market position. In particular, the products in this business segment can also be seen as a starting point for further business activities in other business lines of Baader Bank. For Baader Bank, the Research Services business line remains

an important link between German-speaking corporate clients and international investors. The strong presence at international investor conferences will be maintained and even expanded by further conferences of our own in a smaller format, such as sector-specific and small-cap conferences. Accordingly, Baader Bank's research business line functions as a cross-selling unit with other business lines, such as Capital Markets and Brokerage.

In the area of securities technology 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. The very high number of transactions and service mandates in 2023 is expected to remain at this level in the future, although a decline is also planned. The expansion of business activities in Switzerland passed an important milestone in the fourth quarter of 2023 and is set to make decisive progress in 2024.

3.2.2.3 Brokerage business line

Largely in line with the Market Making and Capital Markets business lines, the prevailing mood underlying the economy, the general developments in the equity market and the volatility in the secondary markets are the major earnings drivers of the Brokerage business line.

In the future, the Baader Bank Board of Directors expects slight to moderate overall market growth in the Brokerage business in 2024. Overall, international institutional investors' trading activities should continue to increase. In this environment, Baader Bank will also be positioning its brokerage as a global and pan-European product in 2024 under the banner of "Baader Trading". There is a clear intention for the Bank to position itself against margin pressure with an economical and effective approach. Thus, even in 2024, the price-sensitive mechanisms within the MiFID II regime are still potentially inhibiting factors. The goal of gaining new market shares in Brokerage remains unchanged. Important factors for the future are the use of cross-selling effects with existing clients, the expansion of the crypto offering for additional clients, the optimisation of time-to-market for new products or their expansion, and the overall strengthening of existing cooperation partnerships, as well as the onboarding and acquisition of new cooperation partners.

In 2024, a further increase in trading volume in the low double-digit percentage range is planned.

3.2.2.4 Account Services business line

The Baader Bank Board of Directors expects overall market growth to decline in 2024 – depending on investor behaviour and macroeconomic developments in the year just started. For the further acquisition of market shares, an increasing number of equity-based savings companies (in Germany) and the expansion of the retail brokers' business to other European countries, among others, are supporting factors. New product worlds, e.g. in the crypto sector, as well as the expansion of business with traditional asset managers, will also influence future business development. For the current year, crypto trading will be implemented for more cooperation partners. Furthermore, further internationalisation in the business of online asset managers and neo-brokers is to be expected, resulting in further promising market potential. In this environment, Baader Bank strives to continue to maintain and expand its market position thanks to its integrated business model.

In the current environment, internationalisation is also progressing in the market of neo-brokers and robo-advisors. At the same time, the players are certainly examining their setup in order to identify optimisation potential. Baader Bank remains committed to its growth trajectory in Account Services, which has established itself with yield-boosting effect in the trading units as part of its cross-selling function. Baader Bank wants to further increase the number of accounts and securities accounts by the end of 2024, along with growth in the volume of securities accounts and the deposit volume, by developing partnerships with business partners and their predominantly digital cooperation models. If interest rates remain high, this development will support the Bank's overall result.

On the whole, Baader Bank is in a comfortable starting position as a complete provider for market making and securities account services.

3.2.2.5 Fund Services business line

Baader Bank has significant competitive advantages in terms of its business activities in the Fund Services division thanks to its diversified business model. These advantages include the speed and quality of trading and the range of execution venues and tradable asset classes and products. The Baader Bank Board of Directors expects low or moderate overall market growth for the financial year 2024, taking into account the tendency to lower market volatility. Individual funds will certainly need to be consolidated occasionally. Nonetheless, Baader Bank believes that there will be a good level of demand from clients due to the fact that the regulation of the financial sector is resulting in growing cost pressure and persistent outsourcing tendencies at portfolio management companies. In addition, this development is also driven by the major significance of

new supervisory ESG regulations and the pressure to implement them. Accordingly, Baader Bank aims to achieve consistent or slightly improved performance in terms of assets under management and the number of fund mandates for 2024.

Through its trading and regulatory expertise, Baader Bank is continuing its efforts to create sustained added value for clients through complementary services in asset management and at the same time to ensure efficient usage of the existing infrastructure in its core business lines. As part of the high-performance banking strategy, the Board of Directors of Baader Bank intends to stabilise and expand its market position with a further focus on clients in Europe and beyond (e.g. the USA).

3.2.2.6 Research Services business line

As of 1 January 2024, the former Research Services business line was integrated into the Capital Markets business line. Baader Bank's business model will thus be implemented in five business lines. The aim of the step is for cross-selling potential and synergies in both business lines to be utilised even better. Due to the closer collaboration, costs can also be optimised and income increased. This step does not represent a loss of importance for the research business, but rather a strengthened positioning in a still highly competitive market.

3.2.3 Outlook for the business development of subsidiaries

As a fundamental part of the Baader Bank Group and tightly integrated with the Brokerage and Capital Markets business lines (including Research Services), 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 relevant 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 2024.

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 constant contribution to the total earnings of the Baader Bank Group in financial year 2024. The company will continue to operate from its locations in Zurich, London and New York in 2024.

In the context of the **Selan Group's** business activities, the dependence on fluctuations in electricity prices has almost completely ceased to exist over the next two years due to the fixed price agreement with the electricity marketer. The overall annual result of the Selan Group is therefore heavily dependent on wind conditions and the wind yields that can be generated based on them. The company currently expects the wind-power installations to continue to operate reliably and robustly and that the weather conditions will not hold any major surprises, as they did last year.

Experience has shown that there are limits to the predictability of wind yields, but we believe that we will be able to achieve the average yield level of previous years this year as well. Special charges from the European electricity price cap and the resulting additional levies are not expected.

The company is still focusing on the plan to expand the wind farm by up to seven wind turbines. The company expects to receive final authorisation from the Croatian Ministry of the Environment in the first half of the year. Should the expansion begin in 2024, the first capitalisable expenses for components of the planned investment are expected to be incurred during the financial year.

The unchanged goal of **Baader & Heins Capital Management AG** in 2024 is 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.

Based on this, the Board of Directors of Baader & Heins AG is of the opinion that prioritisation of the shorter maturities and a shift in the percentage distribution of investment products towards shares, funds, other alternative forms of investment and investments in real estate could well continue among investors. In particular, the war in Ukraine, the conflict in the Middle East, the upcoming elections in the USA and persistently high inflation continue to be sources of uncertainty for institutional investors. Despite the associated negative consequences, the Board of Directors of Baader & Heins AG expects the company to continue to generate stable earnings. Both the number of transactions and the volumes brokered should represent a solid foundation in the future here too.

3.2.4 Overall assessment of the future development of the Baader Bank Group

The banking and stock exchange market, which is Baader Bank's main market, continues to transform and is characterised by sustained growth in Germany and Europe. Fee-optimised best-execution platforms, which implement free or flexible pricing strategies for end clients, have continued to gain market shares over traditional German regional exchanges since the boom during the exceptional years of 2020 and 2021. A resulting simplified access to securities trading, including for private investors, allows investors to actively make their

own decisions. These investors have digital and often mobile access to securities trading and engage in cost-optimised, active trading and use it as a tool for long-term savings investments or even for trading in cryptocurrencies. This development is driven in particular by neo-brokers and robo-advisors and has long been taking place in the course of a Europeanisation of offers for private investors, either by market players expanding across national borders or by competitors based in other European countries.

For Baader Bank, this means a future trend of higher trading volumes in the market making order books it manages, and further growth in terms of the accounts and securities accounts it manages in collaborative partnerships in 2024.

The Board of Directors of Baader Bank expects that the contributions to earnings and income from the Market Making and Brokerage business lines, including the cross-selling effects from Account Services, will be slightly above the level of the financial year 2023 on a moderately rising growth curve – based on developments in 2023. For the Capital Markets division (including Research Services), the Board of Directors expects a comparatively lower potential for growth in business development for 2024, although the market for capital market services should certainly develop better than in 2023.

For the overall assessment of the future development of Baader Bank, the material financial performance indicators and earnings drivers are classified as follows:

For the upcoming financial year 2024, Baader Bank's base-case scenario (applicable to Baader Bank AG as well as the Baader Bank Group) expects that the market volatility will tend to be at a similar level compared to the previous year. Due to continued growth (of clients, market volumes and products), the number of securities transactions is expected to increase slightly compared to the previous year. In terms of sales volumes for 2024, the Board of Directors of Baader Bank expects a moderate increase compared to the previous year. In addition to the continuing increase in the number of private investors in the retail client business, extending beyond national borders, the expected slight increase in business volumes across all business lines is also helping to stabilise unit figures and volumes.

For the financial year 2024, based on the scenario planning for both Baader Bank AG and the Baader Bank Group, the Board of Directors expects a slight increase in **overall income** compared to the previous year.

Within total income, the Board of Directors expects net trading income for the financial year 2024 to increase moderately compared to the previous year, taking into account market volatilities and trading volumes, which are difficult to forecast. **Revenue** in the financial year 2024 is also expected to be slightly higher than in the previous year. These expected earnings contributions will compensate for a slightly lower forecast result from the **interest and commission business** than in the previous year.

On the expenses side, the Board of Directors of Baader Bank expects **total expenses** to fall slightly overall for the financial year 2024 compared to the previous year at the level of both Baader Bank AG and the Baader Bank Group. Total expenses taken into account are variable expenses for variable remuneration, which are dependent on earnings components, and the allocation to the Fund for general banking risks.

