

/ BAADER /



Baader Bank AG

HighPerformance Banking.

Annual Report 2022

www.baaderbank.de

Key figures Baader Bank Group

	2021 EUR mn	2022 EUR mn	Delta
Interest income and current income	-1.6	7.3	8.9
Net commission income	12.9	13.0	0.2
Net trading income	185.0	112.2	-72.8
Revenue	11.0	21.3	10.3
Other income	8.1	7.4	-0.7
Income	215.5	161.3	-54.2
Personnel expenses	73.5	65.0	-8.5
Other administrative expenses and other operating expenses	55.9	64.5	8.6
Amortisation and depreciation on intangible assets and property, plant, and equipment	9.1	11.1	2.0
Other amortisation and depreciation/risk provision	1.0	0.2	-0.8
Additions to the fund for general banking risks ¹	18.5	8.3	-10.2
Expenses	158.0	149.1	-8.9
Earnings before taxes (EBT)	57.4	12.2	-45.3
Taxes	10.6	3.3	-7.3
Minorities	0.2	0.2	-0.1
Group results	46.6	8.7	-37.9
Total Assets	1,820	2,376	556
Equity capital	164.5	164.9	0.4
Total capital ratio in %	22.1	24.3	2.2
Earnings per share in EUR	1.00	0.18	-0.82
Return on equity after tax in %	38.5	5.3	-33.2

¹ The transfer to the fund for general banking risks also takes into account the statutory transfer to the fund for general banking risks in accordance with Section 340e HGB at the end of the year.

Key data and other information

WKN	508810	Board of Directors (as at 31/12/2022)	Supervisory Board (as at 31/12/2022)
ISIN	DE0005088108	Nico Baader (Chairman)	Helmut Schreyer (Chairman)
Reuters	BLMG.MU	Oliver Riedel	Prof. Dr. Georg Heni (Deputy Chairman)
Bloomberg	BWB@GR	Dietmar von Blücher	Christoph B. Mast
Ticker	BWB		Ali Cavli
Sector	Banks		Thomas Leidel
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		



- 28.27 % free float
- 5.39 % Ubtrend GmbH & Co. KG
- 66.34 % Baader Beteiligungs GmbH

HIGH **Performance** BANKING

GOAL

Become one of the leading European Partners for Capital Markets.

BENEFIT

Our Platform provides the best Access – secure, automated and scalable.

REALISATION

We offer a unique Setup with Trading and Banking under one Roof on a High Performance Platform.



HIGH
Performance
MARKET MAKING

Best-in-Class Quoting,
Quality and Efficiency.

HIGH
Performance
BROKERAGE

Market Leader for Equity
Brokerage in the GSA Region.

HIGH
Performance
CAPITAL MARKETS

Connecting Corporate
Needs and Trading Issues.

**/ HIGH
Performance**
FUND SERVICES

Efficient outsourced Trading Desk
and Asset Management Solutions.

**/ HIGH
Performance**
ACCOUNT SERVICES

Fully fledged Trading
and Custody Solutions.

**/ HIGH
Performance**
RESEARCH SERVICES

Tailor-made and independent
pan-European Research
with Focus on GSA Region.



Dear Shareholders,

After two exceptional years, Baader Bank looks back on 2022 – a year of strong growth. After a clearly positive start to the year, uncertainties and challenging market conditions characterised the stock market environment for the remainder of the financial year. From the second quarter onwards, lower trading volumes and at times directionless trading activities of market participants had a significant impact on securities trading.

With a **net profit** of EUR 12.2 million, Baader Bank closed the financial year successfully in this economically and politically difficult environment. The **return on equity** was 5.3% for the year, with all four quarters of 2022 showing a positive result.

Overall, the **growth** of Baader Bank accelerated in the financial year 2022. In terms of the number of securities accounts held within the Group, the Baader Bank account and securities account business grew by almost 70% to 843,000 securities accounts across the year as a whole. Since the start of 2022, the securities account volume increased by EUR 3.4 billion to a total of EUR 15.7 billion.

In the course of this growth, European B2B partners made their market launch in the past financial year, and domestic partners expanded their business in **other European countries**. Furthermore, 24/7 **crypto trading** was incorporated into our product range as part of a B2B collaboration.

With the launch of the new **High Performance Banking** strategy programme, which was initiated in the first half of 2022, the Bank's platform approach was further consolidated and the expansion of its business activities beyond the GSA-Region, in particular to **Europe**, was defined. Baader Bank acts as a quality provider as well as a **trusted and competent partner** for all of its client groups and, as an operator of a scalable, technologically and procedurally leading platform, combines **cross-selling potentials**. Automation, digitisation, innovation and internationalisation form the pillars of our new strategy to achieve further growth and significant economies of scale in the future. Our goal is to continuously increase the **volume of business generated by the use of our platform**.

Over time and in spite of the difficult environment, the shift in sales volumes away from traditional stock exchanges with fee models to **free-of-charge market places** continued in 2022. 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.

Our growth efforts are focused on building on the successes and progress already achieved in the current year and we **are investing** specifically in this growth. In addition, Baader Bank is connecting further clients and cooperation partners, thereby consolidating our **market leadership**. We are constantly optimising our internal processes as well as our external customer interfaces in order to be able to properly represent 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 2023, Baader Bank is a bank that is **growing profitably** and promises the highest quality of **performance and delivery capability** for its partners!

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 unit.

In Baader Bank's base case scenario for the current **financial year 2023**, we expect that, given continued growth – on the part of customers, market volumes and products – the number of securities transactions will increase slightly compared to the previous year. In terms of the sales volume for 2023, 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.

Subject to the relevant Board resolutions and supervisory requirements, we plan to **distribute a dividend** to our shareholders for the financial year 2022.

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 2022. In the last year – a strategically important year – we were able to set the course for the next few years. The capitalisation of Baader Bank proves to be a solid basis for growth and investment.

As at 31 December 2022, Baader Bank's **total assets** had increased by around 31 % compared to the end of the previous financial year, growing to EUR 2.4 billion. Baader Bank's equity increased to EUR 164.9 million and the **equity** ratio for the past financial year is 7 %.

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 6 July 2023. 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 2022, along with the important step of the initial implementation of the High Performance Banking strategy programme.

We would also like to thank all of our **business partners** for the trust they 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: Market Making, Strategy, Legal, Human Resources & Company Organisation, Treasury, IT, Communication, Capital Markets

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High Performance Banking reflects our platform approach as the operator of a scalable, technology- and process-leading platform that combines cross-selling potential. Automation, digitalisation, innovation and internationalisation are the pillars of our new strategy for achieving further growth.

”

Baader Bank's growth continues, particularly in the account and securities account business. As at the end of 2022, Baader Bank services around 843,000 securities accounts with a volume of EUR 15.7 billion. This growth is driven, among other things, by the increasing focus on European business, the diversification of our product range and the expansion strategies of our B2B partners.



Oliver Riedel | Deputy CEO

Responsibility: Brokerage, Account Services, Fund Services, Research Services, Corporate Brokerage



Dietmar von Blücher | Member of the Board of Directors
Responsibility: Internal Audit, Compliance, Group Corporate Security, Risk Management, Accounting, Controlling, Credit, Backoffice

”

We are constantly improving our internal processes and external customer interfaces in order to be able to manage the increasing volume of business in a technically and regulatory compliant way. We are also focusing on capital strength so that the bank continues to grow profitably in 2023 and provides its partners with the highest quality in terms of performance and ability to deliver services.

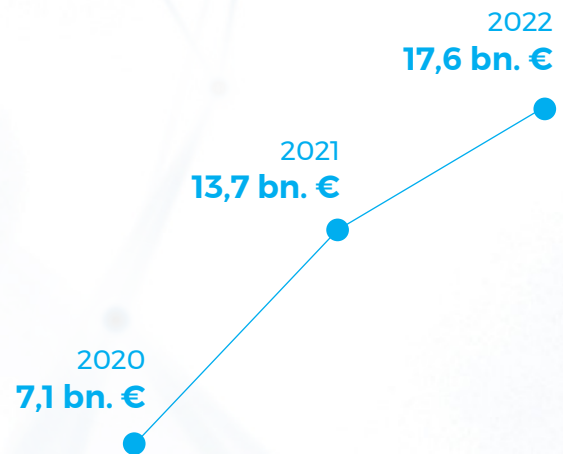
Total Assets

+64 % p.a.



Account Volume

+58 % p.a.





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

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

Baader Bank holds a 100 % interest in Selan Holding GmbH, headquartered in Unterschleissheim. This company in turn holds a 100 % interest in the Croatian wind farm operator Selan d.o.o. and in Vjetropark Vrataruša d.o.o., which together with Selan Holding GmbH form the Selan Group. Due to the 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 research provider AlphaValue S.A., France (AlphaValue) 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 (LeanVal AG or LeanVal). LeanVal AG is headquartered in Frankfurt am Main and was renamed LeanVal Asset Management AG (formerly Conservative Concept Portfolio Management AG) in 2022.

At the end of 2022, a total of 503 staff members were employed by the Baader Bank Group and 463 employees by Baader Bank AG (calculated as number of employees).

The Chairman of the Supervisory Board of Baader Bank, Dr Horst Schiessl, unfortunately passed away in the reporting period (August 2022) following a short illness. Accordingly, the body has been amended to reduce its current membership to five. Mr Helmut Schreyer took over the chair. In turn, his position as Deputy Chairman was taken over by Prof. Dr Georg Heni. A new Supervisory Board for Baader Bank will be duly elected in the financial year 2023.

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 5.39 %, and the remaining 28.27 % 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 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) in Europe. Baader Bank's core business is based, among other things, on the profitable processing of trades and comprises the provision of services in the Market Making, Capital Markets and Brokerage business lines. 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 2022 in a structurally unchanged manner. The basis of the business model is the in-house IT platform, which functions as a system, process and connection infrastructure. It links all Baader Bank divisions and thus creates high cross-selling potential between the individual divisions.

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 with the highest quoting and execution quality 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, Stuttgart Stock Exchange, Munich Stock Exchange and gettex, and Frankfurt Certificates Stock Exchange). 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, if necessary, structuring of equity transactions or hybrid financing alternatives.

The collaborative role in transactions is bolstered by our placement and structuring expertise. In addition, there is cross-selling potential for services to corporate clients by offering corporate and sector research as well as in the field of securities technology (Special Execution) and equities management.

The services offered within the scope of securities technology 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 (brokerage) 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) and the Vienna Stock Exchange.

1.2.1.4 Account Services business line

Baader Bank includes the deposit and securities account business under Account Services, with all original banking functions and services provided exclusively within the framework of B2B(2C) cooperation agreements with (online) asset managers, fintechs, neo-brokers and institutional buyers. Its cooperation partners benefit from Baader Bank's global trading connections and modern IT infrastructure. As a full-service bank and platform provider, Baader Bank follows an intermediary approach and acts as a B2B partner in account and securities account management and the systematic processing of all order management and reporting processes in compliance with MiFID II requirements, providing links to a broad international trading network.

1.2.1.5 Fund Services business line

In the Asset Management Services business line, Baader Bank provides services in the area of financial portfolio management as defined under the applicable regulatory requirements. 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 cooperates 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 (Germany, Switzerland and Austria) region. The target group is corporate clients in connection with 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. The focus is on analysing companies in Germany, Switzerland and Austria. 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.

1.2.2 Subsidiaries' business lines

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

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

2. Report on the economic position

2.1 Macroeconomic and sector-specific environment

2.1.1 Macroeconomic environment in financial year 2022

In 2022, the global economy was increasingly faced with burdens, which were reflected in a clearly slowing growth momentum from the second quarter onwards. While early in the year there were still signs of a gradual easing of global supply chain problems, the Russian invasion of Ukraine, which began on 24 February 2022, fundamentally changed the macroeconomic environment. The resulting massive increase in energy prices led to a significant increase in costs for businesses and consumers. In addition, crude oil increased at the peak by around 40 %, natural gas by around 300 % and electricity by around 500 %. Furthermore, the intensified fighting led to a great deal of uncertainty about a possible escalation of the conflict and the associated geopolitical and economic consequences.

In the wake of sharply rising energy prices and growing concerns about gas supply in the future, economic sentiment indicators fell significantly. This was triggered by increasing signs of a sharp decline in gas supply volumes via the Nord Stream 1 pipeline, which fell to zero in several increments from June 2022. After explosions on the pipeline in September 2022, it also became evident that gas would become a scarce commodity in the winter of 2022/2023. Against this background, the German Federal Ministry for Economic Affairs activated the second of three crisis levels in the Emergency Plan for Gas for the Federal Republic of Germany and also made efforts to develop alternative supply routes. Massive increases in energy costs and uncertainty as to whether gas rationing would ultimately occur in the winter contributed to a significant downturn in the leading economic indicators. Consumer confidence in Germany fell to its lowest level in decades in the autumn, and the ifo Business Climate Index fell to levels previously only seen during recessions. In the fourth quarter of 2022, therefore, real GDP declined sequentially at -0.2 % for the first time since the second COVID-19 lockdown in the first quarter of 2021.

Against this background, growth expectations for 2022 were gradually revised downwards during the course of the year. While in January 2022 the IMF expected the global economy to grow by 4.4 % (US: 4.0 %, China: 4.8 %, Germany: 3.8 %), the value reported in January 2023 was significantly lower at 3.4 % (US: 2.0 %, China: 3.0 %, Germany: 1.9 %).

The military conflict between Russia and Ukraine fuelled previously rising inflation not only through massive rising energy prices, but also significant increases in food prices. As a result, the inflation dynamic solidified further, which was also reflected in a sustained upward trend in core inflation rates. By the end of the year, the increase in consumer prices in Germany was 8.6 % compared to the previous year, whilst it was 4.9 % at the beginning of the year.

The continued overshooting of inflation rates forced central banks to massively tighten monetary policy. After many central banks had previously only reduced their monthly bond purchases, the US Federal Reserve increased its benchmark interest rate by 0.25 % for the first time in March. However, at the next two meetings, it sped up interest rate hikes, tightening first by 0.50 % and then four times by 0.75 %. In July, the ECB followed this course with a first rate hike of 0.50 %, followed by two further tightening measures of 0.75 %. In December, both the Fed and the ECB then reduced their interest rate hikes to 0.50 %.

In this environment, the performance on the equity markets was very volatile. After a cautious start to the year as a result of the deteriorating inflation and interest rate environment, the military conflict between Russia and Ukraine significantly burdened share prices. The DAX once again lost more than 10 % in the two weeks following the invasion. After some concerns about an escalation had initially not come true, the DAX recovered somewhat in the spring. However, the increasingly evident shortage in gas supply and the associated price jumps on the energy markets put the DAX under pressure again both in the summer and into the autumn. It was only from October that there was a noticeable upturn, which was associated with a moderate improvement in some economic indicators that had previously fallen to extremely low levels. A gradual decline in energy prices again, as well as the waning fear of a shortage in the winter given rising gas storage levels contributed to this development. In addition, the massive increase in bond yields that occurred during the course of the year so far weakened somewhat in the fourth quarter. The DAX was thus able to reduce its annual loss to 12.3 %, after having already reached around 25 % in the meantime. However, the annual loss of the cyclical MDAX was still 28.5 %, despite the recovery in the fourth quarter.

In general, less capitalised companies were the big losers in 2022. They showed significant underperformance until the autumn, but were able to stabilise in the fourth quarter. Defensive securities and low-valued value securities, on the other hand, performed above average in the first half of the year, but had to give up some of their outperformance, particularly in the summer months. High-valued growth securities suffered from a marked rise in yield on the bond market, which topped longterm government bonds at more than 250 basis points. Cyclic equities underperformed significantly until mid-year, but were able to reduce that somewhat in the second half of the year.

2.1.2 Business, market position, and changes in competitive position

With the exception of the start of the year, the stock market environment was until recently characterised by uncertainties and challenging market conditions, as well as the securities trading business in the previous financial year. In particular, lower stock market turnover and at times directionless trading activities by market participants had a major impact from the second quarter of 2022, triggered by the invasion of Ukraine by Russian troops in February last year.

