



**Baader Bank**

# Group Semi-Annual Report as of 30/06/2024

*All figures are provisional and unaudited*

## NET ASSETS

### Baader Bank Group

All figures are provisional and unaudited

Assets	30/06/2024	31/12/2023	Change
	EUR'000	EUR'000	%
1. Cash reserves	26,223	30,751	-14.7
2. Loans and advances to banks	3,333,830	3,221,478	3.5
3. Loans and advances to clients	201,814	132,026	52.9
4. Debt securities and other fixed-income securities	235,904	339,429	-30.5
5. Equities and other variable-income securities	8,034	8,232	-2.4
6. Trading portfolio	84,439	66,521	26.9
7. Equity investments	13,776	12,626	9.1
8. Intangible assets	21,402	20,487	4.5
9. Property, plant and equipment	68,869	68,059	1.2
10. Other assets	23,800	19,798	20.2
11. Prepaid expenses and deferred charges	7,224	8,572	-15.7
12. Excess of plan assets over pension liabilities	12,950	10,099	28.2
<b>Total assets</b>	<b>4,038,265</b>	<b>3,938,078</b>	<b>2.5</b>

EQUITY AND LIABILITIES	30/06/2024	31/12/2023	Change
	EUR'000	EUR'000	%
1. Bank loans and advances	160,461	75,635	>100.0
2. Liabilities to customers	3,503,449	3,546,133	-1.2
3. Trading portfolio	24,804	11,356	>100.0
4. Other liabilities	73,910	48,291	53.1
5. Prepaid expenses and deferred charges	231	199	16.1
6. Provisions	28,245	28,870	-2.2
7. Fund for general banking risks	71,381	62,081	15.0
8. Equity	175,784	165,513	6.2
<b>Total equity and liabilities</b>	<b>4,038,265</b>	<b>3,938,078</b>	<b>2.5</b>

Total assets as at 30 June 2024 increased by 2.5 % compared to the balance sheet date as at 31 December 2023 and now amount to EUR 4,038.3 million.

On the assets side, the change stems primarily from the increase in receivables from credit institutions due to the investment of credit balances with the Deutsche Bundesbank under the deposit facility, as well as from the increase in receivables from customers due to the growth of the lending business. By contrast, debt securities and other fixed-income securities have declined. On the liabilities side, the bank loans and advances item are higher as at the reporting date.

As at 30 June 2024, the Group had balance sheet equity in the amount of EUR 175.8 million (31 December 2023: EUR 165.5 million) and a balance sheet ratio of 4.4 %. Capital resources stood at EUR 247.2 million and the Common Equity Tier 1 ratio (CET 1 ratio) was 22.1 % in the first half of 2023, as was the total capital ratio. With this basis, Baader Bank is solidly positioned for further growth and investment.

The Group's net asset position remains sound.

## RESULTS OF OPERATIONS

### Consolidates income statement

All figures are provisional and unaudited in accordance with HGB (German Commercial Code) (Handelsgesetzbuch))

	1st half of 2024 EUR'000	1st half of 2024 EUR'000	Change %
1. Net interest income	66,247	38,774	70.9
2. Current income from			
a) Equities	779	635	22.7
b) Equity investments	45	58	-22.4
	824	693	18.9
3. Net commission income	-33,721	-16,206	>100.0
4. Net result from the trading portfolio	80,209	52,853	51.8
5. Revenue	5,001	5,795	-13.7
6. Other operating income	2,469	1,546	59.7
7. Administrative expenses			
a) Personnel expenses	-43,397	-36,073	20.3
b) Other administrative expenses	-37,657	-33,975	10.8
	-81,054	-70,048	15.7
8. Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment	-5,887	-5,567	5.7
9. Other operating expenses	-1,915	-1,412	35.6
10. Depreciation, amortisation and write-downs on receivables and certain securities as well as allocations for provisions in credit transactions	-4,590	0	100.0
11. Income from the write-up of receivables and certain securities as well as the reversal of provisions in credit transactions	0	545	-100.0
12. Depreciation, amortisation and write-downs on equity investments, shares in affiliates and securities treated as assets	0	0	0
13. Income from the write-up of equity investments, shares in affiliates and securities treated as assets	2,060	2,034	1.3
14. Expenses from the addition of the fund for general banking risks	-9,300	-6,110	52.2
15. Profit/loss on normal activities	20,343	2,897	>100.0
16. Taxes on income	-10,014	-2,770	>100.0
17. Other taxes not shown under Item 9	-30	-26	15.4
18. Consolidated net income	10,299	101	>100.0
19. Non-controlling interests	35	-55	-
20. Retained earnings from the previous year	190	4,167	-95.4
21. Consolidated net retained profit	10,524	4,213	>100.0