Based on the plans outlined above, the Board of Directors expects **earnings before taxes** for the financial year 2024 to be slightly above the previous year's level for Baader Bank AG and for the Baader Bank Group. The associated **return on equity** after taxes is also expected to be slightly higher than in the previous year.

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

A target quota for the proportion of women on the Board of Directors has been set in accordance with Section 111 (5) AktG in the amount of 0%, which is to be achieved by 30 June 2025. This means that the target quota for the Board of Directors has currently been achieved. The target quota of 0% is justified by the fact that at the time the resolution was passed, all members of the Board of Directors were male and their Board of Directors contracts extended beyond the target date of 30 June 2025. The departure of the third member of the Board of Directors in July 2023 does not change this, as the Board of Directors has since consisted of only two members, who are male. With a proportion of women on the Supervisory Board of 0%, however, the target quota of 16.67% for the Supervisory Board has currently not been met. The reason for this is that when the Supervisory Board was elected in 2023, it was made up exclusively of male members and there have been no changes in the composition of the Supervisory Board since the beginning of the Supervisory Board's term of office in July 2023.

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 66.34% in Baader Bank AG. As no domination agreement has been concluded between the companies, the Board of Directors of Baader Bank AG is obliged to provide a report regarding the relationships with affiliated companies pursuant to Section 312 AktG, which concludes with the following declaration:

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

Unterschleissheim, 21 March 2024

Baader Bank AG
Board of Directors

Nico Baader

Oliver Riedel

Report by the Supervisory Board

Work culture, monitoring and consulting activities of the Supervisory Board

In the 2023 financial year, 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, with the inclusion of the Audit Committee if necessary.

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 verbally, 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 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.

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. The Supervisory Board reports were further optimised once again in 2023 to ensure even better control and monitoring options. Any deviations from the company's financial plans regarding its earnings were promptly discussed in detail and reviewed by the Supervisory Board, including the ad hoc forecast adjustment on 18 October 2023 in the run up to the reporting of the nine-month figures for 2023.

The regular meetings of the Supervisory Board focused on company figures, the Group's earnings performance and employment trends, including those of its subsidiaries and equity investments, and the performance of all business areas. Further topics were determined on an ad hoc basis based on the tasks set by the front and back offices.

The Compliance Officer, the Head of Risk Management, and the Head of Internal Audit regularly submitted their respective reports to the Supervisory Board. These reports are provided to all members of the Supervisory Board.

The Board of Directors and the Supervisory Board also met to advise on the overall banking and business line strategies for the coming years and the associated financial planning. The focus 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 developed strategic positioning and market potential. Progress with the ongoing High Performance Banking strategy programme was reviewed and the sub-strategies and the overall banking strategy were subjected to an annual review by the Board of Directors before being discussed with the Supervisory Board and ultimately adopted.

Changes to the Board of Directors of Baader Bank Aktiengesellschaft

Mr Dietmar von Blücher has resigned his mandate on the Board of Directors with effect from the end of 12 July 2023, and left the Board of Directors on this date. Mr von Blücher had been Chief Financial Officer of Baader Bank since 2021 and was responsible for the Internal Audit, Group Corporate Security, Compliance, Risk Management, Credit, Accounting, Controlling and Back Office divisions. As part of this change, the responsibilities of the Board of Directors in the front and back office divisions have been reallocated in accordance with regulatory requirements. Responsibility for the back office divisions has been taken over by Mr Nico Baader as the Chairman of the Board of Directors. Since then, the front office divisions have been under the responsibility of Mr Oliver Riedel as the Deputy Chairman of the Board of Directors.

As part of Baader Bank's management expansion, Mr Kai Göhring was named Executive Vice President with effect from 1 November 2023. Mr Kai Göhring has been part of the Bank's first-level management team for many years and, as Divisional Head of Group Legal & Corporate Finance, is responsible for key operational and strategic matters within the Bank. In addition, Mr Kai Göhring is a member of the supervisory boards of multiple subsidiaries of the Baader Bank Group.

Sustainability reporting and its auditing

Baader Bank is obligated to prepare a separate combined non-financial report for the first time for the 2023 financial year. The importance of the associated ESG (Environmental, Social, Governance) topics is reflected in the strategic and regulatory considerations. Baader Bank has set up an ESG team to tackle the increasing demands of sustainability reporting.

In accordance with Section 171 (1) Sentence 4 of the German Stock Corporation Act (Aktiengesetz – AktG), the Supervisory Board is required to audit the separate combined non-financial report. To support this audit, the Supervisory Board has commissioned an operational audit by KPMG AG Wirtschaftsprüfungsgesellschaft (“KPMG”). KPMG has issued an unqualified audit opinion on a limited assurance engagement. This report is published on Baader Bank’s website together with the auditor’s report.

Thematic focus areas of the Supervisory Board’s consulting and monitoring activities

In the 2023 financial year, 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.

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 (virtual) execution of Baader Bank’s shareholders’ meeting, were the focus of the Supervisory Board’s activities.

The Supervisory Board also discussed issues regarding the strategy and financial planning of Baader Bank with the Board of Directors. Dividends were also on the agenda. In the case of issues relating to operational and personnel development, the Supervisory Board and Board of Directors reviewed the schedule of responsibilities and the organisational structure of the Bank. Furthermore, significant projects and individual loan commitments were important points in the discussions between the Supervisory Board and the Board of Directors for the 2023 financial year.

In Supervisory Board meetings and in meetings of the Audit Committee, the special audit under banking supervisory regulations carried out pursuant to Section 44 of the German Banking Act (Kreditwesengesetz – KWG) in the 2022 financial year of the German Federal Financial Supervisory Authority (BaFin) was another important topic. In this context, regular reports were made on the work carried out based on the findings of the audit.

The Audit Committee held a total of seven ordinary meetings and one extraordinary meeting in the 2023 financial year. The committee carried out an in-depth review of the annual and consolidated financial statements. In addition, it monitored the effectiveness of the risk management system, in particular that of the internal control systems and the Internal Audit department.

The Remuneration Control Committee, which was established in July 2023, met once in the 2023 financial year and dealt in particular with the appropriateness of the remuneration systems for managers and employees.

The members of the Remuneration Control Committee are Mr Schreyer, Prof Dr Heni, Dr Hagen and Mr Hauser.

Audit of the annual financial statements and consolidated financial statements for 2023

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 2023 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, KPMG, 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 Standards for Financial Statement Audits 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.

In its meeting held on 26 March 2024, 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.

The annual financial statements have therefore been adopted.

The Supervisory Board, taking into account especially the company's annual results from 2023, liquidity and financial planning, supports the proposal by the Board of Directors to pay shareholders a dividend.

Subordinate status report

In accordance with Section 312 AktG, the Board of Directors prepared a report on the company's relationships with affiliated companies. The auditor, KPMG, 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 of Baader Bank Aktiengesellschaft

The Supervisory Board held its regular election at the shareholders' meeting of Baader Bank AG on 6 July 2023. At the ordinary shareholders meeting of Baader Bank, which was held virtually, the shareholders seconded the proposal that the current members of the Supervisory Board – Mr Helmut Schreyer, Prof. Georg Heni and Mr Christoph B. Mast – be elected to the Supervisory Board of Baader Bank for a further period of office. In addition, Dr Louis Hagen was elected by the shareholders' meeting as a new member of the Supervisory Board. Previously, on 17 April 2023, the employees of Baader Bank elected Mr Michael Frank and Mr Timon Hauser to the Supervisory Board as employee representatives in accordance with the provisions of the German One-Third Participation Act (Drittelbeteiligungsgesetz – DrittelbG).

Prof. Georg Heni and Mr Christoph B. Mast continue to sit on the Supervisory Board's Audit Committee, joined by Dr Louis Hagen as a new member.

Thanks to all colleagues

The Supervisory Board wishes to thank the Board of Directors as well as all colleagues of the entire Baader Bank Group for their extraordinary commitment and consistently professional performance in the economically and politically difficult environment of the 2023 financial year, particularly in light of the enormous business volumes to be handled under the increased regulatory constraints that needed to be met as a result of applicable requirements.