Despite the difficult environment, the deflection of sales volumes – away from the traditional stock exchanges with remuneration models and towards free trading venues – progressed further in 2022. Fee-optimised best execution platforms have gained increased market shares from traditional German regional exchanges, especially since the exceptional years of 2020 and 2021. Across all classes (stocks, ETPs, certificates, funds and bonds), the electronic trading platform gettex has seen increases of almost 40 % in order book sales and 50 % in the number of trades. As a market maker, Baader Bank benefits from securities trading via gettex. On German stock exchanges as a whole (including XETRA), however, sales and the number of trades across all asset classes (excluding OTC) declined in 2022 year-on-year. Baader Bank largely held its share in terms of sales by stock exchange (including XETRA) and all asset classes (excluding OTC).

Overall, the global political situation in 2022 was mainly reflected in investor behaviour in the retail sector with a tendency towards smaller order flows. Institutional clients developed comparatively better order flows, although this client group was also influenced by a lack of momentum in the middle of the year and the absence of an increase in trade in the second half of the year.

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

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 2022 was marked by global political instability, rising interest rates, high inflation and recession fears, with significant effects on the capital market services market. In Germany, there were a total of four IPOs – the lowest number seen since the financial crisis in 2009. Due to the uncertain market situation, a large number of companies withdrew or postponed their IPO plans.

Baader Bank continues to see sustained high potential in the expansion of its business relationships with online brokers, asset managers, family offices and fintechs, as well as with existing cooperation partners. The number of people who invested in equities, equity funds or share-based ETFs in Germany in 2022 is 12.9 million, so is slightly above the previous record of 2001. 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 custody business through to trade connections, order management and reporting, Baader Bank is not in competition with, but supplements the range of services provided by online brokers, asset managers, family offices and fintechs.

In 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 performance and profit drivers

Net trading income and net commission income account for a substantial share of Baader Bank's total net banking income, and are the key performance and profit drivers. These are subject both to the exogenous developments in relevant markets described, i.e. the prevailing mood and volatility, as well as to internal process optimisation and pricing models. For 2022, net interest income also accounted for a positive share of the overall result.

Following two exceptional years, 2022 was a challenging year. The invasion of Ukraine by Russian troops and the resulting global sanctions on Russia have led to major uncertainties in the financial markets, especially in the second quarter. In the further course of the year, the sentiment on the markets tended to develop without momentum and led to a certain lethargy on the part of investors, especially in the equity segment. In contrast, increased trading activities were observed in the second half of the year in the wake of rising interest rates in the bonds sector.

In this environment, volatility, measured by the CBOE Volatility Index (VIX), developed at a comparatively higher level throughout 2022. Nevertheless, stock market turnover was lower, as the price fluctuations on the stock exchanges were primarily due to the trading of future products by institutional investors.

Baader Bank's **total income** amounted to EUR 161.3 million (previous year: EUR 215.5 million), decreasing by 25 % compared to an exceptionally strong 2021. As a result of declining stock market turnover and the at times directionless activities of market participants, the **trading result** declined overall compared to the performance seen in an exceptionally strong 2021, amounting to EUR 112.2 million for the past financial year (previous year: EUR 185.0 million). **Net commission income** accounted for EUR 13.0 million; the figure in-creased slightly despite difficult market conditions. Looking at the profitable year as a whole, net interest income again made a significant contribution to earnings for the first time at EUR 6.5 million, primarily in the second half of the year.

Earnings before taxes (EBT) of EUR 12.2 million at the Baader Bank Group are significantly lower than the previous year's result (2021: EUR 57.4 million) and are at the lower end of the forecast range of EUR 12.0 – 15.0 million, adjusted to the nine-month figures (original EBT forecast: around EUR 30 million).

Total expenses for the financial year fell to EUR 149.1 million (previous year: EUR 158.0 million). The increase in operating expenditure is approximately offset by the reduced personnel expenses of EUR 65.0 million

(previous year: EUR 73.5 million). As a result of extensive investments in the IT infrastructure to optimise platform functionalities and product innovations, other administrative expenses and other operating expenses rose to EUR 64.5 million (previous year: EUR 55.9 million).

Due to further investments in growth efforts, the Group's return on equity after taxes decreased to 5.3 % (previous year: 38.7 %). Capital strengthening, or the ratio of Tier 1 capital to risks on the bank balance sheet, was also maintained, reflected in a CET1 ratio of 23.3 % (2020: 22.1 %).

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 2022. Supported by the growing offerings of neo-brokers and online asset managers, the number of people in Germany who invest their money in equities or stock-based products has increased compared to the previous year. Private investors focused on investments in savings plans, whereas short-term trades and special topics also played an important role in the private sector during the exceptional years of 2020 and 2021. In 2022, the market largely had no momentum from the second quarter due to major uncertainties. Irrespective thereof, young and new investors focus mainly on more cost-effective, newer stock exchanges, allowing Baader Bank, with its OTC (over-the-counter) products and market making on the gettex marketplace, to benefit from the expansion of its services in this business segment.

While trading activities in the retail segment initially declined in 2022, market shares have shifted to institutional business, especially since the second quarter of 2022. This is mainly due to the weakening of the private sector as a result of the massive deterioration of the market environment, triggered by the war in Ukraine. Despite order flows in the retail segment being lower than in the exceptional years, Baader Bank was able to nearly maintain its market share in the trading business.

With an overall moderate increase in volatility from the second quarter onwards, trading revenues on the German stock exchanges relevant to Baader Bank decreased in 2022 in respect of all asset classes compared to the exceptional years 2020 and 2021, and the decrease in the number of trades was comparatively less. Revenues on the gettex stock exchange further increased in financial year 2022 compared to the previous year, contrary to the general market development.

Revenues in over-the-counter trading decreased in 2022, starting from a very high level in 2021. With the exception of the first quarter, this is due to the reluctance of the vast majority of investors. Only in the asset class of bonds did the share of turnover in the OTC business increase, while sales in domestic and foreign equities, as well as ETFs and funds, declined. The order flow potential from existing and newly acquired partnerships with online and direct banks that participate in Baader Bank's quota, trading and settlement systems continued to be at a solid level. The expansion of OTC activities remains a long-term goal for Baader Bank.

Influenced by the sudden turnaround in interest rates and the resulting interest rate increases over the course of the year, investors have rethought the situation. Therefore, bonds have increasingly been, and again remain, the focus of investors. This is also reflected in the higher sales figures for this asset class. Baader Bank benefits from this development as a liquidity provider at various stock exchanges and OTC trading venues.

As was the case in previous years, Baader Bank was once again able to attract new order books. In the reporting period, it was mandated to act as a specialist for three (out of a total of four) IPOs in the Prime Standard segment of the Frankfurt Stock Exchange. It thus took over the order book management for Porsche AG, 468 SPAC II SE and SMG European Recovery SPAC SE.

2.2.2.2 Capital Markets business line

With the start of the Russian hostilities in Ukraine, the capital market services business developed highly conservatively, with a total of four IPOs in Germany over the year. Interim recession concerns and rising interest rates have additionally influenced the environment. A large number of companies withdrew or postponed their IPO plans in 2022.

In the financial year 2022, Baader Bank's Capital Markets team supported a total of three capital market transactions with a total volume of EUR 142 million. Baader Bank acted as sole global coordinator and sole bookrunner in a capital increase of Mühl Product & Service AG. As part of a rights issue, the company issued approximately 10.7 million new shares at an offer price of EUR 3.00 per new share with a total volume of approximately EUR 32 million. In addition, the Baader Bank team, acting as a financial advisor, supported Pacifico Renewables Yield AG in acquiring a 21.9 % stake in clearwise AG as part of a non-cash capital increase. The third transaction included a capital increase

of EUR 80 million as part of the strategic partnership between Heidelberg Pharma AG and Huadong Medicine Co. Ltd. Baader Bank acted as sole global coordinator and sole bookrunner for this transaction.

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 2023. Predatory competition remains strong despite market growth, which may arise depending on the market situation. Mandates are highly price- and person-driven.

The demand for Baader Bank's securities technology services in the Special Execution division continued to be high in 2022, making 2022 the most successful year to date. The excellent position in the field of securities technology has decisively supported this development. Revenues increased moderately across the whole portfolio of services in 2022. A total of 93 transactions were carried out in the financial year (previous year: 106) and 768 service mandates were supported (previous year: 598).

2.2.2.3 Brokerage business line

In the wake of the challenging capital market environment, Baader Bank's brokerage business remained stable in 2022 compared to the strong 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 is still characterised by noticeable competition and a certain level of consolidation. Despite a challenging environment, it was possible to connect additional multilateral trading systems. The prerequisite for this was, and remains, the permanent automation of the trading infrastructure thanks to the use of new technology.

In terms of regional focus, Baader Bank continues to see itself as a local broker for the German-speaking region (Germany, Switzerland, Austria) as well as for global investor clients and increasingly also includes transactions with clients worldwide in line with its high-performance banking strategy.

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 2022, 77 corporate clients had used the corporate brokerage services of Baader Bank (previous year: 80 clients). Delistings are one of the reasons for the slight decline compared to the end of the previous year. In the past financial year, however, new mandates were gained – despite an increasing trend in commission income.

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). Based on a positive development in the previous year, the custody account business recorded accelerated growth in 2022. The number of securities accounts managed by Baader Bank increased by 70 % year-on-year to a total of around 843,000 (previous year: 502,000 securities accounts). Accordingly, the volume of deposits increased by EUR 3.4 billion to EUR 15.7 billion across the Group despite recurring market fluctuations (previous year: EUR 12.3 billion). This growth results from, among other things, the implementation of further and the development of existing B2B cooperation partnerships in the areas of brokerage and banking. In 2022, the number of supported cooperation partners stabilised at the high level of previous years. At the same time, cooperation partners were gained whose end client profile with corresponding activity (expressed in trading volume and transaction figures) is attractive to Baader Bank.

The business with neo-brokers was further expanded, both through new cooperations and through product expansions. In the financial year under review, European B2B partners completed their market launch and domestic partners consolidated their European business – including in Austria, Italy, Spain and France.

In financial year 2022, Baader Bank AG and Sino AG successfully integrated their cooperation in their business operations. The existing client base was therefore migrated from HSBC to Baader Bank's platform. The onboarding of the comparatively complex client marks an important milestone in the handling of the business of the heavy traders' client group. Among other things, this collaboration – as well as existing collaborations – has enabled the expansion of Baader Bank's product range to be continuously advanced. Through the continuous further development of services and product innovations together with B2B partners, Baader Bank as a platform provider achieves an improved positioning on the market. In 2022, for example, together with a

cooperation partner, the Lombard lending business for professional clients was supplemented in Baader Bank's range of services. Lombard loans are now also offered as product extensions in the B2B2C business and represent an important diversification component given current interest rate developments. In addition, 24/7 crypto trading was incorporated into the product range as part of a B2B collaboration. In addition, Baader Bank was able to further advance the scaling of major processes by expanding technical platforms (e.g. automation in onboarding).

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 2022, the assets in the Fund Services division for which Baader Bank acted as financial portfolio manager on behalf of capital management companies recorded a decrease of around 12 % to EUR 5.8 billion (total volume at 31 December 2021: EUR 6.6 billion). The number of fund mandates rose to 52 (previous year: 47). The fact that the assets under management have nevertheless decreased is due to the situation that the capital markets have suffered greatly from the interest rate hikes in the US. The war in Ukraine has also contributed significantly to increasing these uncertainties in the international capital markets. This was also reflected in capital outflows from mutual funds. Nevertheless, 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

In the reporting period, the cooperation with the independent French analytical services provider AlphaValue was driven forward organisationally. In the reporting period under review, the migration of the securities covered by the Baader Helvea analysts to the interactive, joint platform "Baader Europe" was driven forward.

The predominantly challenging market environment in 2022 has generally increased demand for research in the short to medium term. The number of research contracts with clients or investors rose accordingly to a total of 263 in the financial year 2022 (previous year: 255). In this environment, the requirements for the research services on offer have changed insofar as short-term aspects in particular have become more relevant and long-term topics were of less interest to investors.

Meanwhile, the research market has consolidated further, albeit not to the extent expected. Accordingly, Baader Bank's market position in this area improved only slightly. Overall, Baader Bank added further new securities to the covered universe in the financial year 2022. In addition, Baader Bank's ESG rating was further established. As an independent component, this contributes to transparency on the market, among other things to counteract greenwashing.

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

From the second half of 2022, event formats, such as the Baader Investment Conference in particular, were implemented again as a face-to-face event or optionally as a hybrid event. 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.

2.2.3 Development of the subsidiaries' business

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

In 2022, Baader Helvea's upward trend continued. 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 AlphaValue in France, in which Baader Bank holds a participating interest, it allows Baader Bank to provide a comprehensive research platform. The product range covers over 600 pan-European analysis securities.

The main drivers of the Baader Helvea result are commission income from sales and research activities. However, in 2022, a growing share of revenue was generated from execution only business. The market success of the Baader Helvea Group in 2022 is reflected in a clearly positive contribution to the Baader Bank Group's earnings for the financial year 2022, thus continuing the trend begun the previous year. This is due to the continued optimisation of costs and processes, as well as the adjustment of the service and product range to meet the needs and potential of individual client groups.

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.

As early as autumn 2021, the general economic recovery showed an increase in global demand for energy and, in particular, for gas and electricity from renewable sources. With the outbreak of the war in Ukraine, this situation was exacerbated by concerns of a shortage of natural gas or concerns of an upcoming energy crisis. Selan d.o.o. benefited from this exceptional market situation insofar as in April 2022 the state-sponsored electricity purchase contract was terminated and as a result the wind power it produces could be sold at market prices via a national electricity marketer on the Croatian electricity exchange CROPEX. The at times extreme increases in energy prices, especially in the summer months of July and August, were therefore responsible for a significant increase in sales and earnings at Selan d.o.o. in the financial year 2022.

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 as well as the banking industry in Germany and abroad. The business development of Baader & Heins is largely determined by net commission income or the underlying commercial agent's commission, the number of transactions concluded and the brokered volume.

Within the industry, the war in Ukraine, 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 and the "COVID-19 crisis" with its economic uncertainties in particular provided for headwind in the past financial year.

In this generally 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 fact that both existing and some new clients continued to actively seek contact with Baader & Heins AG. The company also continued to operate in the service sector of brokering illiquid interest rate products, with a focus on promissory note loans and/or registered bonds and thus strengthened its position in this market. As a result, Baader & Heins AG was once again able to achieve a satisfactory result in the 2022 financial year, despite the challenging prevailing conditions.

2.2.4 Comparison of actual business performance in 2022 with the forecasts published in the previous year

The Board of Directors of Baader Bank initially forecast that, compared to the exceptional years of 2020 and 2021, the Bank would be able to generate earnings before tax (EBT) of around EUR 30 million at Group level for the 2022 financial year under less supportive market conditions. This expectation was based on the assumption that support from exogenous influencing factors will decrease as well as Baader Bank's strategic investment expenses in financial year 2022. With the invasion of Ukraine by Russian troops and the ongoing hostilities since the beginning of March 2022, as well as the resulting global sanctions for Russia, the further development of the real economy and the financial markets was significantly affected. This was largely the reason for the clear conservativeness and at times directionless trading activities of market participants in securities trading, which were additionally characterised by concerns of recession and the development of interest rates. In the further course of the year, a certain lethargy continued to prevail on the market, with positive market impulses being absent. Accordingly, at the end of the third quarter of 2022, Baader Bank adjusted its forecast – assuming a market revival in the fourth quarter – to earnings before taxes at Group level at EUR 12 – 15 million in the course of its nine-month reporting.

In the first quarter of 2022 in particular, similarly to Q1 2021, there was an increase in business activity at Baader Bank. The trading result in the first quarter of 2022 was higher than the subsequent quarters of the past financial year and decreased by around 36 % compared to the very strong same quarter of the previous year. In contrast, commission income was 41 % lower in the first quarter than in the first quarter of 2021. In the first half of 2022, the trading result was significantly subdued compared to the same period of the previous year in

2021 and the previous quarter. On the other hand, commission income increased by around 5 % compared to the first half of 2021, while commission income declined by 10 % due to trade-induced commission expenses. Earnings before taxes fell by around 75 % in the first half of 2021 compared to the first half of the year.