### Note on the presentation of the income statement

The table above furthermore shows the consolidated income statement in accordance with the requirements for annual financial statements in the HGB structure.

In a departure from the HGB structure, the income statement with notes is presented below using the management account structure. As a result, earnings from the interest business will include interest-induced commission expenses in addition to interest income. Earnings from trading will include trading income, brokerage and transaction income and trade-induced commission expenses, incl. exchange and settlement fees. Current income is reported under other income. In addition to general risk provisions, pension expenses include allocations to the fund for general banking risks in accordance with Section 340g HGB.

There were no changes in valuation, accounting and reporting methods in the first half of 2024.

## OVERVIEW OF KEY FIGURES – 1ST HALF-YEAR 2024

### Consolidated income statement

All figures provisional and unaudited

in € mn	1st half year (01/01/-30/06/)		
	2024	2023	Delta
Result from interest business	25.2	15.0	10.3
Result from commission business	56.0	40.5	15.6
Result from trading activities	31.5	20.0	11.5
Revenue	5.0	5.8	-0.8
Other income	3.3	2.2	1.1
<b>Income</b>	<b>121.0</b>	<b>83.5</b>	<b>37.6</b>
Personnel expenses	43.4	36.1	7.3
Other operating expenses	45.5	41.0	4.5
Risk provision	11.8	3.5	8.3
<b>Expenses</b>	<b>100.7</b>	<b>80.6</b>	<b>20.1</b>
<b>Earnings before tax (EBT)</b>	<b>20.3</b>	<b>2.9</b>	<b>17.4</b>
Taxes	10.0	2.8	7.2
Minorities	0.0	0.1	-0.1
<b>Group results</b>	<b>10.3</b>	<b>0.0</b>	<b>10.3</b>
Earnings per share in EUR	0.21	0.00	0.21
Return on equity after tax in %	12.5	0.1	12.4

With earnings before tax of EUR 20.3 million in the first half of 2024, Baader Bank far surpassed the earnings it generated in the first six months of the previous year (H1 2023: EUR 2.9 million). Accordingly, the Group's consolidated earnings rose by 45 % to a total of EUR 121.0 million (H1 2023: EUR 83.5 million), with growth recorded across all earnings components.

Earnings from interest business increased to EUR 25.2 million compared to the same period of the previous year (H1 2023: EUR 15.0 million) and continues to be positively driven by interest rate developments and deposit growth.

In the context of further growth in (new) business with B2B2C cooperation partners, earnings from commission business recorded a significant increase to EUR 56.0 million (H1 2023: EUR 40.5 million).

Earnings from trading business rose to EUR 31.5 million (H1 2023: EUR 20.0 million), accompanied by isolated but more significant market stimuli after a predominantly uneventful period in the previous year. Baader Bank has benefited from higher trading volumes in the first half of the year compared to the same period of the previous year, which are due, for example, to stronger market momentum in the reporting period after an almost uneventful period in the previous year.

Total expenses in the first half of 2024 rose to EUR 100.7 million, representing an increase of 25 % compared to the same period of the previous year (H1 2023: EUR 80.6 million). This was driven mainly by higher personnel and operating expenses as well as increased pension costs.