Unterschleissheim, 26 March 2024

The Supervisory Board

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Consolidated balance sheet as at 31 December 2023

Assets in EUR	31/12/2023		31/12/2022	
1. Cash reserves				
a) Cash on hand	1,103.33		0.00	
b) Credit balances with central banks	30,749,726.89	30,750,830.22	160,009,655.64	160,009,655.64
including: At Deutsche Bundesbank EUR 30,749,726.89 (previous year: EUR 160,009,655.64)				
2. Loans and advances to banks				
a) Due on demand	3,220,033,059.10		1,395,053,616.59	
b) Other loans and advances	1,445,416.51	3,221,478,475.61	1,371,319.20	1,396,424,935.79
3. Loans and advances to clients		132,025,518.82		90,565,378.31
including: Secured by real estate liens EUR 0.00 (previous year: EUR 0.00)				
4. Debt securities and other fixed-income securities				
a) Bonds and debt securities				
aa) From public issuers	295,279,610.45		488,707,978.23	
including: Eligible as collateral at Deutsche Bundesbank EUR 135,819,814.84 (previous year: EUR 354,810,383.87)				
ab) From other issuers	44,149,022.42	339,428,632.87	48,856,292.68	537,564,270.91
including: Eligible as collateral at Deutsche Bundesbank EUR 0.00 (previous year: EUR 11,007,166.92)				
5. Equities and other variable-income securities		8,232,246.70		8,780,010.87
5a. Trading portfolio		66,521,472.36		57,524,743.18
6. Equity investments		12,626,262.30		11,089,611.04
including: In financial services institutions EUR 464,052.88 (previous year: EUR 464,052.88)				
7. Intangible assets				
a) Concessions, industrial property and similar rights and assets, and licences in such rights and assets acquired for a consideration	13,293,930.79		12,430,499.90	
b) Goodwill	626,657.25		835,541.97	
c) Advance payments made	6,565,883.00	20,486,471.04	1,396,871.81	14,662,913.68
8. Property, plant and equipment		68,059,297.81		71,151,285.47
9. Other assets		19,798,281.47		15,320,237.59
10. Prepaid expenses and deferred charges		8,571,504.83		4,251,919.77
11. Excess of plan assets over pension liabilities		10,098,542.48		8,266,345.48
Total Assets		3,938,077,536.51		2,375,611,307.73

Consolidated income statement

In EUR'000			2023			2022
1. Interest income from						
a) Lending and money market transactions	100,127,532.22					3,801,446.08
b) Fixed-income securities and book-entry securities	11,096,717.42	111,224,249.64				2,399,349.92
2. Interest expenses		-12,951,968.73	98,272,280.91		262,685.76	6,463,481.76
3. Current income from						
a) Equities and other variable-income securities		982,483.18			651,518.01	
b) Equity investments		58,506.00	1,040,989.18		160,195.00	811,713.01
4. Commission income		112,680,596.06			107,515,813.02	
5. Commission expenses		-163,335,599.76	-50,655,003.70		-94,476,638.61	13,039,174.41
6. Net income from the trading portfolio			105,089,496.87			112,243,875.38
7. Revenue			11,396,082.95			21,343,319.61
8. Other operating income			5,679,591.01			5,723,045.00
9. General administrative expenses						
a) Personnel expenses						
aa) Salaries and wages	-62,967,158.21				-56,796,774.95	
ab) Social security and expenses for retirement benefits and support including: For retirement provisions EUR -510,881.45 (previous year: EUR -546,635.84)	-9,605,067.26	-72,572,225.47			-8,196,488.79	
b) Other administrative expenses		-77,187,780.28	-149,760,005.75		-63,084,807.52	-128,078,071.26
10. Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment			-12,013,128.32			-11,133,327.92
11. Other operating expenses			-1,409,010.58			-1,405,251.85
12. Depreciation, amortisation and write-downs on receivables and certain securities as well as allocations for provisions in lending business			0.00			0.00
13. Income from the write-up of receivables and certain securities as well as the reversal of provisions in the lending business			210,899.59			1,674,583.42
14. Depreciation, amortisation and write-downs on equity investments, shares in affiliates and securities treated as assets			0.00			-191,345.59
15. Income from write-ups of equity investments, interests in affiliated companies and securities treated as assets			2,916,278.53			0.00
16. Expenses from the addition to the Fund for general banking risks			-6,810,000.00			-8,310,000.00
of which: Additions pursuant to Section 340e (4) HGB EUR -6,810,000.00 (previous year: EUR -8,310,000.00)						
17. Profit/loss on ordinary activities			3,958,470.69			12,181,195.97

Continued on next page

for the period from 1 January 2023 to 31 December 2023

In EUR'000		2023		2022
18. Taxes on income		-1,073,927.45		-3,239,189.61
19. Other taxes not reported under Item 11		-55,818.18		-58,913.24
20. Consolidated net income		2,828,725.06		8,883,093.12
21. Non-controlling interests		-37,702.44		-192,597.70
22. Profit of the parent company brought forward		227,553.82		86,566.69
23. Withdrawals from retained earnings				
a) From other retained earnings	3,707,966.51	3,707,966.51	10,811,305.38	10,811,305.38
24. Transfers to retained earnings				
a) To other retained earnings	-6,536,501.11	-6,536,501.11	-15,420,948.12	-15,420,948.12
25. Consolidated net retained profit		190,041.84		4,167,419.37

Statement of changes in equity as at 31 December 2023

In EUR'000	Parent company			
	Subscribed capital/ Ordinary shares	Capital reserve	Consolidated earnings	
			Retained earnings	Balance sheet profit / loss
As at 1 January 2023	48,797	43,446	66,174	4,167
Purchase / withdrawal of treasury shares	0	0	0	0
Dividends paid	0	0	0	-2,439
Change in scope of consolidation	0	0	0	0
Other changes	0	0	-171	0
Consolidated net profit for the year	0	0	0	2,791
Other consolidated income	0	0	0	0
Total comprehensive income	0	0	0	2,791
Transfer to / withdrawal from reserves	0	0	4,329	-4,329
As at 31 December 2023	48,797	43,446	70,332	190

Statement of changes in equity as at 31 December 2022

In EUR'000	Parent company			
	Subscribed capital/ Ordinary shares	Capital reserve	Consolidated earnings	
			Retained earnings	Balance sheet profit / loss
As at 1 January 2022	46,688	37,645	56,565	21,427
Purchase / withdrawal of treasury shares	0	0	0	0
Dividends paid	0	0	0	-8,431
Change in scope of consolidation	0	0	0	0
Other changes	2,109	5,801	0	-7,910
Consolidated net profit for the year	0	0	0	8,690
Other consolidated income	0	0	0	0
Total comprehensive income	0	0	0	8,690
Transfer to / withdrawal from reserves	0	0	9,609	-9,609
As at 31 December 2022	48,797	43,446	66,174	4,167

Treasury shares	Equity	Difference in equity due to currency conversion	Non-controlling interests	Consolidated equity
0	162,584	1,456	899	164,939
0	0	0	0	0
0	-2,439	0	-188	-2,627
0	0	0	0	0
0	-171	0	0	-171
0	2,791	0	38	2,829
0	0	543	0	543
0	2,791	543	38	3,372
0	0	0	0	0
0	162,765	1,999	749	165,513

Treasury shares	Equity	Difference in equity due to currency conversion	Non-controlling interests	Consolidated equity
0	162,325	1,194	944	164,463
0	0	0	0	0
0	-8,431	0	-238	-8,669
0	0	0	0	0
0	0	0	0	0
0	8,690	0	193	8,883
0	0	262	0	262
0	8,690	262	193	9,145
0	0	0	0	0
0	162,584	1,456	899	164,939

Cash flow statement

In EUR'000	2023	2022
1. Net income/loss for the period (incl. shares of minority interests)	2,829	8,883
Non-cash items and reconciliation to the cash flow from ordinary activities included in net income/loss for the period:		
2. Amortisation and depreciation, write-downs and write-ups on receivables and fixed assets	7,359	11,033
3. Change in provisions	4,107	-22,983
4. Other non-cash expenses/income	-2,274	2,860
5. Gains and losses from the disposal of fixed assets	1,565	1,639
6. Other adjustments (net)	-89,119	6,040
7. Sub-total	-75,533	7,472
Change in assets and liabilities from ordinary activities:		
8. Loans and advances		
8a. Towards banks	-73,316	45,275
8b. Towards clients	-42,292	11,591
9. Securities (unless fixed assets)	206,696	-248,633
10. Other assets from operating activities	-9,182	-13,476
11. Liabilities		
11a. Towards banks	-42,010	70,805
11b. Towards clients	1,552,270	496,700
12. Liabilities held for trading	8,161	494
13. Other liabilities from operating activities	32,875	2,177
14. Interest and dividends received	104,839	5,892
15. Interest paid	-12,631	215
16. Income tax payments	-3,260	-12,147
17. Cash flow from operating activities	1,646,617	366,365
18. Proceeds from the disposal of		
18a. Financial assets	428,045	0
19. Payments made for investments in		
19a. Financial assets	-436,028	-266,854
19b. Property, plant and equipment	-3,840	-3,468
19c. Intangible assets	-10,869	-7,427
20. Proceeds from the sale of consolidated companies and other business units	0	0
21. Cash flow from investing activities	-22,692	-277,749
22. Payments to business owners and minority interests		
22a. Dividend payments	-2,627	-8,668
22b. Other payments	0	0
23. Changes in cash flow from other loan capital (net)	0	0
24. Cash flow from financing activities	-2,627	-8,668
25. Net change in cash and cash equivalents (the sum of 17, 21 and 24)	1,621,298	79,948
26. Effects of changes in exchange rates and measurement on cash and cash equivalents	470	359
27. Changes in cash and cash equivalents due to the scope of consolidation	0	0
28. Cash and cash equivalents at start of period	1,464,600¹	1,384,293¹
29. Cash and cash equivalents at end of period	3,086,368	1,464,600

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

Notes to the Consolidated Financial Statements

I. Basis of preparation

The consolidated financial statements of Baader Bank AG for financial year 2023 were prepared for the higher-level group of companies in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Regulation on Accounting Principles for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV). The provisions of the German Stock Corporation Act (Aktiengesetz – AktG) were observed.

The consolidated financial statements are also based on the standards issued by the Accounting Standards Committee of Germany (Deutsches Rechnungslegungs Standards Committee e.V. – DRSC) and published by the Federal Ministry of Justice and Consumer Protection (Bundesministerium der Justiz und für Verbraucherschutz – BMJV) pursuant to Section 342 (2) 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 2023. 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), the supplementary provisions applying to banks and financial services institutions (Sections 340 et seq. HGB) and the provisions of RechKredV 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, in accordance with IDW RS BFA Statement 7, general value adjustments are carried out. The regulations are applied to the balance sheet items Loans and advances to banks and clients (Sections 14, 15 RechKredV). In addition, contingent liabilities and other obligations (Sections 26, 27 RechKredV) also fall within the substantive scope of application. 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. In the financial year, there was no significant increase in the default risk and no general deterioration in the economic situation with a demonstrable impact on the lending portfolio.