With earnings before taxes of EUR 12.0 million for the first nine months of 2022, the subdued earnings development of the Baader Bank Group in the second quarter also continued in the third quarter. In the third quarter, revenues were noticeably positive, as they were able to benefit from extreme energy price increases for a time. Net interest income in the fourth quarter then had an additional impact, which again contributed positively to earnings at around EUR 5.0 million in the fourth quarter.

Overall, the Baader Bank Group generated total earnings before taxes of EUR 12.2 million in financial year 2022. With the exception of the first quarter, business development was consistently significantly weaker than in the previous year, largely due to the ongoing market uncertainties and the absence of positive impulses or market events.

The main drivers for the business development of Baader Bank in 2022 were:

The income and cost effects from Baader Bank's continued strategy adjustment, the additional investments in growth areas of Baader Bank as well as 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 market developments in securities trading, in which uncertainties, reduced stock market turnover and temporarily directionless activities of market participants continued throughout the year from the second quarter of 2022 onwards, had a decisive impact on earnings. The uninterrupted development in Baader Bank's account and custody business has a strengthening effect in terms of accelerated growth. In Account Services, Baader Bank continues to build on the growth rates of previous years. The significant increase in the number of securities accounts in 2022 is due both to the acquisition of additional online and traditional asset managers and to the launch of new, fee-optimised brokerage offerings, in which Baader Bank is a cooperation partner and in the course of which its European strategy started successfully in the first half of 2022.

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, cost optimisation measures as well as 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 2022. 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 (Aktiengesetz – AktG) and audited by the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany. The annual financial statements for financial year 2022 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 deteriorated in comparison to the previous exceptional years with positive earnings before taxes in the amount of EUR 12,181 thousand (previous year: EUR 57,444 thousand). The results of operations of the Baader Bank Group as well as Baader Bank AG in financial year 2022 compared to the previous years 2020 and 2021 were as follows:

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

	2020 EUR'000	2021 EUR'000	2022 EUR'000	Change to the previous year	
				absolute EUR'000	relative %
Income	212,661	215,475	161,298	-54,177	-25
Net interest income ¹ and current income	-2,634	-1,626	7,274	-	-
Net commission income ¹	30,976	12,889	13,039	150	1
Net trading income ^{1,2}	168,215	185,030	112,244	-72,786	-39
Revenue	11,962	11,048	21,343	10,295	93
Other income	4,142	8,134	7,398	-736	-9
Expenses	156,642	158,031	149,117	-8,914	-6
Personnel expenses	71,239	73,491	64,993	-8,498	-12
Other administrative expenses and other operating expenses	48,141	55,920	64,490	8,570	15
Amortisation and depreciation	20,425	10,116	11,324	1,208	12
Other expenses	16,837	18,504	8,310	-10,194	-55
Earnings before tax (EBT)	56,019	57,444	12,181	-45,263	-79
Taxes	9,177	10,647	3,298	-7,349	-69
Consolidated net profit before minority interests	46,842	46,797	8,883	-37,914	-81
Minority interest in net income	-313	-243	-192	51	21
Consolidated net profit for the year	46,529	46,554	8,691	-37,863	-81
Net profit/loss of the parent company brought forward	-6,792	535	86	-449	-84
Transfers to/withdrawals from retained earnings	-20,494	-25,662	-4,610	21,052	82
Consolidated net retained profit	19,243	21,427	4,167	-17,260	-81

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

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

	2020 EUR'000	2021 EUR'000	2022 EUR'000	Change to the previous year	
				absolute EUR'000	relative %
Income	188,523	193,896	134,916	-58,980	-30
Net interest income ¹ and current income	-1,103	-166	14,358	-	-
Net commission income ¹	17,014	-170	-487	-317	>-100
Net trading income ^{1,2}	168,215	185,030	112,244	-72,786	-39
Other income	4,397	9,202	8,801	-401	-4
Expenses	134,705	141,568	129,998	-11,570	-8
Personnel expenses	64,097	66,526	57,601	-8,925	-13
Other administrative expenses and other operating expenses	40,810	50,659	57,015	6,356	13
Amortisation and depreciation	12,976	5,879	7,072	1,193	20
Other expenses	16,822	18,504	8,310	-10,194	-55
Earnings before taxes (EBT)	53,818	52,328	4,918	-47,410	-91
Taxes	8,583	10,036	837	-9,199	-92
Net profit (NP)	45,235	42,292	4,081	-38,211	-90
Retained earnings/losses from the previous year	-6,792	535	86	-449	-84
Transfers to/withdrawals from retained earnings	-19,200	-21,400	0	-21,400	-100
Balance sheet profit	19,243	21,427	4,167	-17,260	-81

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

Due to the recovery in interest rates and the abandonment of the negative interest rate environment, net interest income and current income in the Group are clearly positive at a total of EUR 7,274 thousand. At Baader Bank AG, this led to a contribution to earnings of EUR 14,358 thousand, including dividend payments received from the subsidiaries Baader & Heins and Selan. Net interest income was influenced by interest received on the basis of overnight deposits at the Deutsche Bundesbank (EUR 5,486 thousand). In addition, interest income from holdings of fixed-interest securities in the amount of EUR 2,399 thousand was generated.

At EUR 13,039 thousand (Baader Bank AG: EUR –487 thousand), net commission income is once again a major factor influencing the positive result for the year. Due to the strong trading activities, although weaker compared to the previous year, stock exchange and settlement fees in particular decreased by EUR 2,494 thousand to EUR 32,919 thousand (Baader Bank AG: EUR –2,490 thousand to EUR 32,878 thousand) and commercial agents' commissions by EUR 7,720 thousand to EUR 30,719 thousand (Baader Bank AG: EUR –7,643 thousand to EUR 35,738 thousand). Commission income increased slightly on the whole by EUR 150 thousand (Baader Bank AG: decrease of EUR 317 thousand). However, adjusted for the aforementioned trading-induced commission expenses, net commission income in the key business segment of Multi Asset Brokerage developed positively overall. Thanks to the cash equities business, including the sale of research products both in terms of Baader Bank AG and the Baader Helvea Group, net commission income from order routing and client commission business including research and other net commission income increased significantly by EUR 10,178 thousand to EUR 62,204 thousand (Baader Bank AG: by EUR 9,391 thousand to EUR 53,656 thousand). Earnings from management and performance fees rose by EUR 2,038 thousand to EUR 3,712 thousand (Baader Bank AG: EUR 2,038 thousand to EUR 3,712 thousand). In contrast, net commission income from capital market services decreased by EUR 1,526 thousand to EUR 3,767 thousand (Baader Bank AG: EUR –1,279 thousand to EUR 3,767 thousand) and net income from brokerage and transaction fees decreased by EUR 5,314 thousand to EUR 6,994 thousand (Baader Bank AG: by EUR 5,314 thousand to EUR 6,994 thousand).

Trading income at Group level in the past financial year decreased by EUR 72,786 thousand to EUR 112,244 thousand compared to the two exceptional years and resulted entirely from Baader Bank AG as a trading book institution. The result remains unchanged as a result of consistently good trading volumes, especially on the trading platforms and stock exchanges on which Baader Bank is active as a market maker. The positive commercial figures were mainly characterised by trading income.

The revenue item reported by the Selan Group is fully attributable to the feed-in remuneration for electricity generated by the wind park. In the past financial year, these figures increased by 93 %, almost doubling from

EUR 10,295 thousand to EUR 21,343 thousand and result primarily from the free marketing of wind yields on official trading venues.

Other income was stable, declining slightly by EUR 736 thousand to EUR 7,398 thousand (Baader Bank AG: by EUR 401 thousand to EUR 8,801 thousand).

Total expenses decreased by EUR 8,914 thousand to EUR 149,117 thousand in the past financial year (Baader Bank AG: decrease of EUR 11,570 thousand to EUR 129,998 thousand).

Despite higher employee numbers due to lower variable compensation components, personnel expenses decreased at Group level by 12 % or EUR 8,498 thousand to EUR 64,993 thousand (Baader Bank AG: by 13 % or EUR 8,925 thousand to EUR 57,601 thousand).

Other administrative expenses and other operating expenses increased by EUR 8,570 thousand to EUR 64,490 thousand, mainly due to higher IT costs (Baader Bank AG: by EUR 6,356 thousand to EUR 57,015 thousand).

As a result of the factors described above, gross profit of EUR 153,900 thousand (Baader Bank AG: EUR 126,115) was lower than in the previous year.

Depreciation and amortisation in the Baader Bank Group rose slightly by EUR 1,208 thousand to EUR 11,324 thousand. These result primarily from scheduled depreciation, amortisation and write-downs on intangible assets and property, plant and equipment. A total of EUR 6,803 thousand was allocated to property, plant and equipment, while EUR 4,330 thousand was allocated to intangible assets.

Depreciation and amortisation at Baader Bank AG also increased by EUR 1,193 thousand to EUR 7,072 thousand. The slightly higher level of depreciation, amortisation and write-downs of intangible assets and property, plant and equipment totalling EUR 6,881 thousand is offset by a significant fall in depreciation, amortisation and write-downs on receivables and certain securities, as well as the depreciation of equity investments, shares in affiliated companies and securities treated as investments, to EUR 781 thousand and EUR 191 thousand respectively.

In compliance with Section 340e (4) HGB, an amount of EUR 8,310 thousand (Baader Bank AG: EUR 8,310 thousand) was added to the fund for general banking risks in financial year 2022.

The tax expense in the consolidated financial statements is predominantly a result of the significantly positive contributions to earnings from the individual companies.

As a result of the factors described above, earnings before taxes of EUR 12,181 thousand (previous year: EUR 57,444 thousand) and the consolidated net profit for the year of EUR 8,691 thousand (previous year: EUR 46,554 thousand) were positive. Baader Bank AG reported a net profit for the year of EUR 4,081 thousand (previous year: EUR 42,292 thousand).

2.3.3 Financial position and net assets

As of the balance sheet date, total assets amounted to EUR 2,375,611 thousand, and, with an increase of EUR 555,929 thousand, are significantly higher than the previous year's level (Baader Bank AG: increase of EUR 554,045 thousand to EUR 2,364,267 thousand). The balance sheet structure of the Baader Bank Group has undergone changes on both the assets and liabilities side. The changes in assets are mainly due to an increase in loans and advances to banks by EUR 1,247,169 thousand to EUR 1,396,425 thousand (Baader Bank AG: EUR 1,244,760 thousand to EUR 1,380,636 thousand) due to the investment of credit balances with the Deutsche Bundesbank. Cash reserves also decreased by EUR 1,212,113 thousand to EUR 160,010 thousand (Baader Bank AG: by EUR 1,212,112 thousand to

EUR 160,010 thousand). The portfolio of debt securities and other fixed-income securities increased by EUR 490,090 thousand to EUR 537,564 thousand (Baader Bank AG: EUR 490,090 thousand to EUR 537,564 thousand). Accordingly, on the liabilities side, liabilities to clients increased significantly by EUR 501,701 thousand to EUR 1,922,426 thousand (Baader Bank AG: by EUR 507,204 thousand to EUR 1,933,552 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:

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

	2020 EUR'000	2021 EUR'000	2022 EUR'000	Change to the previous year	
				absolute EUR'000	relative %
Current assets	787,503	1,716,565	2,270,441	553,876	32
Cash reserves	488,841	1,372,123	160,010	-1,212,113	-88
Loans and advances to banks	163,003	149,256	1,396,425	1,247,169	>100
Loans and advances to clients	47,261	99,313	90,565	-8,748	-9
Debt securities and other fixed-income securities	43,735	47,474	537,564	490,090	>100
Equities and other variable-income securities	1,916	849	8,780	7,931	>100
Trading portfolio	36,800	41,754	57,525	15,771	38
Other assets and prepaid expenses and deferred charges	5,947	5,796	19,572	13,776	>100
Non-current assets	101,075	103,117	105,170	2,053	2
Equity investments and interests in associates	9,605	9,690	11,090	1,400	14
Intangible assets	9,278	11,580	14,663	3,083	27
Property, plant and equipment	74,524	74,577	71,151	-3,426	-5
Excess of plan assets over pension liabilities	7,668	7,270	8,266	996	14
Total assets	888,578	1,819,682	2,375,611	555,929	31
External financing	689,112	1,557,568	2,127,193	569,625	37
Bank loans and advances	82,642	46,840	117,644	70,804	>100
Liabilities to customers	593,644	1,497,533	1,994,184	496,651	33
Other liabilities	12,826	13,195	15,365	2,170	16
Other refinancing funds	78,498	97,651	83,479	-14,172	-15
Trading portfolio	4,934	2,701	3,195	494	18
Prepaid expenses and deferred charges	253	243	250	7	3
Provisions	44,854	47,746	24,763	-22,983	-48
Fund for general banking risks	28,457	46,961	55,271	8,310	18
Balance sheet equity	120,968	164,463	164,939	476	0
Subscribed capital	45,632	46,688	48,797	2,109	5
Capital reserve	31,431	37,645	43,445	5,800	15
Retained earnings	23,711	57,759	67,631	9,872	17
Minority interests	951	944	899	-45	-5
Consolidated net retained profit	19,243	21,427	4,167	-17,260	-81
Off-balance-sheet commitments	737	6,607	10,127	3,520	53
Contingent liabilities from guarantees and indemnity agreements	208	8	8	0	0
Obligations from loan commitments	529	6,599	10,119	3,520	53

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

	2020 EUR'000	2021 EUR'000	2022 EUR'000	Change to the previous year	
				absolute EUR'000	relative %
Current assets	776,447	1,715,445	2,263,836	548,391	32
Cash reserves	488,840	1,372,122	160,010	-1,212,112	-88
Loans and advances to banks	149,086	135,876	1,380,636	1,244,760	>100
Loans and advances to clients	52,044	113,806	101,223	-12,583	-11
Debt securities and other fixed-income securities	43,736	47,474	537,564	490,090	>100
Equities and other variable-income securities	1,916	849	8,780	7,931	>100
Trading portfolio	36,800	41,754	57,525	15,771	38
Other assets and prepaid expenses and deferred charges	4,025	3,564	18,098	14,534	>100
Non-current assets	89,444	94,777	100,431	5,654	6
Equity investments and interests in affiliated companies	36,559	36,644	38,044	1,400	4
Intangible assets	7,105	10,076	13,758	3,682	37
Property, plant and equipment	38,112	40,787	40,363	-424	-1
Excess of plan assets over pension liabilities	7,668	7,270	8,266	996	14
Total assets	865,891	1,810,222	2,364,267	554,045	31
External financing	674,433	1,561,148	2,135,716	574,568	37
Bank loans and advances	69,115	46,840	117,644	70,804	>100
Liabilities to customers	594,427	1,503,156	2,005,310	502,154	33
Other liabilities	10,891	11,152	12,762	1,610	14
Other refinancing funds	75,227	94,301	78,128	-16,173	-17
Trading portfolio	4,934	2,701	3,195	494	18
Prepaid expenses and deferred charges	253	243	250	7	3
Provisions	41,583	44,396	19,412	-24,984	-56
Fund for general banking risks	28,457	46,961	55,271	8,310	18
Balance sheet equity	116,231	154,773	150,423	-4,350	-3
Subscribed capital	45,632	46,688	48,797	2,109	5
Capital reserve	31,431	37,645	43,446	5,801	15
Retained earnings	19,925	49,013	54,013	5,000	10
Balance sheet profit/loss	19,243	21,427	4,167	-17,260	-81
Off-balance-sheet commitments	737	6,607	10,127	3,520	53
Contingent liabilities from guarantees and indemnity agreements	208	8	8	0	0
Obligations from loan commitments	529	6,599	10,119	3,520	53

2.3.3.1 Current assets

The cash reserve decreased by EUR 1,212,113 thousand to EUR 160,010 thousand (Baader Bank AG: EUR 1,212,112 thousand to EUR 160,010 thousand), while loans and advances to banks fell by EUR 1,247,169 thousand to EUR 1,396,425 thousand (Baader Bank AG: increase of EUR 1,244,760 thousand to EUR 1,380,636 thousand) due to the investment of credit balances with the Deutsche Bundesbank under the deposit facility. Loans and advances to clients also decreased slightly by EUR 8,748 thousand to EUR 90,565 thousand (Baader Bank AG: by EUR 12,583 thousand to EUR 101,223 thousand). The portfolio of debt securities and other fixed-income securities increased sharply by EUR 490,090 thousand to EUR 537,564 thousand. The portfolio of debt securities and other fixed-income securities with public issuers increased to EUR 488,708 thousand, and holdings with other issuers by EUR 38,700 thousand to EUR 48,856 thousand. During the reporting year, the newly acquired shares and other variable-interest securities were allocated exclusively to the liquidity reserve. In the case of debt securities and other fixed-income securities, additions in the amount of EUR 265,965 thousand were allocated to fixed assets. The trading portfolio increased by EUR 15,771 thousand or 38 % to EUR 57,525 thousand by the reporting date.