At EUR 43.4 million, personnel expenses were up on the same period of the previous year, due in part to the planned workforce increases (H1 2023: EUR 36.1 million). Operating expenditure rose to EUR 45.5 million (H1 2023: EUR 41.0 million) due to continued investments to optimise the IT infrastructure and the expansion of platform functionality. In the first half of 2024, pension expenses swelled to EUR 11.8 million (H1 2023: EUR 3.5 million) and included allocations to the fund for general banking risks amounting to EUR 9.3 million (H1 2023: EUR 6.1 million) as a result of the higher trading income.

As at 30 June 2024, the Group's total number of employees (in full-time equivalents) is 579 (31 December 2023: 560).

The positive contributions to earnings made by the Swiss Baader Helvea Group and the Selan Group as subsidiaries of the Baader Bank Group bolstered the Group's half-year results overall.

The tax expense represents the actual taxes charged to the Group.

Earnings per share amounted to EUR 0.21 (H1 2023: EUR 0.00) and return on equity after tax was 12.5% (H1 2023: 0.1%).

## FINANCIAL POSITION

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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 that the Group is able 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 first half of the year.

Baader Bank AG's liquidity coverage ratio (LCR) as at 30 June 2024 was 508.4 % (30/06/2023: 378.2 %). 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%.

## FIRST HALF-YEAR 2024

### Stock markets boosted by prospect of soft landing for global economy and gradual interest rate cuts

From a macroeconomic perspective, the first half of 2024 was characterised by increasing signs of a gradual economic recovery in Europe, a slowdown in the decline in inflation, and a cycle of interest rate cuts from the central banks, albeit much more cautious and selective than initially expected.

While concerns about recession in the German economy in the winter half-year were still driving uncertainty at the start of the year, GDP growth in Germany and in the eurozone had already returned to positive territory to a limited extent in the first quarter. This development was accompanied by a recovery in Ifo's economic forecast and other leading indicators – having trended sideways at a low level in the second half of 2023, there was a noticeable recovery from the first quarter of 2024. Internationally, this environment was underpinned by a robust US labour market and a moderate recovery in the Chinese economy. At sector level, manufacturing in particular improved, returning to a period of global expansion having previously contracted for 16 consecutive months due to factors such as the reduction of inventories.

In the eurozone, inflation fell from 2.9% in December 2023 to 2.5% in June 2024, while in the US it fell from 3.4% to 3.0% over the same period. The slight decline in headline inflation was accompanied by a further fall in core inflation—which excludes volatile components such as energy and food prices—though it remained above average overall. Given the tight labour markets and the resulting significant wage increases, this was due in particular to sustained high price rises for services.

Most international central banks initially adopted a watchful waiting approach given this environment, thus dampening market expectations of significant interest rate cuts in the first half of the year. The US Federal Reserve kept its key interest rate stable, and in Western Europe only a few central banks moved towards easing rates. Due in part to the strength of the Swiss franc, the Swiss National Bank reduced its key interest rate in two stages (by 25 basis points in March and a further 25 basis points in June), while the ECB reduced its key interest rates just once (in June), by 25 basis points. Generally speaking, by mid-year many central banks were still playing their cards very close to their chest about the scope of further key interest rate cuts and how soon they would materialise.

Despite interest rate reductions falling far short of expectations and the resulting weakness in government bond markets, the stock markets continued their upward trend in the first half of 2024. This was due both to the continuing prospect of a soft landing for the global economy and to the very strong performance of certain highly capitalised technology stocks in the US, which prompted a positive mood among investors. Nonetheless, performance on the stock markets remained relatively selective, as the stock of less capitalised companies in particular did not benefit from the positive trend.

The DAX gained 8.9% in the first half of the year, while the S&P 500 rose by 14.5%, which was mainly due to the strong performance of some highly capitalised technology securities. The STOXX Europe 600, which represents the broad European equity market, was up by 6.8%. The yield on 10-year government bonds rose by almost 50 basis points in both Germany and the US. The price of various commodities rose sharply in the first half of the year, while the euro weakened moderately against the US dollar.