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. In the event that an impairment is likely to be permanent, write-downs are performed at the lower fair value. If necessary, write-ups are carried out in accordance with the requirement to reverse impairments (Section 253 (5) HGB). Market values are used to calculate the fair value of the securities measured as fixed assets. In the absence of an active market, the fair value is determined using recognised valuation models. Offsetting permitted pursuant to Section 340c (2) HGB is applied. The measurement option pursuant to Section 340e (1) Sentence 3 HGB in conjunction with Section 253 (3) Sentence 6 HGB is not exercised.

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

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

Trading portfolio

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

The starting point for calculating the risk discount is the value at risk (VaR) measure. Value at risk refers to a risk measurement that indicates the level of loss on the portfolio in question that will not be exceeded with a given probability over a given time horizon. Baader Bank AG uses the Monte Carlo simulation to calculate the market price risk. A confidence level of 99.9% is assumed for the calculation and the required parameters (volatilities, correlations etc.) are estimated on the basis of historical data. This is done using the exponential smoothing method so that, with the selected decay factor of 0.97, the last 98 days or so have the greatest effect on the parameters – 95% when considered cumulatively. For the purposes of risk discount, (de facto) holding periods relevant to the portfolio of between 0.25 and 3 days are used for the calculation as at 31 December 2023.

The risk discount is determined for all portfolios relating to assets and liabilities held for trading. 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 2023.

Securities lending

As the parent company, Baader Bank AG enters into securities lending agreements 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 2023, there were no reclassifications 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 call or put options 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

The new version of 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 AG exercised the option not to include the directly allocable refinancing of non-interest-bearing assets or the corresponding assets. Baader Bank AG 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 associates 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.

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

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

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

Other assets

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

Prepaid expenses and deferred income

Transitory items are recognised under prepaid expenses and deferred income. They are reversed at the time that the recognised expense or income has arisen from an economic point of view.

Liabilities and provisions

Liabilities are recognised at their settlement amounts.

Pension provisions are measured using the pro rata degressive projected unit credit method, applying the average market interest rate resulting from an assumed remaining duration of 15 years (10-year average). As at the reporting date, the Deutsche Bundesbank (the German central bank) had set this interest rate at 1.82%. The comparative interest rate used for the required disclosures in the notes to the annual financial statements (7-year average) is 1.74% 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.

Under Section 340e (4) HGB, banks are required to create a special "Fund for general banking risks" item in accordance with Section 340g HGB. At least 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).

Equity

Subscribed capital is recognised at the nominal amount. Capital reserves include premiums from the issue of shares. In addition, retained earnings includes amounts recognised from earnings in the financial year or in a previous financial year.

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 2023 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.

Currency translation

Gains or losses from foreign currency translation are in principle treated depending on whether the foreign currency transactions are allocated to the trading portfolio or covered specifically. There was no specific cover as at the balance sheet date. If the gains or losses are allocated to the trading portfolio, both the expenses and the income from the foreign currency translation are recognised through the income statement and shown under other operating result. For foreign currency items with a remaining term of up to one year, gross expenses and income are likewise recognised under other operating result. However, for foreign currency items with a remaining term of more than one year, only the expenses from the foreign currency translation are taken into account through the income statement in accordance with the imparity principle and recognised under other operating expenses.

The asset and liability items for balances in foreign currencies are translated into euro at the mean spot exchange rate on the reporting date, with the exception of equity, which is translated into euro 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.

Net commission income

Net commission income includes income and expenses that are part of the service business. According to Section 30 RechKredV, these include payment transactions, foreign trade business, securities commission business and account business.

In addition, trade-induced commission expenses resulting from brokerage fees from order flow providers are reported within net commission income.

III. Changes in accounting policies

There were no changes in accounting policies in the financial year 2023.

IV. Scope of consolidation

The consolidated financial statements as at 31 December 2023 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 2023, and were consolidated in full:

Name/headquarters	Share of capital %	Share capital EUR'000	Equity EUR'000	Total assets EUR'000	Net profit/loss for the year EUR'000	First-time consolidation
Baader Helvea AG, Zurich (Switzerland) ²	100.00	5,428	9,813	10,425	-584	31 August 2013
Baader Helvea Inc., New York (United States of America) ^{1,3}	100.00	1,597	3,198	3,475	965	31 August 2013
Baader Helvea Ltd., London (United Kingdom) ^{1,4}	100.00	943	4,066	4,530	788	31 August 2013
Baader & Heins Capital Management AG, Unterschleissheim	75.00	50	2,679	3,903	151	1 January 2005
Selan Holding GmbH, Unterschleissheim	100.00	25	8,634	8,634	-463	1 January 2017
Selan d.o.o., Senj (Croatia) ⁵	100.00	2,145	27,463	33,514	2,795	1 January 2017

¹ Indirect holding via the investment in Baader Helvea AG, Zurich. | ² The figures for the financial year as at 31 December 2023 have been translated (EUR/CHF 0.92600). | ³ The figures for the financial year as at 31 December 2023 have been translated (EUR/USD 1.10500). | ⁴ The figures for the financial year as at 31 December 2023 have been translated (EUR/GBP 0.86905). | ⁵ Indirect holding via the investment in Selan Holding GmbH, Unterschleissheim.

There were no changes to the scope of consolidation in the financial year 2023.

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 2023, as permitted by Section 296 (2) Sentence 1 HGB.

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

V. Consolidation methods

The consolidated financial statements include financial information on Baader Bank AG as the parent company and its 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 that 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 that are currently exercisable or convertible is taken into account when assessing whether the Group controls another company. There were no potential voting rights as at the reporting date.

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

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

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

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

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

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

If necessary, the assets and liabilities included in the consolidated financial statements in accordance with Section 300 (2) HGB are valued uniformly in accordance with the accounting principles applicable to the annual financial statements of the parent company.

Carrying amount method

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

The difference between the proportional equity and the carrying amount of the investments is allocated to the hidden reserves and charges attributable to the subsidiary's assets and liabilities in proportion to the amount of holdings. The remaining difference represents goodwill or negative goodwill. The goodwill resulting from this process was offset against revenue reserves 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, then 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.

There were no potential voting rights as at the reporting date.

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 remained unchanged in financial year 2023. As in the previous year, this figure remains unchanged at EUR 0 thousand.

VI. Notes to the balance sheet

Foreign currency holdings

As at the reporting date, assets in foreign currency amounted to (translated) EUR 83,905 thousand (previous year: EUR 185,522 thousand). Liabilities denominated in foreign currency totalled EUR 71,284 thousand (previous year: EUR 134,234 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	566	159	19	790	4
CAD	1,233	1	0	1,234	0
CHF	17,471	15,537	1,733	13,685	786
CZK	111	0	0	110	0
DKK	108	10	0	54	0
GBP	2,271	398	68	3,556	376
HKD	646	0	16	681	0
HUF	1	0	0	0	0
INR	15	0	0	0	0
JPY	129	1	0	127	0
MXN	1	0	0	0	0
MYR	2	0	0	0	0
NOK	873	0	0	497	0
NZD	48	0	0	54	0
OMR	6	0	0	0	0
PLN	3	0	0	0	0
SEK	1	0	0	7	0
SGD	75	3	0	74	3
THB	117	0	0	0	0
USD	14,457	27,498	326	48,257	983
ZAR	2	0	0	6	0
	38,136	43,607	2,162	69,132	2,152

Foreign currency translation resulted in expenses amounting to EUR 80 thousand (previous year: EUR 303 thousand), which are recognised under other operating expenses, and income in the amount of EUR 1,488 thousand (previous year: EUR 2,074 thousand) recognised under other operating income.

Cash reserves

Cash reserves consist of credit balances with Deutsche Bundesbank in the amount of EUR 30,750 thousand (previous year: EUR 160,010 thousand).

Loans and advances to banks

Loans and advances to banks comprise bank balances due on demand in the amount of EUR 3,115,554 thousand (previous year: EUR 1,351,312 thousand) as well as loans and advances due on demand and other loans and advances in the amount of EUR 105,925 thousand (previous year: EUR 45,113 thousand). There are no receivables from associates (previous year: EUR 0 thousand).

Loans and advances to clients

Loans and advances to clients amount to EUR 132,026 thousand (previous year: EUR 90,565 thousand). Loans and advances to associates amount to EUR 1 thousand (previous year: EUR 1 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 339,429 thousand and do not include any receivables from affiliated or associates (previous year: EUR 0 thousand).

The debt securities and other fixed-income securities contain classes measured as fixed assets in the amount of EUR 275,272 thousand. The fair value for classes valued as fixed assets, which are reported above their fair value as there was no unscheduled depreciation pursuant to Section 253 (3) Sentence 6 HGB, amounted to EUR 112,968 thousand as at 31 December 2023 (carrying amount: EUR 113,046 thousand). There are no reasons for an unscheduled depreciation, as the classes concerned relate exclusively to risk-free government bonds that are not permanently impaired. The other items are allocated to the liquidity reserve.

In EUR'000	31/12/2023	31/12/2022
Bonds and debt securities	331,176	536,088
Accrued interest	8,253	1,476
Debt securities and other fixed-income securities	339,429	537,564

In the coming year, bonds and debt securities totalling EUR 339,429 thousand will fall due.