Other assets and prepaid expenses were higher than in the previous year, including due to the investment in precious metal holdings, increasing by EUR 13,776 thousand to EUR 19,572 thousand (Baader Bank AG: by EUR 14,534 thousand to EUR 18,098 thousand) by the reporting date.

2.3.3.2 Equity investments and interests in associates/affiliates

The carrying value of equity investments and interests in associates was lightly above the previous year's level at EUR 11,090 thousand.

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 3,083 thousand to EUR 14,663 thousand. Property, plant and equipment decreased slightly by EUR 3,426 thousand to EUR 71,151 thousand.

The additions to intangible assets including reclassifications are primarily related to investments in computer software (EUR 6,017 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 3,258 thousand to EUR 54,121 thousand. This is due to the investments made in the financial year amounting to EUR 10,160 thousand, and offset by scheduled depreciation of EUR 6,882 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 996 thousand to a total of EUR 8,266 thousand. The reason for this was essentially the plan assets measured at fair value that increased to EUR 14,640 thousand.

2.3.3.5 External financing

External financing comprised bank loans and advances and loans and advances to clients as well as other liabilities. On the whole, external financing was significantly higher than the previous year (increase of EUR 569,625 thousand) and amounted to EUR 2,127,193 thousand (Baader Bank AG: increase of EUR 574,568 thousand to EUR 2,135,716 thousand) due to strong client growth. The sharp increase was largely due to higher liabilities to clients from sight deposits by EUR 501,701 thousand to EUR 1,922,426 thousand (Baader Bank AG: by EUR 507,204 thousand to EUR 1,933,552 thousand). Liabilities to credit institutions also increased by EUR 70,804 thousand (Baader Bank AG: by EUR 70,804 thousand).

As of the balance sheet date, other liabilities increased by EUR 2,170 thousand to EUR 15,365 thousand (Baader Bank AG: by EUR 1,610 thousand to EUR 12,762 thousand).

2.3.3.6 Other refinancing funds

Other refinancing funds decreased in the reporting year by EUR 14,172 thousand to EUR 83,479 thousand (Baader Bank AG: EUR 16,173 thousand to EUR 78,128 thousand). The change results mainly from provisions that fell by EUR 22,983 thousand to EUR 24,763 thousand (Baader Bank AG: by EUR 24,984 thousand to EUR 19,412 thousand). The trading portfolio liabilities of Baader Bank AG increased by EUR 494 thousand to EUR 3,195 thousand as of the reporting date.

2.3.3.7 Balance sheet equity

In the current financial year 2022, changes in subscribed capital and capital reserves resulted from the issue of 2,109,309 no-par-value bearer shares against contribution in kind as part of the scrip dividend, legitimised by the resolution on the appropriation of profit of the shareholders' meeting on 7 July 2022. The increase in equity of EUR 476 thousand to EUR 164,939 thousand is primarily due to the consolidated net profit before minority interests (EUR 8,883 thousand), dividend payments (EUR -8,668 thousand) as well as effects from currency translation (EUR -261 thousand). Baader Bank AG's equity decreased by EUR 4,350 thousand to EUR 150,423 thousand. The balance sheet equity ratio amounted to 7 % (Baader Bank AG: 6 %), and, taking into account the fund for general banking risks, the modified equity ratio amounted to 9 % (Baader Bank AG: 9 %). The total supervisory capital ratio stands at 24.3 % (Baader Bank AG: 24.5 %).

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 2022.

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 8 thousand as well as irrevocable loan commitments to clients in the amount of EUR 10,119 thousand.

2.3.3.9 Liquidity

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

The Group's cash position, which was already solid in previous years, was also held constant in the past financial year.

Baader Bank AG's liquidity coverage ratio (LCR) as of 31 December 2022 was 326.0 % (previous year: 327.2 %). 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 performance indicators

2.4.1 Employees

During the reporting year the number of staff employed by the Baader Bank Group increased from 485 in the previous year to 548 as of the balance sheet date. There are 149 female employees and 399 male employees in the Group, from a total of 39 countries.

The number of employees at Baader Bank AG as of 31 December 2022 increased compared the previous year from 451 to 512. The 512 employees, 136 of whom are female and 376 are male, come from 34 countries.

The Baader Bank Group places particular emphasis on high qualifications and on providing its staff with further training. In view of this, human resources (HR) activities in 2022 once again focused on supporting specialists and junior managers, as well as on measures to improve the work-life balance of the Bank's employees.

In addition to the occupational health and safety measures in connection with the COVID-19 pandemic, the possibility of a working from home was continued for the majority of employees in 2022.

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

2.4.2 Environmental report

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

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

Since 1 January 2021, the Unterschleissheim and Frankfurt offices have been supplied by 100 % regional green energy from the GSA region. The charging infrastructure for electric cars was expanded significantly in 2022.

Against the background of the ever-increasing environmental, social and governance (ESG) challenges, and taking growth and strategy into account, Baader Bank, together with its subsidiaries, endeavours to continue to make a significant contribution in the field of sustainability now and in future. To this end, Baader Bank launched the new Group Corporate Security division on 1 February 2022. In addition to the topics of information and data security, this division also includes the ESG department, which will build on the initiatives already successfully implemented, and further develop its activities in this regard. In this context, a review of the sustainability strategy and the further integration of sustainability aspects into business activities has been initiated. For 2023, topics on sustainability are of increasing strategic and supervisory importance. Organisationally, further necessary control measures are being taken to adequately address this topic, which is gaining in importance. For example, the new position of Sustainability Officer was created on the organisational side in 2022.

2.5 General assessment of the report on the economic position

The business performance of the Baader Bank Group for the financial year 2022 was characterised by declining revenues on the stock exchanges and a structural further development of partnerships and cooperation models, in particular in remuneration-free trading venues, in the Market Making segment and in the Account Services segment. The lower earnings compared to the exceptional years 2020 and 2021 are due in particular to directionless trading activities and a lack of market recovery by the end of the year. The Baader Group closed the financial year 2022 with a positive result despite a challenging environment and extensive strategic 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 2022 can be found in the Section 2.2.4.

The net assets and financial position of the Baader Bank Group for the financial year 2022 are such that the Bank's solvency was guaranteed at all times during the reporting period.

3. Forecast, opportunities and risk report

3.1 Risk report

The following section presents the risk situation of Baader Bank AG and the Baader Bank Group according to commercial law (hereinafter referred to as the “Baader Bank Group” or simply the “Group”) as of 31 December 2022. 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 in the financial sector 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 Board of Directors has therefore established a comprehensive risk management system. It is designed to meet both the regulatory requirements as set forth by the national and international regulatory authorities, and the Bank’s internal business requirements.

3.1.2 Objectives of risk management

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

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

3.1.3 Risk-bearing capacity

Risk-bearing capacity is reviewed regularly by the Risk Strategy & Management department of Baader Bank AG. This department is also responsible for risk management at Group level. Risk-bearing capacity is calculated according to the supervisory guideline on the realignment of internal banking risk-bearing capacity concepts issued by BaFin (the German Federal Financial Supervisory Authority) with reference to “normative” and “economic” perspectives. Both perspectives are considered to be equally relevant for risk management.

The normative perspective is viewed as the totality of regulatory and supervisory requirements. In order to monitor risk-bearing capacity, the equity capital available is compared to the regulatory requirements. In addition, the Baader financial holding company is also reported from a regulatory normative perspective. The following compares the situation as of 31 December 2022 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 Finanzholding	
	2022	2021	2022	2021	2022	2021
Equity	183,309	130,512	175,743	127,694	196,731	153,609
RWA	753,216	591,731	718,782	566,560	830,520	636,335
CRR ratio	24.3 %	22.1 %	24.5 %	22.5 %	23.7 %	24.1 %

The increase in equity capital results from the very successful 2021 financial year. As the 2021 annual financial statements had not yet been adopted at the time of last year’s report, the revenues were not included in the 2021 report. As a result, equity capital has risen significantly.

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 company’s risk-bearing capacity on the basis of its own resources and earning power. The period under consideration covers three years. Anticipated changes in the company’s own business activities or strategic objectives, changes in the market and competitive environment and binding or already adopted regulatory changes are taken into account in the course of planning. Risks from an economic perspective are taken into account in the adverse scenarios.

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

The economic perspective, however, serves to protect creditors against losses from an economic point of view. At the same time, the long-term protection of the economic substance of the institution is being pursued. The risk coverage potential is determined using a calculation method similar to that of 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 %. The following table shows the risk-bearing capacity of Baader Bank AG and of the Group following the economic approach as of 31 December 2022:

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

In EUR'000	Baader Bank Group		Baader Bank AG	
	2022	2021	2022	2021
Risk coverage potential	174,204	160,950	164,773	155,319
Risk potential	63,674	31,826	70,340	33,655

Compared to the previous year, the risk coverage potential and the risk potential is increasing. The increase in risk potential is mainly due to the build-up of positions in the non-trading book.

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

In the economic approach, a limit system is used. The 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 management 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 Risk

Management department checks the greatest losses arising from the stress scenarios against the available risk coverage potential for all relevant risk types.

In summary, the Baader Bank AG's and Baader Bank Group's risk-bearing capacity was not endangered at any time in financial year 2022 and their survival as going concerns would have been assured even if the worst-case stress scenario had occurred.

3.1.4 Risk inventory and risk strategy

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

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

3.1.5 Risk management structures and processes

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

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

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

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

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

The Board of Directors is responsible for ensuring adequate and orderly business organisation and for the further development of that system. This responsibility

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

In addition, the Risk Management department conducts **stress tests** for all significant risk types at least every quarter. As part of the stress tests, the Risk Management department defines various possible scenarios, which are highly unlikely but plausible, and examines their impact on the existing portfolio. The scenario leading to the greatest loss is designated as the worst-case scenario. The results of the stress tests are presented to Group management in the stress test report and discussed with them, if necessary. Furthermore, due consideration is given to the results of the stress tests in the review of the Group’s risk-bearing capacity. As of 31 December 2022, the losses in the worst-case scenario amounted to:

Table 7: Stress test results

In EUR'000	Baader Bank Group		Baader Bank AG	
	2022	2021	2022	2021
Stress test (worst-case scenario)	70,309	57,540	82,047	56,415

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

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

3.2 Significant changes compared with the previous year

The following major changes were made to the models employed by the Risk Management department in 2022:

Market price risk

In market price risk, the methodology for quantifying idiosyncratic risk of bonds was updated during model validation. In addition, client deposits were modelled in accordance with regulatory requirements to determine certain key figures. Furthermore, in order to take account of the high level of client deposits in foreign currency, the calculation of the FX risk for the Treasury book was limited to open foreign currency bonds only (without liabilities-side refinancing in the corresponding currency).

Counterparty default risk

An asset correlation factor has been introduced in the CVaR calculation for the counterparty default risk. Based on the calculation of the Credit Value at Risk in accordance with Article 153 (2) of the CRR, a factor of 1.25 is applied to the calculation of the default correlation for large, regulated institutions (balance sheet total exceeding EUR 70 billion).

Operational risk

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

Liquidity risk

In the course of the validation, individual assumptions for the modelling of cash flows were updated to determine structural liquidity risk. In particular, attention was paid to the changed composition of the balance sheet due to the increase in client deposits.

3.2.1 Risks in the Baader Bank Group

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

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

3.2.1.1 Market price risk

In general, Baader Bank regards market price risks as all risks that result from the change in the market price of a financial instrument over a specified period of time. Depending on the parameter that changes, this may be equity price risk, interest rate risk including credit spread risk, commodity risk or currency exchange risk. Equity price risk refers to the risk of changes in the price of

an equity instrument. Interest rate risk refers to the risk of a change in the present value of an interest rate or spread-sensitive financial instrument brought about by changes in market interest rates or credit spreads. Baader Bank considers exchange rate risk to be the risk of losses resulting from exchange rate changes that have a negative effect on the Bank's own position. Similarly, commodity positions, including commodity derivative instruments, are exposed to the risk of changing prices.

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

In principle, the market price risks described are restricted to 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	
	2022	2021	2022	2021
Shares	24,466	20,900	24,466	20,900
Bonds	216,404	47,690	216,404	47,690
Funds, certificates, securitised derivatives	13,165	15,689	13,165	15,689
Options	0	0	0	0
Futures	-5,346	0	-5,346	0

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

Equity price risks are measured in the Baader Bank central trading and monitoring system using a value-at-risk (VaR) model based on Monte Carlo simulations. The VaR is calculated with a chosen confidence level of 99.9 % for the expected holding period. On 31 December 2022, the risk situation was as follows:

Table 9: Market price risk

In EUR'000	Baader Bank Group		Baader Bank AG	
	2022	2021	2022	2021
Value at Risk	26,870	11,811	26,870	11,378
Limit utilisation	53 %	49 %	53 %	48 %

The significant increase in the market price risk is mainly due to the expansion of Treasury positions in the non-trading book. In this context, interest rate, FX and credit spread risks were entered into.

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

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

The market price risk, which was influenced by the COVID-19 crisis in 2020 and 2021, was primarily influenced by geopolitical factors in 2022. Thus, the war in Ukraine led to high volatility, especially at the end of the first quarter. Supply chain bottlenecks, rising energy prices and sharply rising inflation, coupled with massive interest rate hikes by central banks, continued to affect markets in the second half of the year. With its well-developed risk limitation and monitoring system implemented on a near-time basis, the Bank was able to manage the market price risk appropriately at all times.

3.2.1.2 Counterparty default risk

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

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

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

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

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

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

Credit risk

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

Counterparty risk

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

Issuer risk

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

Equity investment risk

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

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

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

In EUR'000	Baader Bank Group		Baader Bank AG	
	2022	2021	2022	2021
Credit risk KU	3,912	2,736	3,912	2,730
Credit risk KI	2,898	3,241	2,898	3,241
Counterparty risk	698	895	698	895
Issuer risk	11,321	951	11,321	951
Equity investment risk	8,613	3,192	16,047	6,150
Total	27,442	11,015	34,876	13,967
Limit utilisation	55 %	55 %	70 %	70 %
Risk provisions for client loans	156	296	156	296

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

In 2022, the counterparty default risk of Baader Bank Group and Baader Bank AG increased as a result of the build-up of positions in bonds. The decrease in risk provision is not due to the threat of credit defaults caused by the COVID-19 pandemic.

3.2.1.3 Operational risk

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

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

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

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

Unexpected losses from operational risks are quantified each quarter on the basis of losses recorded historically, supplemented by potential losses in the Baader Bank Group. This includes the consideration of risks due to defective processes, data processing risks, personnel risks and natural hazards. The procedure is based on the loss distribution approach, whereby the parameters of severity distribution and frequency distribution are estimated in accordance with the maximum likelihood method to determine a total loss per year. This approach assumes that loss amounts have a log-normal distribution, that the number of losses follows a Poisson process and that losses are independently and identically distributed. The aggregate loss distribution is estimated using statistical software based on the Monte Carlo simulation. For unexpected losses, the 99.9 % quantile is used to determine the amount that must be covered by risk capital. On 31 December 2022, the risk situation was as follows:

Table 11: Operational risk

In EUR'000	Baader Bank Group		Baader Bank AG	
	2022	2021	2022	2021
Value at risk	9,362	9,000	8,594	8,311
Limit utilisation	94 %	90 %	86 %	83 %
Total loss per year	1,114	1,573	1,114	1,572

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

In the financial year 2022, there was a slight increase in the value at risk. In contrast, the loss amount in 2022 declined. No losses were recorded from cyber risks due to working from home during the COVID-19 pandemic. In this regard, the Board of Directors continues to view the operational risk as non-critical. In addition, the risk capital provided was sufficient at all times. The technical equipment used for risk systems was deemed to be appropriate throughout the past financial year.