## Market-stimulating momentum and DAX records in market making

In the first half of 2024, market volatility as measured by the CBOE Volatility Index was lower than in the same period last year, although the DAX did reach new highs in the first six months of the current year. Moreover, after an uneventful previous year there were once again stronger market stimuli in the period under review - especially for individual stocks.

Overall, trading volumes returned to a more positive level compared to the weak previous year. Trading volumes were also bolstered by an increase in market share on the stock exchanges relevant to Baader Bank, culminating in significantly higher trading income in the first half of 2024. Nevertheless, the environment remains challenging for market makers.

In the first half of the year, Baader Bank recorded well over 10 million trades in market making. In particular, gettex, the trading venue of the Munich Stock Exchange, was consistently able to hold its own against established stock exchanges, with an increase in volumes and the number of trades compared to the same period last year. With the continued growth in the supply of neo-brokers - both in Germany and in Europe - the trend towards gettex as a free-of-charge trading venue remains promising. The trading volume in the first half of the year was higher than that in the previous year, both on the Frankfurt Stock Exchange and on the Stuttgart Stock Exchange. In the foreign equities segment on the Stuttgart Stock Exchange, business picked up again compared to the same period last year.

While the equity markets recovered from the lack of direction they exhibited in the first half of 2023, the bond markets remained at the same level they were last year or continued to trend upwards. On the German stock exchanges, volumes and the number of trades in the bond asset class rose again slightly compared to the same period last year. Baader Bank's market share on the relevant stock exchanges developed steadily in the bond asset class compared to the first half of 2023.

Overall, Baader Bank was able to further consolidate its position in retail trading - in particular via gettex - through the ongoing acquisition of new neo-broker customers within and beyond the GSA region. Accordingly, Baader Bank is targeting future growth in this business segment by focusing on systematic expansion of its platform functionalities and optimisation of its high-performance IT and process infrastructure. The solid capital and liquidity resources serve as a key competitive advantage for reliable settlement, even in volatile market phases.

Baader Bank is a full-service provider with the highest quoting and execution quality on several stock exchanges, with an increasing focus on European business in the broker market. We assess and implement the latest technology, process and service innovations and tap into potential new markets and products. The trading set-up in Baader Bank's market making is also able to be competitive in the exceptional conditions on the markets and provide the bank's customers with high-quality trading and quotation.

In the long term, it remains to be seen how the capital markets will be affected not only by continuing market growth but also by the future equity pension model, which constitutes a substantial part of Germany's new pension package, "Rentenpaket II". The German government is expected to invest billions in the capital market - the introduction of a capital-backed pension scheme will theoretically multiply the number of shareholders in Germany, which could change the share culture in Germany for the better overall.

## Growing B2B2C platform business and expansion of crypto setup

The first half of 2024 saw Baader Bank's B2B platform collaborations in the account and securities account business continue to grow. In the first six months of the year, the number of securities accounts managed by the Group increased by 17% to 1.5 million (31 December 2023: 1,277,000). Managed customer assets, consisting of securities account volumes and customer deposits, have increased to a total of EUR 38.2 billion since the start of 2024 (31 December 2023: EUR 31.7 billion).

Furthermore, new B2B partnerships in the Baader Bank cooperation business are being established, so that growth will continue and dependence on individual partners will be reduced.

As the B2B2C cooperation business grows, the cryptocurrency trading business continues to establish itself. Baader Bank acts as a financial commission agent in crypto trading, with crypto assets being held in custody by an authorised crypto custodian. The focus is currently on expanding the bank's existing crypto trading setup, including the integration of new B2B partners and the implementation of MICAR.

For further growth, Baader Bank will continue its investment path in order to model the IT infrastructure with scalability in mind. This will be particularly evident in market phases with high trading volumes. Furthermore, growth in the B2B platform business will promote sustainable cross-selling effects in the Best Execution Service on gettex.

## Growth in institutional brokerage

The first half of 2024 has been positive for the Brokerage division. The trading volume and number of trades in brokerage increased substantially compared to the same period last year. There have been increases not only in cooperation business and private customer business, but also in institutional business. In particular, the growth in the private customer business on the part of neo-brokers as well as the high level of interest in, for example, crypto products continue to provide important momentum. OTC trading activities at Baader Bank have also increased.