Equities and other variable-income securities

As of 31 December 2023, the Baader Bank Group does not report any investment interests under equities and other variable-income securities.

Breakdown of residual maturities

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

In EUR'000	Up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years
Other loans and advances to banks	1,445	0	0	0
Loans and advances to clients	129,396	24	2,606	0
Bank loans and advances with an agreed term or notice period	2,588	0	0	0
Other liabilities to clients with an agreed term or notice period	458	17,979	15,000	25,000

In EUR'000	Cost of acquisition or production			
	As at 01/01/2023	Additions	Transfers	Disposals
Intangible assets	118,575	10,869	0	-191
Concessions, industrial property and similar rights and assets, and licenses in such rights and assets acquired for a consideration	83,767	5,632	68	-191
Goodwill	33,411	0	0	0
Advance payments for intangible assets	1,397	5,237	-68	0
Property, plant and equipment	147,779	4,381	0	-719
Land and buildings	57,229	121	1,180	0
Furniture and office equipment	85,650	4,260	0	-179
Advance payments for property, plant and equipment and assets under construction	4,900	0	-1,180	-540
Financial assets	279,756	436,028	0	-422,652
Equity investments	13,635	1,536	0	0
Securities held as fixed assets	266,121	434,492	0	-422,652

Breakdown of marketable securities by listed and unlisted securities:

In EUR'000	Non-marketable securities	Marketable securities	
		Listed	Unlisted
Debt securities and other fixed-income securities	0	339,429	0
Equities and other variable-income securities	0	8,232	0
Equity investments	11,162	0	1,464

Fixed assets

From the capitalised goodwill resulting from the acquisition of **Selan Holding GmbH, Unterschleissheim**, it is clear that a useful life of five years is entirely insufficient. Taking into account Section 253 (3) Sentences 3 and 4 HGB, capitalised goodwill is also amortised over 10 years. In the financial year 2022, no unscheduled depreciation was carried out (previous year: EUR 0 thousand).

The movements in and composition of fixed assets are shown in the following schedule of fixed assets (table below):

Depreciation and amortisation				Carrying amount	
As at 01/01/2023	of which 2023	of which disposals	As at 31/12/2023	As at 31/12/2023	As at 31/12/2022
-103,913	-5,019	165	-108,766	20,486	14,663
-71,338	-4,810	165	-75,982	13,293	12,430
-32,575	-209	0	-32,784	627	836
0	0	0	0	6,566	1,397
-76,628	-6,995	241	-83,382	68,059	71,151
-23,054	-757	0	-23,810	34,719	34,176
-53,574	-6,238	241	-59,572	30,160	32,075
0	0	0	0	3,180	4,900
-2,757	2,916	-5,393	-5,234	287,898	276,999
-2,545	0	0	-2,545	12,626	11,090
-212	2,916	-5,393	-2,689	275,272	265,909

Other assets

Other liabilities include:

In EUR'000	31/12/2023	31/12/2022
Physical gold holdings	13,139	13,139
Other tax receivables	6,189	1,758
Other trade receivables	406	362
Reinsurance claims from life insurance policies	64	61
Other assets	19,798	15,320

Prepaid expenses and deferred charges

Prepaid expenses and deferred charges relate to an amount of EUR 5 thousand (previous year: EUR 8 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 mainly used to refinance the securities trading business. There are no liabilities to associates (previous year: EUR 0 thousand).

Liabilities to clients

As at the reporting date, client deposits due on demand amounted to EUR 3,487,696 thousand (previous year: EUR 1,922,426 thousand) and payables to clients with an agreed term or notice period amounted to EUR 58,437 thousand (previous year: EUR 71,758 thousand), which were primarily attributed to promissory note loans issued. There are no liabilities to associates (previous year: EUR 0 thousand).

Other liabilities

Other liabilities include:

In EUR'000	31/12/2023	31/12/2022
Trade payables	21,490	9,177
Tax liabilities	21,477	2,966
Other liabilities	2,694	1,522
Liabilities from capital market services	2,630	1,700
Other liabilities	48,291	15,365

Pension provisions

As at 31 December 2023, pension provisions amounted to EUR 13,672 thousand (previous year: EUR 13,716 thousand) and are determined using the procedure described in the "Liabilities and provisions" section. For the reinsurance of liabilities, precious metals (physical gold) and reinsurance policies are available.

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

	31/12/2023	31/12/2022
Actuarial interest rate	1.82 %	1.78 %
Changes in salaries	2.00 % bzw. 3.00 %	2.00 % bzw. 3.00 %
Pension adjustments	2.00 %	2.00 %

In compliance with Section 253 (6) HGB, a difference of EUR 76 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 2023.

Plan assets

In EUR'000	31/12/2023	31/12/2022
Cost	18,402	18,349
Fair value	20,784	18,927
Offset liabilities	10,685	10,661

Reinsurance policies and precious metals qualifying as plan assets are netted against the pension obligations. In addition, an excess of plan assets over pension liabilities totalling EUR 10,099 thousand is reported within assets (previous year: EUR 8,266 thousand). On a net basis, this results in a balance sheet recognition of pension provisions in the amount of EUR 2,987 thousand (previous year: EUR 3,038 thousand). Income and expenses from the offset assets are recognised in the net amount of EUR 1,426 thousand in compliance with Section 246 (2) HGB under other operating income. Expenses in the amount of EUR 134 thousand were offset against income in the amount of EUR 1,560 thousand under application of Section 246 (2) Sentence 2 HGB.

Other provisions

Other provisions are comprised as follows:

In EUR'000	31/12/2023	31/12/2022
Administrative and commission expenses	15,034	7,753
Personnel provisions	7,817	11,020
Auditing, legal and consulting costs	1,163	461
Other provisions	24,014	19,234

Fund for general banking risks

The special item was funded with EUR 62,081 thousand on the basis of additions in the amount of EUR 6,810 thousand as at the reporting date of 31 December 2023.

Trading portfolio

Assets and liabilities held for trading as at 31 December 2023 were as follows:

Assets held for trading In EUR'000	31/12/2023	31/12/2022
Derivative financial instruments	190	105
Debt securities and other fixed-income securities	59,890	18,969
Equities and other variable-income securities	7,127	39,007
Risk discount	-686	-556
Assets held for trading on the balance sheet	66,521	57,525
Liabilities held for trading In EUR'000	31/12/2023	31/12/2022
Derivative financial instruments	43	6
Liabilities	11,313	3,189
Liabilities held for trading on the balance sheet	11,356	3,195

Valuation units

No valuation units as defined by Section 254 HGB were created in the financial year 2023.

Derivative financial instruments

Baader Bank AG uses derivative financial instruments in particular to hedge assets/liabilities and to manage the foreign currency position. In addition, small volumes of derivative financial transactions are allocated to the trading portfolio.

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

The information contained in the following table is based on the requirements of Section 285 Nos. 19 and 20 HGB in conjunction with Section 36 RechKredV. The nominal values shown represent the gross volume of all purchases and sales. They are a reference value for the determination of mutually agreed compensation payments, but not for receivables and liabilities that could be included on the balance sheet.

Futures transactions

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

Transaction type	Currency	Nominal
		EUR'000
Spot buy	AUD	14
Spot buy	CAD	127
Spot buy	CHF	1,707
Spot buy	DKK	30
Spot buy	GBP	98
Spot buy	JPY	102
Spot buy	SEK	14
Spot buy	USD	1,321
Futures buy	GBP	5,177
Futures buy	USD	13,915
Spot sell	CAD	-134
Spot sell	CHF	-993
Spot sell	DKK	-93
Spot sell	GBP	-92
Spot sell	JPY	-100
Spot sell	NOK	-375
Spot sell	USD	-5,095

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

The valuation result for open futures transactions amounted to EUR 21 thousand (change in market value) and is reported under other assets.

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 (next page):

Assets held for trading

Description	Category	Maturity	Contracts (Units)	Currency	Market price	Market value	Cost value	Carrying amount
EUR/USD FX Future	Forex futures	January 2024	8	USD	1.1046	1,104,600.00	1,096,365.60	8,234.40 (equivalent to EUR 7,451.95)
EUR/USD FX Future	Forex futures	March 2024	39	USD	1.1075	5,399,062.50	5,392,882.30	6,180.20 (equivalent to EUR 5,592.94)
Volatility Index (VIX®) Future	Equity index futures	February 2024	40	USD	15.30	612,000.00	610,575.20	1,424.80 (equivalent to EUR 1,289.41)
E-Mini S&P 500® Future (ESH4)	Equity index futures	March 2024	25	USD	4,820.00	6,025,000.00	6,036,320.50	11,320.50 (equivalent to EUR 10,244.80)
E-Mini S&P 500® Future Option	Share index option	March 2024	20	USD	63.50	63,500.00	85,518.00	63,500.00 (equivalent to EUR 57,466.06)
E-Mini NASDAQ 100® Future Option	Share index option	March 2024	10	USD	310.25	62,050.00	68,409.00	62,050.00 (equivalent to EUR 56,153.85)
DAX® Future (FDAX)	Equity index futures	March 2024	32	EUR	16,913.00	13,530,400.00	13,626,326.00	95,926.00
Micro-DAX®-Futures (FDXS)	Equity index futures	March 2024	17	EUR	16,913.00	287,521.00	289,830.79	2,309.79
EURO STOXX 50® Index Future (FESX)	Equity index futures	March 2024	78	EUR	4,543.00	3,543,540.00	3,555,061.14	11,521.14