3.2.1.4 Liquidity risk

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

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

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

Risk Management is responsible for monitoring the dispositive liquidity risk of the Baader Bank Group. Various monitoring mechanisms are in place to properly exercise this function and promptly initiate countermeasures when necessary. For the purpose of managing and monitoring the Liquidity Coverage Ratio key performance indicator (KPI), or LCR, a limit system was installed for the 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 Group Risk Report to the Board of Directors. Furthermore, the Treasury department submits a daily liquidity report detailing the current liquidity situation to the Risk Management department, which subjects it to a plausibility check and reviews it. In addition, the NSFR (Net Stable Funding Ratio) is determined and monitored on a quarterly basis. If an imminent liquidity shortage is identified, the relevant decision-makers are informed immediately. Due to the nature of the dispositive liquidity risk, it is not possible to limit this risk by means of the risk coverage potential and therefore quantification is ineffective (MaRisk AT 4,1 para. 4).

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

Possible refinancing losses are quantified through the preparation of liquidity progress reports and the calculation of potential liquidity shortfalls. A comparison is made each quarter between refinancing under current market conditions and the refinancing position if the unexpected were to occur. A scenario involving considerably more costly funding as well as unexpected cash outflows is applied to this. The resulting difference represents the refinancing loss. This difference is taken into account in determining risk-bearing capacity for the Baader Bank Group and, if necessary, covered with risk capital. The Risk Management department carries out daily reviews to ensure that the risk capital provided is sufficient to cover unexpected losses arising from liquidity risks. The risk situation as of 31 December 2022 was as follows:

Table 12: Liquidity risk

In EUR'000	Baader Bank Group		Baader Bank AG	
	2022	2021	2022	2021
Refinancing loss	0	0	0	0
Limit utilisation	0 %	0 %	0 %	0 %

In financial year 2022 – as in the previous year – there was no risk potential as there were no liquidity gaps. For this reason, the Risk Management department regards the liquidity risk as not critical.

As part of the structural liquidity risk, the Bank draws up a refinancing plan on a quarterly basis, both for the normal case 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 (FinaRisikoV) to the supervisory authority, and internally within the framework of a Liquidity Adequacy Statement (LAS) to the Board of Directors.

3.2.1.5 Business risk

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

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

Overall, the Baader Bank Group continues to be dependent on the stock market environment. The restructuring measures that have been successfully implemented in recent years and the rise in trading volumes led to a

significant improvement in the financial results. The development still needs to be carefully observed and the business risk must be considered crucial to the success of the Bank.

3.2.2 Summary of the Baader Bank Group's risk position

The Baader Bank Group manages material risks through a risk management and control process and with the aid of effective risk management tools. 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 quantifies and monitors all risks within the Baader Bank Group, ensures at all times that interdependencies between the different types of risk can be identified and that countermeasures can be implemented immediately.

As part of 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 2022, 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 worst-case scenarios from the stress tests in the economic perspective. In the normative perspective, the regulatory requirements for equity required were complied with. Baader Bank's capital planning shows that long-term regulatory compliance in terms of equity required is ensured even under adverse conditions.

The market environment in 2022 was seen as difficult. As a result of the COVID-19 pandemic, global supply chain problems arose, leading to material shortages and a price increase. The Russian war of aggression against Ukraine and the ongoing fighting further unsettled the markets. The resulting rise in energy prices further exacerbated inflation and increasing fears of recession dominated the market environment. The leading central banks responded by tightening monetary policy and rapidly raising interest rates. Overall, the slowdown in the growth dynamic, inflation, and the monetary policy and geopolitical environment created enormous challenges.

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.

At the time of drafting these financial statements, the Bank had no significant loan receivables, securities holdings or other exposures to – or business relationships with – Russia that could have a financial impact on the Bank's results of operations or its long-term strategic objectives in the wake of this crisis. We have also taken all possible measures to protect the Bank from possible cyber-attacks.

3.3 Forecast and opportunities report

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

The gradual improvement in economic sentiment indicators, which began in the autumn, continued at the beginning of 2023. This can be seen as an indication that the economic slump of the winter of 2022/2023 should be less severe than expected in the meantime. Nevertheless, the growth dynamic for 2023 on the whole is expected to be comparatively moderate. According to current forecasts, the IMF expects the global economy to grow by 2.9 % in 2023 (US: 1.4 %, euro area: 0.7 %, Germany: 0.1 %), and thus significantly less than in the previous year. Only some Asian countries, such as China (5.2 %), are expected to grow at a higher rate than in 2022, which is due to catch-up effects after the end of the long-term lockdown period.

However, the extent to which the burgeoning recovery of the leading indicators will continue during the course of the year, and the extent to which the real economy will recover in the second half of the year remains to be seen. The now clearly declining inflation rate and the emerging income growth due to higher wage agreements should, of course, provide some relief for private consumers. However, impetus from rising real wages can be expected at the earliest in 2024. In addition, a renewed strengthening of the euro exchange rate could have a subduing effect on a potential recovery in foreign trade. Overall, it is therefore expected that the economic environment will remain challenging for many companies in 2023.

This is also likely to be helped by the fact that central banks will initially push their key interest rates, and thus the financing costs of households and companies, even higher. For example, the Fed announced that further

interest rate hikes will be appropriate after the rate increase in February, and the ECB also announced its intention to raise the interest rate by a further 50 basis points in March. These plans were justified by further significant core inflation rates that were above target. In this context, both the Fed and the ECB also put paid to market expectations for early and, in some cases, significant cuts in the key lending rates. Thus, short-term interest rates are expected to remain at comparatively high levels for the foreseeable future, even if headline inflation rates should cool significantly over the course of the year, as expected.

The combination of low economic growth and persistently hawkish central banks harbour the risk that financial market volatility may rise again in the coming months. The stock market outlook may thus deteriorate again during the spring, especially if the expected growth recovery is weaker or shorter than expected. In this context, one risk factor assumes that the uncertainty about the central banks' target interest rate level gradually decreases, but the extent of the economic consequences of a high interest rate environment over a long period of time is still entirely unclear.

Other topics, such as a potential escalation of geo-political conflicts or the price certainty and/or security of supply in the energy sector could once again become an issue in 2023. In addition, rising refinancing costs could pose a threat to companies with less stable business models. This would be particularly problematic if bond yields were to rise again significantly after the current breather.

Despite the predominant outlook for a gradual economic recovery at this time, stock market performance is likely to remain driven by corporate earnings expectations. As long as the uncertainty about future economic growth and the scope for further price increases remains high, stock market developments are likely to be volatile at times. However, the valuation of many stocks is already slightly below the average of recent years. Against this background, it is probable that stock markets will 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. In contrast, cyclical sectors are likely to benefit, particularly in those phases where growth recovery becomes more probable. However, as long as a new economic boom does not emerge, late-cyclical equities are likely to perform at a below-average level.

3.3.2 Outlook for the business lines

3.3.2.1 Market Making business line

In 2023, 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 best execution 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.

While the attractiveness of traditional (high-priced) stock exchanges continues to decline, the attractiveness of securities as an investment continues, among other things, due to the topic of private pension provision, 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 also set to continue in 2023, as many smaller interest rate hikes will be necessary to bring inflation back to the level desired by central banks.

Overall, on the product side, Baader Bank is striving to further improve the quality of its traded products. While margin pressures continue, the topic of payment for order flows (payment for forwarding orders) has tended to recede into the background at the moment. Compared to the past financial year, the Baader Bank Board of Directors expects a more stagnant overall market growth in 2023 with a tendency towards a volatile market environment. The developments in 2020 and 2021

mark exceptional years due to the high level of trading activities. Nonetheless, 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 2022, 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 which 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.

3.3.2.2 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.

For 2023, the Baader Bank Board of Directors expects the market to continue to develop cautiously before the capital market services business will revive in the medium to long term. Internationally, especially in the English-speaking markets, there is still a dependency on the overall economic development in the Capital Markets business.

In terms of the future, Baader Bank aims to further increase visibility in the capital market business, supported by its trading expertise (designated sponsoring, market making) and securities technology as strategic pivotal points, so that the cross-selling effects of the business model will be effective in these areas.

Transactions are already in the pipeline for the remainder of 2023. In January, the Baader Bank team acted as a listing agent for the de-SPAC transaction with GFJ ESG Acquisition I SE and the merger with the company *learn*. This is the second de-SPAC transaction after

the Lakestar SPAC I–HomeToGo de-SPAC and expands Baader Bank's track record in German de-SPAC transactions, with two of three transactions now being carried out by Baader Bank.

The aim is to increase the transaction volume for the current year to the level seen in 2021. In accordance with this, the number of mandates of Baader Bank should rise again in the medium to long term – this should always take the global interest rate trend into consideration, whereby an increasing interest rate level should be classified as a barrier to business. The growing importance of ESG issues must also be increasingly included when managing capital measures. Overall, the Baader Bank Board of Directors expects a slight overall growth in the German market in 2023 compared to the previous year.

Another goal is to maintain and expand its strong market positioning in the Special Execution service, which, together with the Market Making business of Baader Bank, jointly supports the Capital Markets activities. In terms 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 2022 is expected to increase moderately in the future. An expansion of business activities to Switzerland is planned for the first half of 2023.

3.3.2.3 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 as well as volatile movements 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 2023. Overall, international institutional investors' trading activities should continue to increase. In this environment, Baader Bank positions its brokerage as a product in the GSA region. In line with the high-performance strategy, pan-European products are positioned in the cash equity business in order to support their current starting position. There is a clear intention for the Bank to position itself against margin pressure with an economical and effective approach. Thus, even in 2023, 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. In 2023, a further increase in trading volume in the single-digit percentage range is planned.

3.3.2.4 Account Services business line

The Baader Bank Board of Directors expects overall market growth to decline in 2023 – 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 are supporting factors. New product worlds, e.g. in the crypto sector, as well as the expansion of business with traditional asset managers or heavy traders will also influence future business development. 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, consolidation is also progressing in the market of neo-brokers and robo-advisors. Some competitors have abandoned or severely restricted their business. As a result, there is an increase in quality in the composition of collaboration partners. The players who can compete successfully are generally larger and more experienced. In this context, Baader Bank considers itself to be well positioned for further consolidation with regard to its onboarding and migration processes. The same applies to the internationalisation of Baader Bank together with its cooperation partners in other European countries.

As a consequence, 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 2023, 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.

Scalable Capital's interest offering has already started for the current year, which should ensure a certain increase in the number of clients and deposits gained as part of the cooperation at the beginning of the year. In addition, the new B2B partnership with Smartbroker will further boost Baader Bank's client and custody account growth over the course of the year.

3.3.2.5 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 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 moderate overall market growth for the 2023 financial

year, 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 2023.

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 US).

3.3.2.6 Research Services business line

Baader Bank expects modest or non-existent overall market growth in the research business in 2023. 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. A strong presence is to be maintained at international investor conferences and complemented by additional own conferences on a smaller scale. Accordingly, Baader Bank's research business line functions as a cross-selling unit with other business lines, such as Capital Markets and Brokerage.

In line with the high-performance banking strategy, the cooperation with the French provider AlphaValue and the resulting research platform "Baader Europe" will continue to be important in order to ensure the stabilisation and expansion of the positioning in Europe into the future. Further optimisation and strong positioning in the market are of top priority for 2023 in terms of ensuring that the Bank's own research business is profitable. This goes hand in hand with a slightly positive number of research contracts with investors to be expected again in 2023.

3.3.3 Outlook for the business development of subsidiaries

As a fundamental part of the Baader Bank Group and tightly integrated with the Research Services, Brokerage and Capital Markets business lines, the **Baader Helvea Group** is the main point of contact for international institutional investors and corporate clients. The client focus remains on the United Kingdom, Switzerland and North America. The Group provides the organisational and sales setup to serve 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 2023.

In addition, the Baader Helvea Group has expanded its ECM capacities in the US, where it can act as a syndicate member in US IPOs. Furthermore, the Baader Helvea Group supports other non-European brokerage companies in accessing the US market.

With the continuing optimisation of the research product offered throughout the Baader Bank Group, but also the investment needs of the Baader Helvea client base, the Swiss company is expected to make a steadily growing contribution to the total earnings of the Baader Bank Group in financial year 2023. In mid-2023, the company will relocate its headquarters in Zurich to a new office building and will continue to operate from its Zurich, London and New York locations in 2023.

In the context of the business activities of the **Selan Group**, as previously reported, electricity market prices were at record levels in the summer of 2022 and reached their absolute peak in August 2022. The company used this development to conclude a three-year fixed-price agreement in July 2022 with the national electricity marketer for the purchase and marketing of all the electricity it produces. With this pricing model, based on current legislation, it is ensured that the company is not affected by an additional levy (windfall profit levy) within the framework of the European electricity price capping and is therefore only subject to the usual national profit taxation.

In spite of this, the **Selan Group's** total earnings for the year is heavily dependent on wind conditions and the wind yields that can be generated from them, which can only be forecast to a limited extent. The company currently assumes that the wind turbines will continue to run reliably and that wind conditions will not change significantly. The implementation of the second expansion stage is still being focused on and was subject to renewed delays in 2022 due to supplementary environmental requirements and the changed market conditions (increase in raw material prices, crisis at wind turbine manufacturers). Should the expansion begin in 2023, additional capitalisable expenses may be incurred during the financial year with the planned investment.

The unchanged goal of **Baader & Heins Capital Management AG** in 2023 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.

Assuming that inflation will remain high for a longer period of time, and therefore that further increases in interest rates/risk spreads are to be expected, particularly in the first half of the year, the ongoing economic uncertainties in the wake of the war in Ukraine and the COVID-19 crisis, as well as a further reduction in deposit protection for institutional clients, the Board of Directors expects a slightly lower number of transactions for 2023 and a correspondingly reduced brokered volume. In addition, costs are expected to increase only marginally in 2023 compared to 2022, meaning that – assuming an optimistic margin development – the operating result should again be clearly positive.

3.3.4 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 2022 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 2023 – driven in particular by the Europeanisation of neo-brokers.

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 2022 on a moderately rising growth curve – based on developments in 2022. For the Capital Markets and Research Services divisions, the Board of Directors expects a comparatively lower potential for growth in business development for 2023, although the market for capital market services should certainly develop better than in 2022.

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

For the upcoming 2023 financial year, in its base case scenario Baader Bank expects market volatility to track at a similar level to the continuously increasing fluctuations seen in 2022, as has already been observed in the first weeks of the new 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 2023, the Board of Directors of Baader Bank expects an 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 overall assessment of the future development of Baader Bank, the earnings drivers and earnings components are classified as follows:

In the base case scenario, the Board of Directors expects total income ranging between EUR 175.0 million and EUR 215.0 million for the financial year.

Within total income, the Board of Directors expects the **trading result** in 2023 to range between EUR 110.0 million and EUR 150.0 million, taking into account difficult to predict market volatility and trading volumes.

Compared to the previous year, the expectation for **net interest and commission income** is an increased contribution of around EUR 50.0 million

Revenues are expected to reach a level of around EUR 13.0 million in 2023, while other income components and other income are expected to reach EUR 2.0 million

The Board of Directors of Baader Bank plans **total expenses** to move from EUR 160.0 million to EUR 190.0 million in financial year 2023. Total expenses include variable expenses for variable remuneration, which are dependent on earnings components, and the allocation to the fund for general banking risks.

Based on the ranges shown above, the Board of Directors expects the scenario planning to result in **earnings before taxes** ranging between EUR 15.0 million to EUR 25.0 million for the financial year, with a **cost-income ratio** of between 80 % and 90 %. **Return on equity** after tax of between 7 % and 11 % is expected.