In a promising environment, the focus continues to be on acquiring new customers – a focus that enabled new institutional accounts to be onboarded during the period under review. US brokerage is likewise expected to undergo sustained business expansion in the future and gain greater market share.

Baader Bank positions itself as a high-profile and market-leading trading partner, particularly in relation to the cash equity product from Germany, Austria and Switzerland. The product range is complemented by derivatives and interest rate products. Going forward, the brokerage business expansion will be directed not only here but also towards the service universe as well as the quality and scope of connections. This goes hand in hand with the efficiency-driven automation of the business segment in order to remain competitive.



## Capital market business very subdued but with a more positive outlook for the second half of the year

After a very cautious year for the capital market business in 2023, the first half of the current financial year remained subdued, with two IPOs in the first quarter in Germany. Capital market business continues to face a number of challenges; these are largely due to developments in the macroeconomic environment, such as differing global interest rates and political unrest.

Baader Bank expects to be able to implement the projects it already has in the pipeline in the second half of the year. The focus in this environment remains on secondary placements and share buybacks or capital increases, although previous development in 2024 paints an extremely weak picture for the latter. According to market reports, the generic drug manufacturer STADA and energy service provider Techem are potential IPO candidates for the near future. In Europe, however, some companies have already postponed their IPOs.

The Capital Markets division of Baader Bank is well positioned overall, with the existing collaborations with DZ Bank and Caixa Bank BPI strengthening the Group's international competitiveness.

In the second quarter, Baader Bank oversaw a capital increase for Smartbroker Holding AG. This cash capital increase, partially using the company's authorised capital and excluding shareholders' subscription rights, put all 1,100,000 new no-par bearer shares at a price of EUR 6.95 per new share. The company received gross proceeds of approximately EUR 7.6 million from the cash capital increase. This strategic capital increase will enable Smartbroker to press ahead with its expansion plans, leading to innovation and growth.

Despite the market-related challenges, the bank's Special Execution business continued its positive performance of the previous year. In total, the bank assisted with and concluded 27 transactions in the capital market services business in the first half of this year. Despite the current market situation, the outlook for the second half of the year remains positive, not least due to the expansion of services into Switzerland at the end of 2023.

As at the half-year reporting date, Baader Bank managed a total of 70 mandates in the Corporate Brokerage segment. The competitive environment continues to develop intensively, although Baader Bank has already won several new mandates from the SDAX, while disposals were mainly due to delistings. Further new mandates are already in preparation for the current year.

In a competitive environment, Baader Bank continues to drive its in-house research business forward. The number of research contracts concluded is almost identical to that in the same period last year. New research mandates are also in the pipeline, with rising demand for ESG research boosting business. Baader Bank's holding in the independent French research provider, AlphaValue SA, which it has held since 2019, also has a reinforcing effect. As a result, all the assets analysed have a sustainability rating.

Important cross-selling opportunities arise from the in-house research service as an interface between two customer groups of particular importance to Baader Bank: corporate customers, the majority of whom are from the GSA region, and international institutional investors.

Interest in investment conferences is at an all-time high. At the 20th Baader Helvea Swiss Equities Conference in January, around 80 leading Swiss companies and almost 250 investors took advantage of the opportunity to exchange ideas by attending the three-day event in Bad Ragaz. Both small and mid-cap companies and numerous companies listed in the DAX will be in attendance at the Baader Investment Conference in September.

## OUTLOOK

### Temporary increase in volatility in the context of political and economic uncertainties and continued unclear monetary policy perspective

In the second half of 2024, performance on the capital markets will continue to depend on whether the prospect of a soft landing for the global economy remains realistic. Developments with inflation and the resulting central bank policy are also likely to continue playing an important role. Political uncertainty could also have a bigger impact once more, with the legislative elections in France resulting in a hung parliament and the presidential election campaign in the US likely to become an increasing focus for investors.