Liabilities held for trading

Description	Category	Maturity	Contracts (Units)	Currency	Market price	Market value	Cost value	Carrying amount
Hang Seng Index Futures (HSI)	Equity index futures	March 2024	4	HKD	17,196.00	3,439,200.00	3,301,445.84	-137,754.16 (equivalent to EUR -15,959.65)
ASX SPI 200™ Futures	Equity index futures	March 2024	3	AUD	7,585.00	568,875.00	540,745.35	-28,129.65 (equivalent to EUR -17,296.72)
Volatility Index (VIX®) Future	Equity index futures	January 2024	10	USD	14.05	140,500.00	142,268.80	-1,768.80 (equivalent to EUR -1,600.72)
Gold Future	Commodity futures	February 2024	1	USD	2,071.80	207,180.00	209,401.90	-2,221.90 (entspricht -2,010.77)
E-Mini NASDAQ 100® Future (NQH4)	Equity index futures	March 2024	2	USD	17,023.50	680,940.00	683,183.36	-2,243.36 (equivalent to EUR -2,030.19)
MSCI Emerging Markets Index-Future (FMEM)	Equity index futures	March 2024	9	USD	538.70	484,830.00	479,935.72	-4,894.28 (equivalent to EUR -4,429.21)

Risk factors

Cash flow fluctuations arise mainly due to the change in value of the foreign exchange rate (USD 125,000 per contract)

Cash flow fluctuations arise mainly due to the change in value of the foreign exchange rate (USD 125,000 per contract)

Cash flow fluctuations arise mainly due to the change in value of the S&P 500 index (USD 1,000 per contract)

Cash flow fluctuations arise mainly due to the change in value of the S&P 500 index (USD 50 per contract)

Cash flow fluctuations arise mainly due to the change in value of the S&P 500 index (USD 50 per contract)

Cash flow fluctuations arise mainly due to the change in value of the Nasdaq 100 index (USD 20 per contract)

Cash flow fluctuations arise mainly due to the change in value of the DAX index (EUR 25 per contract)

Cash flow fluctuations arise mainly due to the change in value of the DAX index, the blue-chip index of Deutsche Börse AG (EUR 1 per contract)

Cash flow fluctuations arise mainly due to the change in value of the Euro Stoxx 50 index (EUR 10 per contract)

Cash flows

- Daily: difference equalisation
- Fulfilment by delivery

- Daily: difference equalisation
- Fulfilment by delivery

- Daily: difference equalisation
- Fulfilment by delivery

- Daily: difference equalisation
- Fulfilment by delivery

- Daily: difference equalisation
- Cash settlement takes place on the first exchange trading day after the final settlement day

- Daily: difference equalisation
- Cash settlement takes place on the first exchange trading day after the final settlement day

- Daily: difference equalisation
- Fulfilment by delivery

- Daily: difference equalisation
- Fulfilment by delivery

- Daily: difference equalisation
 - Fulfilment by delivery
-

Risk factors

Cash flow fluctuations arise mainly from the change in value of the Hang Seng index (HKD 50 per contract)

Cash flow fluctuations arise mainly due to the change in value of the S&P/ASX 200 index (AUD 25 per contract)

Cash flow fluctuations arise mainly due to the change in value of the S&P 500 index (USD 1,000 per contract)

Cash flow fluctuations arise mainly from the change in value of the commodity gold (USD 100 per contract)

Cash flow fluctuations arise mainly due to the change in value of the Nasdaq 100 index (USD 20 per contract)

Cash flow fluctuations arise mainly due to the change in value of the MSCI Emerging Markets Index (USD 100 per contract)

Cash flows

- Daily: difference equalisation
- Fulfilment by delivery

- Daily: difference equalisation
- Fulfilment by delivery

- Daily: difference equalisation
- Fulfilment by delivery

- Daily: difference equalisation
- Fulfilment by delivery

- Daily: difference equalisation
- Fulfilment by delivery

- Daily: difference equalisation
 - Fulfilment by delivery
-

Interests in investment funds

At 31 December 2023, the Baader Bank Group holds no more than a 10% interest in special assets within the meaning of Section 1 (10) of the German Investment Code (Kapitalanlagegesetzbuch – KAGB) or investment shares in investment stock companies with variable capital within the meaning of Sections 108–123 KAGB or comparable EU investment assets or comparable foreign investment assets.

Assets transferred as collateral

For the liabilities below, assets with the collateral values indicated were deposited as collateral as at 31 December 2023:

In EUR'000	Mortgages	Securities (liquidity reserve)	Bank balances
Bank loans and advances	0	0	97.104

Deferred taxes

Deferred taxes are calculated on the basis of differences in value between commercial and tax law, which mainly arise from recognition of pension provisions and the Fund for general banking risks (deferred tax assets) as well as the useful life of the office building, wind turbines and risk provisions (deferred tax liabilities). The tax rate used is 28.15%. 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 48,797 thousand as at 31 December 2023 (previous year: EUR 48,797 thousand). It is subdivided into 48,797,311 (previous year: 48,797,311) no-par bearer shares (ordinary shares) with an imputed nominal value of EUR 1.00 per share.

2. Authorised capital

a) Authorised Capital 2021

The company's shareholders' meeting created Authorised Capital 2021 by means of the resolution dated 1 July 2021 having the following content:

The Board of Directors is authorised, subject to Supervisory Board approval, to increase the share capital of the Company by up to a total of EUR 20,065,712 (Authorised Capital 2021) on or before 30 June 2026 by means of one or more issues of up to 20,065,712 new no-par bearer

shares against cash contributions and/or contributions in kind. When using Authorised Capital 2021, shareholders must be granted a subscription right. The shares may also be acquired by one or more credit institutions or companies, within the meaning of Section 186 (5) Sentence 1 AktG, designated by the Management Board, with the obligation that these shares be offered to the shareholders for subscription (indirect subscription right). The Board of Directors is authorised to exclude the shareholders' statutory subscription rights with the consent of the Supervisory Board

- in order to exclude fractions from the subscription right;
- if the new shares are issued against cash contributions at an issue price that does not fall significantly below the stock market price of the shares already listed in m:access at the time the issue price is definitively set within the meaning of Section 186 (3) Sentence 4 AktG, and provided that the total shares issued during the period in which the authorisation takes effect pursuant to Section 186 (3) Sentence 4 AktG or, if the value is lower, at the time the authorisation is exercised, do not exceed 10% of the share capital neither at the time the authorisation takes effect nor – if the value is lower – at the time the authorisation is exercised. This 10% limit is to be applied to those shares which were issued or sold during the period in which the authorisation was in effect until the time the respective authorisation is exercised in accordance with or corresponding to Section 186 (3) Sentence 4 AktG, with the exclusion of shareholders' subscription rights. The shares that were issued or could still be issued by the company based on the convertible debt securities and/or warrants issued at the time of the respective exercise of the authorisation must also be included if the convertible debt securities and/or warrants were issued by the company or its Group companies after the effectiveness of this authorisation in direct or corresponding application of Section 186 (3) Sentence 4 AktG under exclusion of the shareholders' subscription right;
- in order to issue the shares against contributions in kind to acquire businesses, interests in businesses, business units or assets, in particular dividend claims, including by means of an exchange of shares or company mergers.

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

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

In financial year 2022, an amount of EUR 2,109,309 of Authorised Capital 2021 was used through the issue of 2,109,309 no-par bearer shares against a contribution in kind in the context of the 2022 scrip dividend. The dividend claims arising from the resolution on appropriation of profit of the ordinary shareholders' meeting of 7 July 2022 form a contribution in kind for the new shares for those shareholders who have opted to acquire shares as part of the scrip dividend.

On 31 December 2023, the remaining Authorised Capital still amounted to a total of EUR 20,065,712, which can be utilised with the approval of the Supervisory Board through the issue of up to 20,065,712 new no-par bearer shares by means of one or more issues.

b) Other authorised capital

There was no other authorised capital in financial year 2023.

3. Contingent capital

a) Contingent Capital 2020

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

The company's share capital is conditionally increased by up to EUR 22,954 thousand, divided into up to 22,954,341 no-par bearer shares (Contingent Capital 2020). The contingent capital increase will 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 shareholders' 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 will be issued at an option and conversion price to be determined in accordance with Authorisation 2020. The new shares will have dividend rights starting as of the beginning of the financial year in which they are issued due to the exercise of conversion or option rights, or fulfilment of corresponding conversion or option obligations; insofar as legally permissible, the Board of Directors, subject to Supervisory Board approval and by way of derogation from Section 60 (2) AktG, may also stipulate dividend rights for new shares for a financial year that has already closed. The Board of Directors is authorised, subject to Supervisory Board approval, to determine further details for the implementation of the contingent capital increase.

b) Other contingent capital

There was no other utilisable contingent capital in financial year 2023.

4. Treasury shares

a) Authorisations to buy treasury shares

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

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

- a) The current authorisation to acquire treasury shares pursuant to Section 71 (1) No. 8 AktG, granted by the shareholders' meeting on 1 July 2019 under agenda item 7 and valid until 30 June 2024, is revoked.
- b) The Board of Directors is authorised to acquire treasury shares of the company up to an amount of 10% of the current share capital with the consent of the Supervisory Board until 30 June 2026. 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 10% of the company's share capital.

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

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

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 of the third trading day preceding the announcement of the adaptation is applied (in Xetra trading or a comparable successor system replacing the Xetra system). If the volume of shares offered exceeds the designated repurchase volume, then offers may be accepted in proportion to the respective shares offered or by quota (if applicable by creating transferable put options). A privileged acceptance of small offers or small contingents of offers of up to 50 shares can be provided for.