Given the unpredictable, exogenous influencing factors, the Board of Directors is of the opinion that reliable forecasts for the business development can only be made with reservations. 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 of 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

The Board of Directors passed a resolution on the determination of target quotas for the proportion of women at the two management levels below the Board of Directors pursuant to Section 76 (4) AktG. Based on that resolution, the proportion of women at both the first management level with the title (“Managing Director”) and the second management level (“Executive Director”) should reach 12 % by 30 June 2022.

With a proportion of women at the first management level of 4 % in June 2022, the first target quota was not achieved. On the same date, the proportion of women at the second management level was 4 %, thus below the target quota set. The main reason for this was the turnover in female executives and a generally low number of female executives in the banking sector. However, measures have already been taken to raise both of the quotas to 7 % in 2023. As of 1 January 2023, the proportion of women at the second management level was already 7.4 %.

The Supervisory Board passed a resolution on the determination of targets for the proportion of women on the Board of Directors and Supervisory Board pursuant to Section 111 (5) AktG. Accordingly, the proportion of women on the Board of Directors and on the Supervisory Board should have reached 0 % and 16.67 % respectively by 30 June 2022.

At the time of the planned achievement by 30 June 2022, the target quota for the Board of Directors was achieved. With a proportion of women on the Supervisory Board of 0 %, however, the target quota of 16.67 % for the Supervisory Board was not met. The reason for this is that when the Supervisory Board was elected in 2018, 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 June 2018 until the scheduled date of achievement in June 2022.

The resolution passed by the Supervisory Board on 6 May 2022 retained the target quota for a proportion of women on the Board of Directors of 0 % and of 16.67 % on the Supervisory Board. The deadline to achieve both targets is 30 June 2025.

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, 15 March 2023

Baader Bank AG
Board of Directors



Nico Baader



Oliver Riedel



Dietmar von Blücher

Report by the Supervisory Board

Work culture, monitoring and consulting activities of the Supervisory Board

In the financial year 2022, 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 Supervisory Board also held discussions with the other members of the Board of Directors for more in-depth discussion of questions in their respective areas of responsibility. The members of the Supervisory Board also met repeatedly to exchange information internally without the involvement of third parties with the aim of discussing important company matters from the supervisory body's perspective.

In its monthly reports, the Board of Directors provided information on key financial performance indicators and the risk position of Baader Bank Aktiengesellschaft and the Group to the Supervisory Board on an ongoing basis and as required in specific situations. In 2022, the Supervisory Board reports were further optimised to ensure even better monitoring. Any deviations from the company's financial plans regarding its earnings were promptly discussed in detail and reviewed by the Supervisory Board, including the adjustment of the forecast as part of the reporting of the nine-month figures for 2022.

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

The Board of Directors and the Supervisory Board also met to advise on the overall banking and business line strategies for the coming years and the associated financial planning. The focus here was on the long-term nature and sustainability of the business model with regard to probable economic efficiency and suitable profitability within the context of the developed strategic positioning and market potential. In particular, the new High Performance Banking strategy programme, which will be in place for the next five years, was presented by the Board of Directors, discussed with the Supervisory Board and ultimately approved. In 2023, Baader Bank will also be strategically focusing on sustainability issues, as prescribed by the regulator, in line with the increasing importance of these issues.

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

Termination of the Covid-19 emergency situation, change of auditor of the annual financial statements, and Supervisory Board governance as an area of focus with regard to consulting and monitoring

In financial year 2022, 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. Following an extensive and in-depth evaluation, with the inclusion of the Audit Committee, KPMG Wirtschaftsprüfungsgesellschaft was proposed as the new auditor from the financial year 2023. The proposal is intended for the conclusive selection of the new auditor at the shareholders' meeting to be held on 6 July 2023.

The Supervisory Board regularly obtained information on the effects of the Covid-19 pandemic on Baader Bank and on the status and effects of adopted organisational/protective measures. After 1,026 days, on 31 December 2022, the Board of Directors together with the Emergency Officer declared the end of the emergency situation first announced on 11 March 2020.

The Supervisory Board also discussed issues regarding the strategy and financial planning of Baader Bank with the Board of Directors. The discussions also focused on the topic of dividends. In the case of issues relating to operational and personnel development, the Supervisory Board and Board of Directors reviewed the schedule of responsibilities and the organisational structure of the Bank. Furthermore, significant projects and individual loan commitments were important points in the discussions between the Supervisory Board and the Board of Directors for the financial year 2022.

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) of the German Federal Financial Supervisory Authority (BaFin) was another important topic. In this context, the work carried out based on the findings of the audit was regularly reported.

The Audit Committee held a total of six ordinary meetings and one extraordinary meeting in the financial year 2022. It provided support in monitoring the accounting process and dealt intensively with the annual and consolidated financial statements. It also monitored the effectiveness of the risk management system, in particular that of the internal control systems and of the Internal Audit department, including with regard to the Bank's transformation.

Audit of the annual financial statements and consolidated financial statements for 2022

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 financial year 2022 in accordance with the regulations of the German Commercial Code (Handelsgesetzbuch), the German Stock Corporation Act (Aktiengesetz) and the German Regulation on Accounting by Banks (Verordnung über die Rechnungslegung der Kreditinstitute).

The auditors of the annual financial statements and consolidated financial statements chosen by the shareholders' meeting, PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Munich, audited the financial statements and the management report and issued an unqualified audit opinion. The auditor conducted its audit of the annual financial statements in compliance with the German Generally Accepted 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 31 March 2023, 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 2022, 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 of the German Stock Corporation Act (Aktiengesetz – AktG), the Board of Directors prepared a report on the company's relationships with affiliated companies. The auditor, PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft, Munich, reviewed the subordinate status report of the Board of Directors in compliance with the legal regulations and issued the following unqualified audit opinion: "In accordance with our mandatory audit and in our opinion, we confirm that 1. the factual disclosures in the report are correct, and 2. the company's payments for the legal transactions set out in the report are not inappropriate in amount, and 3. the measures detailed in the report do not support a judgement materially different to that reached by the Board of Directors."

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

Changes to the Supervisory Board and Audit Committee of Baader Bank Aktiengesellschaft

The Chairman of the Supervisory Board of Baader Bank, Dr Horst Schiessl, sadly passed away during the reporting period (August 2022) following a short illness. The composition of the Supervisory Board of Baader Bank thus changed and its membership was reduced to five. Helmut Schreyer took over the position of Chairman; he was replaced by Prof. Georg Heni as Deputy Chairman. In the financial year 2023, a new Baader Bank Supervisory Board will be duly elected.

Christoph B. Mast took the place of Dr Horst Schiessl on the Supervisory Board's Audit Committee.

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 financial year 2022, 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, Germany, 31 March 2023

The Supervisory Board



Helmut Schreyer
Chairman

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Consolidated balance sheet as at 31 December 2022

Assets in EUR	31/12/2022		31/12/2021	
1. Cash reserves				
a) Cash on hand	0.00		220,000,345.73	
b) Credit balances with central banks including: At Deutsche Bundesbank EUR 160,009,655.64 (previous year: EUR 1,152,122,331.85)	160,009,655.64	160,009,655.64	1,152,122,331.85	1,372,122,677.58
2. Loans and advances to banks				
a) Due on demand	1,395,053,616.59		148,013,335.04	
b) Other loans and advances	1,371,319.20	1,396,424,935.79	1,243,104.30	149,256,439.34
3. Loans and advances to clients		90,565,378.31		99,313,526.91
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 including: Eligible as collateral at Deutsche Bundesbank EUR 354,810,383.87 (previous year: EUR 22,087,076.14)	488,707,978.23		37,318,195.03	
ab) From other issuers including: Eligible as collateral at Deutsche Bundesbank EUR 11,007,166.92 (previous year: EUR 8,169,307.74)	48,856,292.68	537,564,270.91	10,156,164.15	47,474,359.18
5. Equities and other variable-income securities		8,780,010.87		848,648.61
5a. Trading portfolio		57,524,743.18		41,753,534.22
6. Equity investments		11,089,611.04		9,689,611.05
including: To 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	12,430,499.90		10,009,133.21	
b) Goodwill	835,541.97		1,495,063.64	
c) Advance payments made	1,396,871.81	14,662,913.68	75,601.58	11,579,798.43
8. Property, plant and equipment		71,151,285.47		74,576,878.54
9. Other assets		15,320,237.59		1,802,063.94
10. Prepaid expenses and deferred charges		4,251,919.77		3,994,253.76
11. Excess of plan assets over pension liabilities		8,266,345.48		7,270,434.51
Total Assets		2,375,611,307.73		1,819,682,226.07

Equity and liabilities in EUR			31/12/2022			31/12/2021
1. Bank loans and advances						
a) Due on demand		111,266,273.08		29,062,303.51		
b) With agreed term or notice period		6,378,260.59	117,644,533.67	17,777,771.35		46,840,074.86
2. Liabilities to customers						
a) Other liabilities						
aa) Due on demand		1,922,425,575.25		1,420,725,318.83		
ab) With agreed term or notice period		71,758,378.10	1,994,183,953.35	76,807,689.06		1,497,533,007.89
3. Trading portfolio						
			3,194,707.18			2,700,817.93
4. Other liabilities						
			15,364,976.73			13,195,299.19
5. Prepaid expenses and deferred charges						
			249,801.94			242,900.74
6. Provisions						
a) Provisions for pensions and similar obligations		3,037,724.78		2,672,095.67		
b) Tax provisions		2,491,562.69		10,311,880.02		
c) Other provisions		19,233,586.09	24,762,873.56	34,762,233.19		47,746,208.88
7. Fund for general banking risks						
including: Special item pursuant to Section 340e (4) HGB		55,271,000.00	55,271,000.00	46,961,000.00		46,961,000.00
8. Equity						
a) Called up capital						
Subscribed capital	48,797,311.00			46,688,002.00		
less nominal amount of treasury shares	0.00	48,797,311.00		0.00		
b) Capital reserve		43,445,358.77		37,644,759.02		
c) Retained earnings						
ca) Other retained earnings	66,174,215.78			56,564,573.04		
cb) Difference in equity due to currency conversion	1,455,852.24	67,630,068.02		1,194,008.69		
d) Non-controlling interests		899,304.14		944,206.44		
e) Consolidated net retained profit		4,167,419.37	164,939,461.30	21,427,367.39		164,462,916.58
Total equity and liabilities			2,375,611,307.73			1,819,682,226.07
1. Contingent liabilities						
a) Liabilities from guarantees and indemnity agreements			8,400.00			8,400.00
2. Other obligations						
a) Irrevocable loan commitments			10,119,007.31			6,599,181.31

Consolidated income statement

In EUR'000			2022	2021		
1. Interest income from						
a) Lending and money market transactions	3,801,446.08			-2,056,310.28		
b) Fixed-income securities and book-entry securities	2,399,349.92	6,200,796.00		1,186,503.32		
2. Interest expenses			262,685.76	6,463,481.76	-1,396,854.57	-2,266,661.53
3. Current income from						
a) Equities and other variable-income securities			651,518.01		545,730.93	
b) Equity investments			160,195.00	811,713.01	95,281.20	641,012.13
4. Commission income			107,515,813.02		112,000,016.44	
5. Commission expenses			-94,476,638.61	13,039,174.41	-99,110,863.58	12,889,152.86
6. Net income from the trading portfolio				112,243,875.38		185,030,377.02
7. Revenue				21,343,319.61		11,048,407.15
8. Other operating income				5,723,045.00		7,586,735.07
9. General administrative expenses						
a) Personnel expenses						
aa) Salaries and wages	-56,796,774.95				-65,968,599.75	
ab) Social security and expenses for retirement benefits and support including: For retirement provisions EUR -546,635.84 (previous year: EUR -936,464.03)	-8,196,488.79	-64,993,263.74			-7,522,554.38	
b) Other administrative expenses			-63,084,807.52	-128,078,071.26	-54,198,014.87	-127,689,169.00
10. Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment				-11,133,327.92		-9,116,226.10
11. Other operating expenses				-1,405,251.85		-1,722,655.27
12. Depreciation, amortisation and write-downs on receivables and certain securities as well as allocations for provisions in lending business				0.00		-1,000,616.17
13. Income from the write-up of receivables and certain securities as well as the reversal of provisions in the lending business				1,674,345.42		0.00
14. Depreciation, amortisation and write-downs on equity investments, shares in affiliates and securities treated as assets				-191,345.59		0.00
15. Income from write-ups of equity investments, interests in affiliated companies and securities treated as assets				0.00		547,268.97
16. Expenses from the addition to the Fund for general banking risks				-8,310,000.00		-18,504,000.00
of which: Additions pursuant to Section 340e (4) HGB EUR -8,310,000.00 (previous year: EUR -18,504,000.00)						
17. Profit/loss on ordinary activities				12,181,195.97		57,443,625.13

Continued on next page

for the period from 1 January 2022 to 31 December 2022

In EUR'000		2022		2021
18. Taxes on income		-3,239,189.61		-10,591,031.92
19. Other taxes not reported under Item 11		-58,913.24		-55,436.47
20. Consolidated net income		8,883,093.12		46,797,156.74
21. Non-controlling interests		-192,597.70		-242,792.88
22. Profit of the parent company brought forward		86,566.69		535,089.08
23. Withdrawals from retained earnings				
a) From other retained earnings	10,811,305.38	10,811,305.38	5,623,779.50	5,623,779.50
24. Transfers to retained earnings				
a) To other retained earnings	-15,420,948.12	-15,420,948.12	-31,285,865.05	-31,285,865.05
25. Consolidated net retained profit		4,167,419.37		21,427,367.39

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 group of consolidated companies	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

Statement of changes in equity as at 31 December 2021

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

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

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

Cash flow statement

In EUR'000	2022	2021
1. Net income/loss for the period (incl. shares of minority interests)	8,883	46,797
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	11,033	9,206
3. Change in provisions	-22,983	2,892
4. Other non-cash expenses/income	2,860	17,889
5. Gains and losses from the disposal of fixed assets	1,639	1,428
6. Other adjustments (net)	6,040	10,433
7. Sub-total	7,472	88,645
Change in assets and liabilities from ordinary activities:		
8. Loans and advances		
8a. To banks	45,275	13,064
8b. To customers	11,591	-55,667
9. Securities (unless fixed assets)	-248,633	-5,168
10. Other assets from operating activities	-13,476	56
11. Liabilities		
11a. To banks	70,805	-35,802
11b. To customers	496,700	904,261
12. Liabilities held for trading	494	-2,233
13. Other liabilities from operating activities	2,177	359
14. Interest and dividends received	5,892	26
15. Interest paid	215	-1,763
16. Income tax payments	-12,147	-8,695
17. Cash flow from operating activities	366,365	897,083
18. Proceeds from the disposal of		
18a. Financial assets	0	5,321
19. Payments made for investments in		
19a. Financial assets	-266,854	-4,859
19b. Property, plant and equipment	-3,468	-5,756
19c. Intangible assets	-7,427	-5,572
20. Proceeds from the sale of consolidated companies and other business units	0	0
21. Cash flow from investing activities	-277,749	-10,866
22. Payments to business owners and minority interests		
22a. Dividend payments	-8,431	-3,750
22b. Other payments	0	0
23. Changes in cash flow from other loan capital (net)	-237	-250
24. Cash flow from financing activities	-8,668	-4,000
24. Net change in cash and cash equivalents (the sum of 17, 21 and 24)	79,948	882,217
26. Effects of changes in exchange rates and measurement on cash and cash equivalents	359	166
27. Changes in cash and cash equivalents due to the group of consolidated companies	0	0
28. Cash and cash equivalents at start of period	1,384,293¹	501,592¹
29. Cash and cash equivalents at end of period	1,464,600	1,384,293

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 2022 were prepared for the largest and smallest group of consolidated companies in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Regulation on Accounting Principles for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV). The provisions of the German Stock Corporation Act (Aktiengesetz – AktG) were observed.