Although they have increasingly eased, core inflation rates in the US and in the eurozone remain well above the central banks' target of 2%. The cycle of monetary easing is therefore likely to continue on its more gradual trajectory. Despite this general approach of watchful waiting, more central banks are likely to start cutting interest rates over the coming months. If the recent improvement in inflation is sustained, both the Fed and the Bank of England could decide to make their first rate cuts as early as the third quarter. The ECB is also expected to make further cuts in the second half of the year. While the guidance of many central banks is subject to change, however, there is still a risk of temporary uncertainty in the financial markets if the published fundamentals disappoint in the meantime.

It seems likely that Europe will continue on its path of gradual economic recovery. In the absence of more dynamic growth momentum, however, there is still a risk that economic indicators will weaken again in the meantime due to the overly restrictive monetary policy of central banks. Uneven economic performance in the global regions could also cause temporary uncertainty. The US economy, for instance, could cool more strongly if the US labour market continues to lose momentum, and the Chinese economy could also disappoint once more due to the continuing decline of real estate prices.

In the second half of the year, investors are likely to be more focused on factors such as political developments. The challenges that France is facing in forming its next government, for instance, could weigh on decision-making at European level. Furthermore, there is likely to be some interim uncertainty as the US presidential campaign ramps up. This will be the case in particular if a strengthening of protectionist tendencies becomes apparent, as this would doubtless have a negative impact on world trade and global economic growth.

Consequently, there is risk that consensus estimates for corporate earnings, which have remained relatively stable so far, could gradually be revised downwards in the coming months. In particular, the business outlook for 2025 is likely to increasingly take centre stage. European stocks are not currently at above-average levels. However, interim doubts about the earnings base could test the price recovery of recent months.

The equity markets are therefore at risk of experiencing at least occasional relatively strong fluctuations and price setbacks in the second half of the year. The sustained inverse interest rate structure in the bond markets also makes this likely. Any phase of risk aversion on the financial markets is likely to be accompanied by a rebound in the US dollar and declining commodity prices. In this scenario, stocks with stable growth rates in particular stand to benefit, while more cyclical stocks would in all likelihood be negatively impacted. Even though a renewed upturn in the equity markets is likely in the fourth quarter due to seasonal factors, the second half of the year is set to be rather more volatile than the first on balance.

## Growth trajectory based on very strong capital position and stable income components

In the second half of 2024, business activities will focus on implementing medium- and long-term strategic objectives in order to actively shape the progressive change happening in the securities business. By offering over-the-counter services and market making at gettex, Baader Bank has further asserted its independence from established stock exchanges and continued to expand its market share.

Baader Bank remains committed to investing in the implementation of its strategic objectives, having positioned itself as a leading partner for securities and banking services in Europe and as the operator of a leading platform in terms of technology and processes. The foundations for the planned further growth are therefore in place, including on the capital side.

In addition to strong capital resources, the powerful IT and process infrastructure guarantees reliable delivery capabilities, cementing Baader Bank's position as a resilient partner in the global capital market environment. The sustained high trading volumes can be handled reliably due to Baader Bank's solid capital and liquidity position, even during particularly volatile market phases.

Baader Bank's extensive customer base and growth in recent years provide a stable basis for its key income components, enabling the Group to achieve a positive result whether the capital markets are strong or weak in any given year. Net commission income and net interest income can offset weaker trading income.

For the remainder of the current financial year, Baader Bank will continue its investment path for future growth and for optimising and expanding platform functionality. The current strategy focuses on expanding business beyond the GSA region, as well as on automation, digitalisation, innovation and internationalisation in order to achieve further growth and significant economies of scale in the long term. The main objective is to increase the volume of business on the bank's platform.

Baader Bank has been synonymous with the highest levels of professionalism in securities trading for over 40 years. To continue offering our clients and partners a first-rate service in the future, we are subsuming our trading activities and services—including on- and off-exchange market making, brokerage and crypto trading—under "Baader Trading" with effect from this year. Baader Bank enables private customers to trade in securities and, as a B2B platform, we offer corporate customers a wide range of securities trading services.

Unterschleissheim, 25/07/2024

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