- c) The Board of Directors is authorised, with the consent of the Supervisory Board, to use treasury shares that are or have been acquired on the basis of this authorisation or 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 to transfer them, to individuals who are employed by the company or one of its affiliates.

- d) Moreover, the Board of Directors is authorised to redeem designated shares without such redemption requiring an additional resolution by the shareholders' meeting. With the consent of the Supervisory Board, shares can also be redeemed in such a manner that the share capital does not change, but rather that through the redemption the proportion of share capital per remaining common share is increased pursuant to Section 8 (3) AktG (simplified redemption procedure according to Section 237 (3) No. 3 AktG). If the redemption is performed using the simplified procedure, then the Supervisory Board is authorised to adjust the number of no-par bearer shares contained in the company's Articles of Association.
- e) In addition, the Board of Directors is authorised to offer to all shareholders the 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 so that they can acquire treasury shares against (partial) assignment of their entitlement to the payment of the dividend arising from the profit appropriation decision of the shareholders' meeting (scrip dividend). If the shares are used for the aforementioned purpose of the scrip dividend, the Board of Directors is authorised to exclude the subscription right.
- f) The authorisations may be exercised as a whole or in partial amounts, once or more than once, for one or more purposes, by the company or also by Group companies or by third parties for the account of the company or its Group companies.

b) Number of treasury shares

The company did not hold any treasury shares as at 31 December 2023. This is equivalent to 0% of the share capital. The share capital held as treasury shares amounts to EUR 0.00.

Capital reserves and retained earnings

The capital reserves amounted to an unchanged EUR 43,445 thousand as at 31 December 2023 (previous year: EUR 43,445 thousand). The changes to retained earnings are presented in the statement of changes in equity of the Baader Bank Group, which forms a separate component of the consolidated financial statements.

Consolidated net retained profit

In EUR'000	31/12/2023	31/12/2022
Consolidated net income	2,829	8,883
Non-controlling interests	-38	-193
Consolidated income after non-controlling interests	2,791	8,690
Net profit/loss of the parent company brought forward	228	87
Withdrawals from retained earnings	3,708	10,811
Transfers to retained earnings	-6,537	-15,421
Consolidated net retained profit	190	4.167

The net profit of Baader Bank AG for financial year 2023 amounted to EUR -38 thousand. If the profit of EUR 228 thousand brought forward from the previous years is taken into account, a balance sheet profit in the amount of EUR 190 thousand arises. The Board of Directors and the Supervisory Board propose to the shareholders' meeting that the net retained profit be carried forward to the new account.

Contingent liabilities

Contingent liabilities result from guarantees given to employees in the amount of EUR 4 thousand (previous year: EUR 8 thousand). No guarantees were given to members of the Board of Directors (previous year: EUR 0 thousand).

In addition, there are no revocable credit commitments to members of the Board of Directors (previous year: EUR 0 thousand).

Other obligations

There are irrevocable open loan commitments to clients totalling EUR 11,180 thousand (previous year: EUR 10,119 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 2023, as shown in the following table:

	Remaining term	Financial obligation
	Months	EUR'000
Future payments from lease agreements for office space, usable areas and parking spaces	1 to 58	4.470
Future payments from vehicle lease agreements and lease agreements for furniture and office equipment	2 to 48	1.605
Future payments from other service agreements	3 to 84	20.770

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

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 relate to the currently partial utilisation of capital commitments (EUR 3,878 thousand) for equity investments.

VIII. Notes to the income statement

Interest income and interest expenses

The item "Interest income" from lending and money market transactions includes no negative interest on credit balances on current accounts (previous year: EUR 4,395 thousand) as well as from term and client deposits (previous year: EUR 3 thousand).

Negative interest in the amount of EUR 131 thousand (previous year: EUR 3,976 thousand) resulting from client deposits are shown under the item "Interest expense".

Revenue

Revenue of EUR 11,396 thousand (previous year: EUR 21,343 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 5,680 thousand (previous year: EUR 5,723 thousand) relates to expenses and income from netted reinsurance policies in line with Section 246 (2) HGB (EUR 1,426 thousand), income from fringe benefits (company cars) of EUR 547 thousand and income from the reversal of provisions (EUR 121 thousand).

Furthermore, the item includes other income totalling EUR 2,031 thousand 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 845 thousand).

Out-of-period income is mainly attributable to refunds for benefits received in the previous year.

Other administrative expenses

The other administrative expenses of EUR 77,188 thousand include expenses for the operation and maintenance of the wind farm in the amount of EUR 3,293 thousand.

Other operating expenses

Other operating expenses in the amount of EUR 1,409 thousand (previous year: EUR 1,405 thousand) mainly includes wind farm expenses (EUR 629 thousand) and out-of-period expenses in the amount of EUR 90 thousand.

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

Taxes on income

The tax expense of EUR 1,074 thousand reported in financial year 2023 essentially comprises income taxes for the past financial year amounting to EUR 1,502 thousand and payments of tax refunds from previous years of EUR 429 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 financial year 2023, the average number of staff employed was 588 (previous year: 524). Of these employees, 59 held executive positions.

Total remuneration of the Board of Directors and Supervisory Board

The total remuneration of members of the Board of the Directors for their activity during the financial year amounted to EUR 3,647 thousand (previous year: EUR 3,279 thousand).

The total remuneration of members of the Supervisory Board for their activity during the financial year amounted to EUR 301 thousand (previous year: EUR 268 thousand).

Audit fees

The following information for financial year 2023 relates to the total remuneration of audit firm KPMG AG Wirtschaftsprüfungsgesellschaft and, for the previous year, 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 2023 can be broken down as follows:

In EUR'000	2023	2022
Annual audit	773	555
Other confirmation services	427	334
Other services	0	0
Total fees	1,200	889

The services provided by the auditor in addition to the audit of the annual financial statements comprise the audit pursuant to Section 89 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) for the period from 1 May 2022 to 30 April 2023.

Executive bodies of the Baader Bank Group

Board of Directors

Nico Baader, Gräfelfing
(Chairman)

Occupation: Banker

Responsible for:
Group Strategy & Management,
Group Legal & Corporate Finance,
Human Resources & Corporate Services,
Information Technology,
Back Office, Treasury,
Risk Management & Regulatory Reporting,
Compliance, Internal Audit

Oliver Riedel, Lauf
(Deputy Chairman)

Occupation: Banker

Responsible for:
Distribution,
Production/Markets Operation,
Capital Markets,
Business Management Clients & Markets,
Market Making Stuttgart,
Market Making Funds/ETFs/Equities FFM,
Securitized Derivatives,
Market Making Bonds, Client Service Group,
Business Management Administration,
Fund Services

Dietmar von Blücher, Viernheim
(until 12 July 2023)

Occupation: Business Administrator (BA)

Responsible for:
Group Compliance/Anti-Money Laundering Officer,
Internal Audit, Group Corporate Security,
Risk Management & Regulatory Reporting,
Back Office, Group Accounting,
Group Controlling, Credit

Supervisory Board

Helmut Schreyer, München
(Chairman)

Former general partner at the former
Hauck & Aufhäuser Privatbankiers KGaA

Prof. Dr. Georg Heni, Freudenstadt
(Deputy Chairman)

Independent consultant, auditor

Christoph Mast, Bad Nauheim

Independent consultant, lawyer

Dr. Louis Hagen, Starnberg
(since 6 July 2023)

Lawyer

Ali Cavli, Frankfurt am Main
(employee representative) (until 6 July 2023)

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

Thomas Leidel, Bad Aibling
(employee representative) (until 6 July 2023)

Head of Data & Risk Management of Baader Bank AG

Michael Frank, Bietigheim-Bissingen
(employee representative) (since 6 July 2023)

Securities trader in the Market Making
Equities Stuttgart division of Baader Bank AG

Timon Hauser, Haimhausen
(employee representative) (since 6 July 2023)

Deputy Head of the Group Accounting
division of Baader Bank AG

Mandates pursuant to Section 340a (4) No. 1 HGB

As at 31 December 2023, mandates on statutory supervisory committees of large incorporated companies were held. These and other noteworthy mandates are listed below:

Mandate-holder	Company/institution in which mandate held	Mandate
Mr Nico Baader	Baader & Heins Capital Management AG, Unterschleissheim	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 Kai Göhring	Baader & Heins Capital Management AG, Unterschleissheim	Member of the Supervisory Board
	LeanVal Asset Management AG, Frankfurt am Main (since 26 April 2023)	Member of the Supervisory Board
	Selan d.o.o., Senj (Croatia) (since 20 September 2023)	Chairman of the Supervisory Board
Mr Florian Koller	Selan d.o.o., Senj (Croatia) (since 20 September 2023)	Member of the Supervisory Board
Mr Jens Schumann	Selan d.o.o., Senj (Croatia) (since 20 September 2023)	Deputy Chairman 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 2023:

Name/headquarters	Share of capital %	Last interim/ annual financial statements	Equity (total) EUR'000	Net income for the year EUR'000
Vjetropark Vrataruša d.o.o., Senj (Croatia) ¹	100.00	31/12/2022	5	-441
Parsoli Corporation Ltd., Mumbai (India)	27.36		<i>No current data available as at 31/12/2023</i>	
LeanVal Asset Management AG (formerly: Conservative Concept Portfolio Management AG), Frankfurt am Main	19.90	31/12/2021	1,932	806
AlphaValue SA, Paris (France)	13.30	31/12/2022	879	162

¹ Equity and the net profit for the financial year as at 31 December 2022 have been translated (EUR/HRK 7,53450).