The consolidated financial statements are also based on the standards issued by the Accounting Standards Committee of Germany (Deutsches Rechnungslegungs Standards Committee e.V. – DRSC) and published by the Federal Ministry of Justice and Consumer Protection (Bundesministerium der Justiz und für Verbraucherschutz – BMJV) pursuant to Section 342 (2) 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 2022. The financial year is the same as the calendar year. Baader Bank Aktiengesellschaft, with headquarters in Unterschleißheim, Germany, is registered at the Munich Local Court under commercial register number HRB 121537.

II. Accounting policies

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

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

The following accounting policies were applied:

Cash reserves

Cash reserves were recognised at the nominal amount.

Loans and advances

Loans and advances to banks and clients are generally recognised at their nominal amount or acquisition cost and are reduced by adequate write-downs where necessary. Offsetting permitted pursuant to Section 340f (3) HGB is applied. To take account of the principle of prudence in accordance with Section 252 (1) No. 4 HGB, 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 credit 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 10 days are used for the calculation as at 31 December 2022.

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 2022.

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 2022, 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 options to buy or sell are recognised as trading portfolio assets and measured at fair value less a risk discount.
- Option premiums received from the sale of options to buy or sell are recognised as trading portfolio liabilities and measured at fair value plus a risk premium.
- Margin receivables from futures transactions are accounted for at their nominal amount as other assets.
- Margin obligations from futures transactions are accounted for at their nominal amount as other liabilities.

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

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

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

Equity investments

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

Intangible assets and property, plant and equipment

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

Property, plant and equipment are measured at their acquisition costs less scheduled straight-line depreciation. Depreciation is calculated on a pro rata basis. Low-value assets with a value of up to EUR 250.00 (net) are recognised immediately as expenses through the income

statement. In addition, low-value assets with a value of up to EUR 1,000.00 are recognised in an annual collective line item and depreciated over five years on a straight-line basis. The actual useful lives of the low-value assets combined in the collective item, or their disposals, are not taken into account.

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

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

Other assets

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

Prepaid expenses and deferred charges

Transitory items are recognised under prepaid expenses and deferred income.

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 1.78 %. The comparative interest rate used for the required disclosures in the notes to the annual financial statements (7-year average) is 1.44 % 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.

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 2022 is not recognised in the balance sheet when exercising the right of election under Section 274 (1) Sentence 2 HGB. Furthermore, there were no deferred taxes as part of consolidation measures in accordance with Section 306 HGB.

Acquisition of treasury shares

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

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

In the financial year 2022, no holdings of treasury shares are recognised.

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 2022.

IV. Group of consolidated companies

The consolidated financial statements as at 31 December 2022 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 2022, 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	9,999	10,845	219	31 August 2013
Baader Helvea Inc., New York (United States of America) ^{1,3}	100.00	1,597	2,323	2,643	-542	31 August 2013
Baader Helvea Ltd., London (United Kingdom) ^{1,4}	100.00	943	3,214	3,637	1,013	31 August 2013
Baader & Heins Capital Management AG, Unterschleissheim	75.00	50	3,278	5,313	770	1 January 2005
Selan Holding GmbH, Unterschleissheim	100.00	25	9,098	9,648	6,449	1 January 2017
Selan d.o.o., Senj (Croatia) ^{5,6}	100.00	2,138	24,668	41,438	11,180	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 2022 have been translated (EUR/CHF 0.98470). | ³ The figures for the financial year as at 31 December 2022 have been translated (EUR/USD 1.06660). | ⁴ The figures for the financial year as at 31 December 2022 have been translated (EUR/GBP 0.88693). | ⁵ Indirect holding via the investment in Selan Holding GmbH, Unterschleissheim. | ⁶ The figures for the financial year as at 31 December 2022 have been translated (EUR/HRK 7.53450).

There were no changes to the scope of consolidation in the financial year 2022.

In *Baader Unterstützungskasse e.V., Unterschleissheim*, Baader Bank AG maintains a special purpose vehicle within the meaning of Section 290 (2) No. 4 HGB for which there is, in principle, an obligation to include the same in the consolidated financial statements. However, due to immateriality it was not consolidated on 31 December 2022, as permitted by Section 296 (2) Sentence 1 HGB.

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

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

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

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

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

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

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

If necessary, the assets and liabilities 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 retained earnings in accordance with Section 309 (1) Sentence 3 HGB (old).

Revaluation method

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

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

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

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

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

Associates

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

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

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

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

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

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

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

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

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

VI. Notes to the balance sheet

Foreign currency holdings

As at the reporting date, assets in foreign currency amounted to (translated) EUR 185,522 thousand (previous year: EUR 86,610 thousand). Liabilities denominated in foreign currency totalled EUR 134,234 thousand (previous year: EUR 135,061 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	408	256	0	626	9
CAD	453	0	0	592	4
CHF	11,233	15,536	548	23,661	960
CZK	40	0	0	100	0
DKK	21	0	0	43	2
GBP	5,730	651	223	3,395	449
HKD	396	47	6	476	0
HRK	5,688	0	31,149	0	4,270
HUF	1	0	0	0	0
INR	15	0	0	0	0
JPY	281	0	0	271	1
MXN	1	0	0	1	0
MYR	2	0	0	0	0
NOK	338	80	0	298	0
NZD	233	0	0	229	0
OMR	6	0	0	0	0
PLN	1	0	0	38	0
SEK	149	2	0	173	3
SGD	1	0	0	2	0
THB	117	0	0	0	0
TRY	21	0	0	21	0
USD	18,262	93,231	396	97,409	1,201
	43,397	109,803	32,322	127,335	6,899

Foreign currency translation resulted in expenses amounting to EUR 303 thousand (previous year: EUR 294 thousand) which are recognised under other operating expenses, and income in the amount of EUR 2,074 thousand (previous year: EUR 1,926 thousand) recognised under other operating income.

Cash reserves

Cash reserves consist of credit balances with Deutsche Bundesbank in the amount of EUR 160,010 thousand (previous year: EUR 1,152,122 thousand). In addition, the previous year's cash balances amounted to EUR 220,000 thousand, which were held in cash in a security deposit box at Bayerische Landesbank.

Loans and advances to banks

Loans and advances to banks comprise bank balances due on demand in the amount of EUR 1,351,312 thousand (previous year: EUR 119,677 thousand) as well as loans and advances due on demand and other loans and advances in the amount of EUR 45,113 thousand (previous year: EUR 29,579 thousand). There are no receivables from associated companies (previous year: EUR 0 thousand).

Loans and advances to clients

Loans and advances to clients amount to EUR 90,565 thousand (previous year: EUR 99,314 thousand). Loans and advances to associates amount to EUR 1 thousand (previous year: EUR 0 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 537,564 thousand.

The debt securities and other fixed-income securities contain a class measured as fixed assets in the amount of EUR 265,965 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 230,884 thousand as at 31 December 2022 (carrying amount: EUR 231,521 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	31/12/2022	31/12/2021
Bonds and debt securities	536,088	46,956
Accrued interest	1,476	518
Debt securities and other fixed-income securities	537,564	47,474

In the coming year, bonds and debt securities totalling EUR 535,863 thousand will fall due.

Equities and other variable-income securities

As of 31 December 2022, 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	1,371	0	0	0
Loans and advances to clients	77,022	5,008	8,535	0
Bank loans and advances with an agreed term or notice period	6,378	0	0	0
Other liabilities to clients with an agreed term or notice period	10,743	4,015	32,000	25,000

In EUR'000	Cost of acquisition or production			
	As at 01/01/2022	Additions	Transfers	Disposals
Intangible assets	111,247	7,427	0	-98
Concessions, industrial property and similar rights and assets, and licenses in such rights and assets acquired for a consideration	77,760	6,035	56	-83
Goodwill	33,411	0	0	0
Advance payments for intangible assets	76	1,392	-56	-15
Property, plant and equipment	144,457	3,461	0	-139
Land and buildings	56,816	414	0	0
Furniture and office equipment	83,333	2,452	0	-136
Advance payments for property, plant and equipment and assets under construction	4,308	595	0	-3
Financial assets	12,902	266,853	0	0
Equity investments	12,235	1,400	0	0
Securities held as fixed assets	667	265,453	0	0

Breakdown of marketable securities by listed and unlisted securities:

In EUR'000	Non-marketable securities	Marketable securities		Marketable securities not measured at the lower of cost or market value
		Listed	Unlisted	
Debt securities and other fixed-income securities	0	536,861	703	0
Equities and other variable-income securities	0	8,780	0	0
Equity investments	9,626	0	1,464	0

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):

Other assets

Other liabilities include:

In EUR'000	31/12/2022	31/12/2021
Physical gold holdings	13,139	0
Other tax receivables	1,758	629
Other trade receivables	362	1,097
Reinsurance claims from life insurance policies	61	76
Other assets	15,320	1,802

Receivables from brokerage fees, exchange rate differences and transaction fees, which were reported separately in the previous year, are included under other trade receivables in the current year.

Depreciation and amortisation				Carrying amount	
As at 01/01/2022	of which 2022	of which disposals	As at 31/12/2022	As at 31/12/2022	As at 31/12/2021
-99,667	-4,330	84	-103,913	14,663	11,580
-67,751	-3,671	84	-71,338	12,430	10,009
-31,916	-659	0	-32,575	836	1,495
0	0	0	0	1,397	76
-69,880	-6,803	55	-76,628	71,151	74,577
-22,291	-763	0	-23,054	34,176	34,525
-47,589	-6,040	55	-53,574	32,075	35,744
0	0	0	0	4,900	4,308
-2,550	-191	-15	-2,756	276,999	10,352
-2,545	0	0	-2,545	11,090	9,690
-5	-191	-15	-211	265,909	662

Prepaid expenses and deferred charges

Prepaid expenses and deferred charges relate to an amount of EUR 8 thousand (previous year: EUR 11 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 associated companies (previous year: EUR 0 thousand).

Liabilities to customers

As at the reporting date, client deposits due on demand amounted to EUR 1,922,426 thousand (previous year: EUR 1,420,725 thousand) and payables to clients with an agreed term or notice period amounted to EUR 71,758 thousand (previous year: EUR 76,808 thousand), which were primarily attributed to promissory note loans issued. There are no liabilities to associated companies (previous year: EUR 0 thousand).

Other liabilities

Other liabilities include:

In EUR'000	31/12/2022	31/12/2021
Trade payables	9,177	8,188
Tax liabilities	2,966	3,393
Liabilities from capital market services	1,700	0
Other liabilities	1,522	1,614
Other liabilities	15,365	13,195

Pension provisions

As at 31 December 2022, pension provisions amounted to EUR 13,716 thousand (previous year: EUR 13,608 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:

	31/12/2022	31/12/2021
Actuarial interest rate	1.78 %	1.87 %
Changes in salaries	2.00 % or 3.00 %	2.00 % or 3.00 %
Pension adjustments	2.00 % or 3.00 %	1.80 % or 2.00 %

In compliance with Section 253 (6) HGB, a difference of EUR 361 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 2022.

Plan assets

In EUR'000	31/12/2022	31/12/2021
Cost	18,349	17,851
Fair value	18,927	18,206
Offset liabilities	10,661	10,936

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 8,266 thousand is reported within assets (previous year: EUR 7,270 thousand). On a net basis, this results in a balance sheet recognition of pension provisions in the amount of EUR 3,038 thousand (previous year: EUR 2,672 thousand). Income and expenses from the offset assets are recognised in the net amount of EUR 288 thousand in compliance with Section 246 (2) HGB under other operating income. Expenses in the amount of EUR 265 thousand were offset against income in the amount of EUR 553 thousand under application of Section 246 (2) Sentence 2 HGB.

Other provisions

Other provisions are comprised as follows:

In EUR'000	31/12/2022	31/12/2021
Personnel provisions	11,020	25,651
Administrative and commission expenses	7,753	8,481
Auditing, legal and consulting costs	461	603
Other provisions	0	27
Other provisions	19,234	34,762

Fund for general banking risks

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

The special item was funded with EUR 55,271 thousand on the basis of additions in the amount of EUR 8,310 thousand as at the reporting date, 31 December 2022.

Trading portfolio

Assets and liabilities held for trading as at 31 December 2022 were as follows:

Assets held for trading In EUR'000	31/12/2022	31/12/2021
Derivative financial instruments	105	0
Debt securities and other fixed-income securities	18,969	524
Equities and other variable-income securities	39,007	41,769
Risk discount	-556	-539
Assets held for trading on the balance sheet	57,525	41,754
Liabilities held for trading In EUR'000	31/12/2022	31. 12. 2021
Derivative financial instruments	6	0
Liabilities	3,189	2,701
Liabilities held for trading on the balance sheet	3,195	2,701

Valuation units

No valuation units as defined by Section 254 HGB were created in the financial year 2022.

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.

Term	Currency	Nominal
		EUR'000
29 December 2022 to 3 January 2023	CAD	533
29 December 2022 to 3 January 2023	CHF	34
29 December 2022 to 3 January 2023	NOK	71
29 December 2022 to 3 January 2023	SGD	1
29 December 2022 to 3 January 2023	USD	2,090
29 December 2022 to 4 January 2023	GBP	71
29 December 2022 to 4 January 2023	HKD	436
29 December 2022 to 4 January 2023	AUD	203
30 December 2022 to 3 January 2023	CHF	20,293
30 December 2022 to 3 January 2023	CZK	61
30 December 2022 to 3 January 2023	DKK	23
30 December 2022 to 3 January 2023	PLN	37
29 December 2022 to 3 January 2023	USD	-6,145
29 December 2022 to 4 January 2023	AUD	-207
29 December 2022 to 4 January 2023	CAD	-416
29 December 2022 to 4 January 2023	CHF	-1,360
29 December 2022 to 4 January 2023	HKD	-424
30 December 2022 to 3 January 2023	NOK	-195
30 December 2022 to 3 January 2023	USD	-5,812
30 December 2022 to 4 January 2023	GBP	-27

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 24 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
DAX® Future (FDAX)	Equity index futures	March 2023	11	EUR	13,988.00	3,846,700.00	3,934,204.25	87,504.25
EURO STOXX 50® Index Future (FESX)	Equity index futures	March 2023	10	EUR	3,785.00	378,500.00	379,996.50	1,496.5
STOXX® Europe 600 Index Futures (FXXP)	Equity index futures	March 2023	9	EUR	424.10	190,845.00	192,249.75	1,404.75
Micro-DAX®-Futures (FDXS)	Equity index futures	March 2023	17	EUR	13,988.00	237,796.00	244,479.29	6,683.29
ASX SPI 200™ Futures	Equity index futures	March 2023	3	AUD	6,992.00	524,400.00	536,095.35	11,695.35 (equivalent to EUR 7,452.59)

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 2023	3	HKD	19,991.00	2,998,650.00	2,947,309.38	-51,340.62 (equivalent to EUR -6,173.49)

Interests in investment funds

At 31 December 2022, 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 2022:

In EUR'000	Mortgages	Securities (liquidity reserve)	Bank balances
Bank loans and advances	0	0	92,196

Risk factors	Cash flows
Cash flow fluctuations arise mainly due to the change in value of the DAX index (EUR 25 per contract)	<ul style="list-style-type: none"> ■ Daily: difference equalisation ■ Fulfilment by delivery
Cash flow fluctuations arise mainly due to the change in value of the Euro Stoxx 50 index (EUR 10 per contract)	<ul style="list-style-type: none"> ■ Daily: difference equalisation ■ Fulfilment by delivery
Cash flow fluctuations arise mainly due to the change in value of the STOXX Europe 600 index (EUR 50 per contract)	<ul style="list-style-type: none"> ■ Daily: difference equalisation ■ Fulfilment by delivery
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)	<ul style="list-style-type: none"> ■ Daily: difference equalisation ■ Fulfilment by delivery
Cash flow fluctuations arise mainly due to the change in value of the S&P/ASX 200 index (AUD 25 per contract)	<ul style="list-style-type: none"> ■ Daily: difference equalisation ■ Fulfilment by delivery

Risk factors	Cash flows
Cash flow fluctuations arise mainly from the change in value of the Hang Seng index (HKD 50 per contract)	<ul style="list-style-type: none"> ■ Daily: difference equalisation ■ Fulfilment by delivery

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 28.31 %. 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 2022 (previous year: EUR 46,688 thousand). It is subdivided into 48,797,311 (previous year: 46,688,002) 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,

- a) in order to exclude fractions from the subscription right;
- b) 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;

- c) 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 the reporting year, an amount of EUR 2,109,309 of Authorised Capital 2021 was used through the issue of 2,109,309 bearer no-par 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 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 2022, 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 2022.