Unterschleissheim, 21 March 2024

Baader Bank AG
Der Vorstand

Nico Baader

Oliver Riedel

Appendix to the consolidated financial statements

Country-by-country reporting as at the balance sheet date 31 December 2023 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 2023 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/loss before taxes	Taxes on profit/loss	Number of salaried employees in full-time equivalents
	EUR'000	EUR'000	EUR'000	
Germany (EU)	151,931	388	-738	534
United Kingdom (third country)	2,943	1,031	-242	3
Croatia (EU)	11,951	2,922	-127	4
Switzerland (third country)	5,615	-567	-18	12
USA (third country)	3,529	970	-5	3

Fully consolidated companies

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

Independent Auditor's Report

On Baader Bank AG, Unterschleissheim, Germany

Auditor's report on the consolidated financial statements and the combined management report

Audit opinions

We have audited the consolidated financial statements of Baader Bank AG, Unterschleissheim, Germany, and its subsidiaries (the Group), comprising the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2023 and the notes to the consolidated financial statements, including the presentation of accounting and valuation methods. We have also audited the management report of the Company and the Group (hereinafter referred to as the "combined management report") of Baader Bank AG for the financial year from 1 January to 31 December 2023.

In accordance with German legal regulations, we have not audited the content of the parts of the combined management report named in the "Other information" section of our auditor's report.

According to our assessment based on the findings of the audit,

- the attached consolidated financial statements comply in all material respects with the German commercial law regulations applicable to institutions and, in compliance with the German principles of proper accounting, give a true and fair view of the financial position and financial performance of the Group as of 31 December 2023 and its results of operations for the financial year from 1 January to 31 December 2023, and
- the attached combined management report as a whole gives a true and fair view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the parts of the combined management report named in the "Other information" section.

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

Basis for our audit opinions

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters which, according to our professional discretion, were most significant in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in the formation of our audit opinion. We will not provide a separate audit opinion on these matters.

Existence and calculation of net income from the trading portfolio

For the accounting and valuation methods used, please refer to Section II of the notes to the consolidated financial statements and Sections 1.2 and 2 of the combined management report.

RISK FOR THE FINANCIAL STATEMENTS

For the 2023 financial year, the Baader Bank Group reported a total net income of EUR 105.1 million from the trading portfolio. This constitutes a significant source of revenue in the Baader Bank Group's income statement.

The net income from the trading portfolio mainly comprises income and expenses from trading in shares, funds, ETFs and bonds, and is largely based on realised income contributions in the context of the activities of Baader Bank as a market maker on various stock exchanges and platforms.

The main risk for the financial statements is that the net income from the trading portfolio does not exist or that the incorrect amount of net income is taken into account owing to a miscalculation. Due to the large number of transactions that contribute to the net income from trading activities, Baader Bank has established highly automated system-based processes. It was therefore of particular importance for our audit that the processes and procedures, including the established manual and IT application-based automated controls, are fit for ensuring that net income from the trading portfolio exists and is calculated accurately.

OUR AUDIT APPROACH

Based on our risk assessment and our evaluation of the risk of error, we have based our audit opinion in particular on control-based audit procedures. Consequently, we performed a number of audit procedures, including the following:

In the context of control-based audit procedures, we assessed the adequacy, implementation and effectiveness of manual and IT application-based controls that Baader Bank has established to ensure that trading activity exists and is calculated correctly.

In particular, we assessed the adequacy of the controls implemented for settling trading transactions (particularly the controls for confirming and acknowledging trading transactions) and tested their effectiveness. Our audit procedures also included, for example, mathematically replicating the automated calculation of net income from the trading portfolio. For the IT systems used, we tested the effectiveness of the regulations and procedures relating to the IT applications and supporting the effectiveness of application controls in advance of the audit together with our IT specialists.

OUR CONCLUSIONS

The processes and procedures, including the established manual and IT application-based controls, are fit for ensuring that net income from the trading portfolio exists and is calculated accurately, meaning that the net income from the trading portfolio is recorded correctly.

Other information

The executive directors and the Supervisory Board are responsible for the other information. The other information comprises the following sections of the combined management report, the content of which has not been audited:

- the separate combined non-financial report of the Company and the Group, which is expected to be made available to us after the date of this auditor's report and which is referred to in the combined management report, and
- the combined corporate governance statement of the Company and the Group included in Section 4.1 of the combined management report.

The other information also includes the annual report, which is expected to be made available to us after the date of this auditor's report. The other information does not include the consolidated financial statements, the audited content of the combined management report or our accompanying auditor's report.

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

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

- contains significant inconsistencies with the consolidated financial statements, the audited content of the combined management report or our knowledge gained during the audit, or
- otherwise appears to be substantially misrepresented.

If, on the basis of the work we have undertaken on the other information obtained prior to the date of this auditor's report, we come to the conclusion that this other information is materially misrepresented, we are obliged to report this. We have nothing to report in this context.

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

The executive directors are responsible for preparing the consolidated financial statements, which comply in all material respects with the German commercial law regulations applicable to institutions, and for ensuring in accordance with the German principles of proper accounting that the consolidated financial statements give a true and fair view of the Group's financial position and financial performance and its results of operations. Moreover, the executive directors are responsible for the internal controls which they have determined, in accordance with the German principles of proper accounting, to be necessary to enable the preparation of consolidated financial statements which are free from material misrepresentations due to either fraudulent actions (i.e. accounting manipulations and misappropriation of assets) or error.

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

Furthermore, the executive directors are responsible for preparing the combined management report, which as a whole gives a true and fair view of the Group's position and in all material respects is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Moreover, the executive directors are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a combined management report in accordance with the applicable German legal regulations, and in order to be able to provide sufficient suitable evidence for the statements in the combined management report.

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

Responsibility of the auditor for the audit of the consolidated financial statements and the combined management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misrepresentations due to either fraudulent actions or error, and whether the combined management report as a whole gives a true and fair view of the Group's position and in all material respects is consistent with the consolidated financial statements and with the findings gained during the audit, complies with German legal requirements and accurately presents the opportunities and risks of future development, and to issue an audit certificate that includes our audit opinions on the annual financial statements and the combined management report.

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

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

- We identify and assess the risks of material misstatements in the consolidated financial statements and combined management report due to fraudulent actions or errors, plan and conduct audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to serve as the basis for our audit opinions. The risk that material misrepresentations resulting from fraudulent actions will not be detected is higher than the risk that material misrepresentations resulting from errors will not be detected, since fraudulent acts may involve collusion, forgery, intentional incompleteness, misleading representations or the circumvention of internal controls.
- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the precautions and measures relevant to the audit of the combined management report in order to plan audit activities that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the systems.

- We assess the appropriateness of the accounting methods used by the executive directors and the validity of the estimated values and related disclosures presented by the executive directors.
- We draw conclusions on the appropriateness of the accounting principles applied by the executive directors for the continuation of the Company's activities and, on the basis of the audit evidence obtained, whether material uncertainty exists in relation to events or circumstances that may raise significant doubts about the Group's ability to continue its business activities. If we conclude that there is a material uncertainty, we are obliged to draw attention to the corresponding information in the consolidated financial statements and combined management report in the auditor's report or, if this information is inadequate, to modify our respective audit opinion. We base our conclusions on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may lead to the Group being unable to continue its business activities.
- We assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the Group's financial position and financial performance and its results of operations in accordance with the German principles of proper accounting.
- We obtain sufficient audit evidence for the accounting information of the companies or business activities within the Group to issue audit opinions on the consolidated financial statements and the combined management report. We are responsible for the guidance, supervision and implementation of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- We assess the combined management report's consistency with the consolidated financial statements, its compliance with the law and the view it provides of the Group's position.
- We perform audit procedures on the future-oriented statements presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence, we particularly trace the significant assumptions underlying the future-oriented statements made by the executive directors and assess the appropriate derivation of the future-oriented statements from these assumptions. We do not give an independent assessment of the future-oriented statements or the underlying assumptions. There is a significant, unavoidable risk that future events will differ materially from the future-oriented statements.

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

We make a statement to those responsible for monitoring that we have complied with the relevant independence requirements and discuss with them all relations and other matters which can reasonably be thought to have an impact on our independence and, where relevant, the actions or safeguards taken to eliminate any threats to our independence.

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

Other statutory and other legal requirements

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

We were selected as Group auditors by the shareholders' meeting on 6 July 2023. We were appointed by the Supervisory Board on 24 November 2023. We have been working as the Group auditors of Baader Bank AG, Unterschleissheim, Germany, continuously since the 2023 financial year.

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

Responsible auditor

The auditor responsible for the audit is Franz Haider.

Munich, 25 March 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

Haider
Auditor

Ruoff
Auditor

Information and Service

The Annual Report 2023 was published in German and English. The report is available as PDF on the Internet www.baaderbank.de/Investor-Relations/News-and-financial-reports

Further information about Baader Bank can be found on the Internet at www.baaderbank.de

Editor

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Cover, Page 1 to 6:

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www.adobestock.com

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 2024

4 July 2024	Annual General Meeting
25 July 2024	Publication of half-year report and press release on half-year results
9 October 2024	m:access Analyst Conference
31 October 2024	Press release on the nine-month results

/ Corporate Governance

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

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

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

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