3. Contingent capital

a) Contingent capital 2020

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

The company's share capital is conditionally increased by up to EUR 22,954 thousand, divided into up to 22,954,341 no par bearer shares (contingent capital 2020). The contingent capital increase shall only be performed to the extent that the holders or creditors of convertible bonds, warrant-linked bonds, profit-sharing rights and other hybrid debt instruments (with or without conversion or option rights or obligations) that are issued or guaranteed by Baader Bank Aktiengesellschaft or direct or indirect majority holding companies of Baader Bank Aktienge-

sellschaft (group member companies within the meaning of Section 18 (1) AktG) on the basis of the resolution to authorise by the general meeting of 11 August 2020 (Authorisation 2020) up to 10 August 2025 exercise their conversion or option rights or fulfil their corresponding conversion or option obligations or the Company invokes a right of substitution and no other forms of performance are selected. The new shares shall be issued at an option and conversion price to be determined in accordance with Authorisation 2020. The new shares shall have dividend rights starting as of the beginning of the financial year in which they are issued due to the exercise of conversion or option rights, or fulfilment of corresponding conversion or option obligations; insofar as legally permissible, the Board of Directors, subject to Supervisory Board approval and by way of derogation from Section 60 (2) AktG, may also stipulate dividend rights for new shares for a financial year that has already closed. The Board of Directors is authorised, subject to Supervisory Board approval, to determine further details for the implementation of the contingent capital increase.

b) Other contingent capital

There was no other utilisable contingent capital in financial year 2022.

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 shareholders' meeting of the company 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 2022. This is equivalent to 0 % of the share capital. The share capital attributable to this is EUR 0.00.

Capital reserves and retained earnings

Capital reserves increased by EUR 5,801 thousand to EUR 43,445 thousand as of 31 December 2022 (previous year: EUR 37,645 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	31/12/2022	31/12/2021
Consolidated net income	8,883	46,797
Non-controlling interests	-193	-243
Consolidated income after non-controlling interests	8,690	46,554
Net profit/loss of the parent company brought forward	87	535
Withdrawals from retained earnings	10,811	5,624
Transfers to retained earnings	-15,421	-31,286
Consolidated net retained profit	4,167	21,427

The net profit of Baader Bank AG for financial year 2022 amounted to EUR 4,081 thousand. If the profit of EUR 86 thousand brought forward from the previous years is taken into account, a balance sheet profit in the amount of EUR 4,167 thousand arises. The Board of Directors and the Supervisory Board propose a dividend payment of EUR 0.05 per share with dividend rights to the shareholders' meeting. The Board of Directors also proposes to the shareholders' meeting that a further EUR 1,500 thousand be transferred to retained earnings and a residual balance sheet profit amount be carried forward.

Contingent liabilities

Contingent liabilities result from guarantees given to employees in the amount of EUR 8 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 10,119 thousand (previous year: EUR 6,599 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 2022, 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 70	3,593
Future payments from vehicle lease agreements and lease agreements for furniture and office equipment	1 to 48	1,175
Future payments from other service agreements	3 to 96	24,211

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

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

There are other significant financial obligations that are not included in the balance sheet and that are required to be reported under Section 314 (1) No. 2 HGB in connection with the currently partial utilisation of capital commitments (EUR 5,115 thousand) for equity investments.

VIII. Notes to the income statement

Interest income and interest expenses

The item "Interest income" from lending and money market transactions includes negative interest on credit balances on current accounts in the amount of EUR 4,395 thousand (previous year: EUR 3,491 thousand) as well as from term and client deposits in the amount of EUR 3 thousand (previous year: EUR 9 thousand).

Negative interest in the amount of EUR 3,976 thousand (previous year: EUR 3,043 thousand) resulting from client deposits and time deposits, as well as expenses in the amount of EUR 2 thousand (previous year: EUR 5 thousand) from the compounding of other provisions were recognised under the item "Interest expenses".

In addition, the item "Interest income" includes interest from trading portfolios in the amount of EUR 163 thousand (previous year: EUR 9 thousand).

Revenue

Revenue of 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 5,723 thousand (previous year: EUR 7,587 thousand) comprises out-of-period income (EUR 69 thousand), income from the reversal of provisions (EUR 1,736 thousand), as well as income from fringe benefits (company cars) in the amount of EUR 450 thousand.

Furthermore, the item includes other income in the amount of EUR 1,394 thousand in total that is primarily due to pass-through project costs mainly in the context of support for capital market services and other cost reimbursements relating to the operation of the wind farm in Croatia (EUR 464 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 63,085 thousand include expenses for the operation and maintenance of the wind farm in the amount of EUR 3,211 thousand.

Other operating expenses

Other operating expenses in the amount of EUR 1,405 thousand (previous year: EUR 1,723 thousand) mainly includes wind farm expenses (EUR 803 thousand) and out-of-period expenses in the amount of EUR 300 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 3,239 thousand reported in financial year 2022 essentially comprises income taxes for the past financial year amounting to EUR 3,289 thousand and payments of tax refunds from previous years of EUR 70 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 2022, the average number of staff employed was 524 (previous year: 464). Of these employees, 53 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 3,279 thousand (previous year: EUR 9,687 thousand). The previous year's total included remuneration and payments under pension obligations for a retired member of the Board of Directors.

The total remuneration of the members of the Supervisory Board of Baader Bank AG for their activity during the financial year amounted to EUR 268 thousand (previous year: EUR 233 thousand).

Audit fees

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

The fees for financial year 2022 can be broken down as follows:

In EUR'000	2022	2021
Annual audit	555	646
Other confirmation services	334	215
Other services	0	19
Total fees	889	880

The services provided by the statutory auditor in addition to the audit of the annual financial statements essentially comprise the audit pursuant to Section 89 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and the securities account audit for the period 1 May 2021 to 30 April 2022, as well as an audit of contributions in kind as part of the appropriation of profits in 2021.

Executive bodies of the Baader Bank Group

Board of Directors

Nico Baader, Gräfelfing
(Chairman)

Occupation: Banker

Responsible for:

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

Oliver Riedel, Lauf

Occupation: Banker

Responsible for:

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

Dietmar von Blücher, Viernheim

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

Dr. Horst Schiessl, Munich
(Chairman until 25 August 2022)

Independent Lawyer

Helmut Schreyer, Munich
(Chairman since 6 October 2022)

Former general partner at
Hauck & Aufhäuser Privatbankiers KGaA

Prof. Dr. Georg Heni, Freudenstadt
(Deputy Chairman since 6 October 2022)

Managing Partner of
WirtschaftsTreuhand GmbH, Public Auditors

Christoph Mast, Bad Nauheim

Independent Lawyer

Ali Cavli, Frankfurt am Main
(employee representative)

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

Thomas Leidel, Bad Aibling
(employee representative)

Head of Data & Risk Management of Baader Bank AG

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

As at 31 December 2022, appointments on statutory supervisory committees of large incorporated companies were held. These and other noteworthy appointments are listed below:

Appointee	Company/institution in which appointment held	Appointment
Mr Nico Baader	Baader & Heins Capital Management AG, Unterschleissheim	Deputy Chairman of the Supervisory Board
Mr 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
Herr Kai Göhring	Baader & Heins Capital Management AG, Unterschleissheim (since 28 July 2022)	Member of the Supervisory Board
Mr Florian Schopf	Baader & Heins Capital Management AG, Unterschleissheim (until 27 July 2022)	Member of the Supervisory Board
	Conservative Concept Portfolio Management AG, Frankfurt am Main (until 22 June 2022)	Member of the Supervisory Board
Mr Lukas Burkart	Baader Helvea Limited, London (UK)	Member of the Supervisory Board of Directors
Mr Sebastian Niedermayer	Baader Helvea Inc., New York (USA)	Member of the Supervisory Board of Directors

List of Baader Bank Group shareholdings


The Baader Bank Group directly holds more than 5 % of the shares in the following companies, which were not included as subsidiaries or associates as at 31 December 2022:

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	No current data available as at 31/12/2022		
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	31/12/2021	717	291

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

Unterschleissheim, 15 March 2023

Baader Bank AG
Board of Directors



Nico Baader



Oliver Riedel



Dietmar von Blücher

Appendix to the consolidated financial statements

Country-by-country reporting as at the balance sheet date 31 December 2022 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 2022 under the disclosure requirements set out in Section 26a (1) KWG:

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

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

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

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

Breakdown by country

Country	Turnover EUR'000	Profit/loss before taxes EUR'000	Taxes on profit/loss EUR'000	Number of salaried employees in full-time equivalents
Germany (EU)	145,266	12,461	-1,161	452
United Kingdom (third country)	2,809	1,235	-222	2
Croatia (EU)	21,337	13,038	-1,858	3
Switzerland (third country)	5,606	272	-53	11
USA (third country)	2,608	-537	-5	5

Fully consolidated companies

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

Independent Auditor's Report

On Baader Bank Aktiengesellschaft, Unterschleissheim, Germany

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

Audit opinions

We have audited the consolidated financial statements of Baader Bank Aktiengesellschaft, Unterschleissheim, Germany, and its subsidiaries (the Group), comprising the consolidated balance sheet as at 31 December 2022, 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 2022 and the notes to the consolidated financial statements, including the presentation of accounting and valuation methods. In addition, we have reviewed the Group management report of Baader Bank Aktiengesellschaft, which is summarised in the Company's management report, for the financial year from 1 January to 31 December 2022. We did not examine the contents of the corporate governance statement pursuant to Section 289f(4) of the German Commercial Code (HGB) (in relation to the equal treatment of women and men in management positions), in accordance with German legal regulations.

According to our assessment based on the findings of the audit

- the attached consolidated financial statements comply in all material respects with the German commercial law regulations and, in compliance with the German principles of proper accounting, provide a true and fair view of the financial position and financial performance of the Group as of 31 December 2022 and its results of operations for the financial year from 1 January to 31 December 2022 and
- the attached Group management report provides a true picture of the situation of the Group as a whole. In all material respects, this Group management report is in line with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the contents of the abovementioned corporate governance statement.

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

Basis for our audit opinions

We carried out our audit of the consolidated financial statements and the Group management report in accordance with Section 317 of the German Commercial Code and the EU Statutory Auditors Regulation (No. 537/2014), 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 Group management report" section of our audit certificate. We are independent of the Group companies in accordance with European law as well as German commercial and professional law regulations and have fulfilled our other German professional obligations in accordance with these requirements. In addition, we declare in accordance with Article 10(2)(f) of the EU Statutory Auditors Regulation that we have not provided nonaudit services prohibited in accordance with Article 5(1) of the EU Statutory Auditors Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as the basis for our audit opinions on the consolidated financial statements and the Group management report.

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

Key audit matters are those matters which, according to our professional discretion, were most significant in our audit of the Group financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the Group financial statements as a whole and in the formation of our audit opinion. We will not provide a separate audit opinion on these matters.

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

- I. Impairment of the goodwill of Selan d.o.o.
- II. Recognition of the net income of the trading portfolio

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

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

Each key audit matter is presented below:

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

1. The consolidated financial statements of Baader Bank include goodwill arising from the consolidation of subsidiaries totalling EUR 0.8 million (0.5 % of total assets), which is reported under the balance sheet item "Intangible assets". Goodwill is amortised on a straight-line basis over its expected useful life. If objective evidence of an expected permanent depreciation is available and cannot be refuted, the impairment of goodwill is assessed and, if necessary, an unscheduled depreciation requirement is determined and the value is reduced. The amount of the unscheduled depreciation requirement is derived from the comparison of the carrying amount of goodwill with the fair value. For the sake of simplicity, the fair value of the equity investment is compared with the sum of the Group book value of the subsidiary's net assets and the residual book value of the subsidiary's goodwill. As no market price can be used, the fair value of the equity investments is determined on the basis of a company valuation model. As a rule, the basis of the valuation is the present value of the expected future cash flows, which is determined by means of discounted cash flow models. The planning calculations prepared by the executive directors of the participating companies form the starting point and are then updated with assumptions about long-term growth rates. The assessment also takes into account expectations of future market developments and assumptions about the development of macroeconomic factors. The discount is based on the weighted average cost of capital of a comparable alternative investment. As a result of the impairment test, no need for depreciation of the goodwill of Selan d.o.o. was determined. The performance and outcome of this assessment are highly dependent on the assessment of the executive directors with regard to the indications of expected permanent depreciation, the expected future cash flows, the discount rate used, the growth rate and other assumptions, and are thus subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this issue was of particular importance in our audit.
2. As part of our audit, we first assessed the adequacy of the internal control system relevant to the valuation. Among other things, we followed the methodological procedure for the valuation. In particular, we assessed whether the fair values of the Company's shares were

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

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

II. Recognition of the net income of the trading portfolio

1. In the consolidated financial statements of Baader Bank, significant parts of the net profit result from the net income of the trading portfolio. The income statement for the financial year from 1 January to 31 December 2022 shows a net income of EUR 112.2 million from the trading portfolio.

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

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

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

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

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

We have assessed the appropriateness and effectiveness of the controls implemented in the trading processes. In particular we have also assessed the adequacy of the controls implemented for the recording and settlement of trading transactions (including controls for confirmation and acknowledgment of trading transactions) and tested their effectiveness. A further part of our audit activities was related to the master data management for financial instruments.

Based on substantive audit procedures, we examined and verified the automatic calculation of costs with the weighted average value and the realised trading result for a purchase or sale. By examining the statement of securities as of 31 December 2022, we have reconciled a random sample of the securities holdings in the inventory management system.

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

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

Other information

The executive directors are responsible for the other information. The other information includes the corporate governance statement pursuant to Section 289f(4) of the German Civil Code (in relation to the equal treatment of women and men in management positions), which forms part of the Group management report but is not audited.

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

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

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

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

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

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

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

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

Reasonable assurance is a high level of security, but no guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code and the EU Statutory Audit Regulation, in compliance with the German principles of proper statutory auditing established by the German Institute of Auditors (IDW), will always reveal a material misrepresentation. Misrepresentations may result from 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 Group 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 Group 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 Group financial statements and the precautions and measures relevant to the audit of the Group management report in order to plan audit activities that are appropriate in the circumstances, 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 Group management report in the auditor's report or, if this information is inappropriate, to modify our respective audit opinion. We base our conclusions on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may lead to the Group being unable to continue its business activities.
- We assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in such a way that the consolidated financial statements provide 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 Group 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 consistency of the Group management report with the consolidated financial statements, the Group management report's compliance with the law and the picture it provides of the situation of the Group.
- We perform audit procedures on the future-oriented statements presented by the executive directors in the Group management report. On the basis of sufficient appropriate audit evidence, we particularly trace the significant assumptions underlying the future-oriented statements made by the executive directors and assess the appropriate derivation of the future-oriented statements from these assumptions. We do not give an independent assessment of the future-oriented statements or the underlying assumptions. There is a significant, unavoidable risk that future events will differ materially from the future-oriented statements.

We discuss with those responsible for monitoring, 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 Group financial statements for the current reporting period and are therefore the key audit matters. We describe these findings in the auditor's report unless laws or other legislation preclude the public disclosure of the findings.

Other Statutory and other Legal Requirements

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

We were selected as Group auditors by the shareholders' meeting on 7 July 2022. We were appointed by the Supervisory Board on 2 August 2022. We have been working as the Group auditors of Baader Bank Aktiengesellschaft, Unterschleissheim, Germany, continuously since the financial year 2014.

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

Responsible Auditor

The auditor responsible for the audit is Stefan Palm.

Information and Service

The Annual Report 2022 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

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Page 7:
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www.claudiakempf.com

Cover, Page 1 to 10:
GRKN DESIGN, envatomarket
www.envato.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 2023

6 July 2023	Annual General Meeting
27 July 2023	Publication of half-year report and press release on half-year results
11 October 2023	m:access Analyst Conference
26 October 2023	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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