

Consolidated  
Three-month Report  
of Baader Bank AG  
as of 31 March 2013

## Overview of key figures

		1 January to 31 March 2013	1 January to 31 March 2012	Change in %
Net interest income and current income	€m	1.06	1.73	-38.7
Net fee and commission income	€m	10.24	9.69	5.7
Net trading income	€m	10.04	15.16	-33.8
Administrative expenses	€m	-24.56	-25.79	-4.8
Post-tax profit	€m	0.28	8.84	-96.9
EPS	€	0.01	0.20	-95.0
<b>CONSOLIDATED BALANCE SHEET</b>				
		31 March 2013	31 December 2012	Change in %
Equity	€m	111.90	111.62	-1.4
Total assets	€m	559.17	516.14	-2.7
<b>KEY BUSINESS DATA</b>				
		31 March 2013	31 March 2012	Change in %
Employees		437	416	5.0
Order books	Number	703,876	680,335	3.5
<b>BAADER BANK SHARE PRICE</b>				
		1 January to 31 March 2013	1 January to 31 March 2012	Change in %
Maximum price	€	2.15	2.29	-6.1
Minimum price	€	1.92	1.83	5.0
Closing price (28 March)	€	1.93	2.11	-8.7
Market capitalisation (28 March)	€m	88.37	96.87	-8.8
Share turnover (daily average)	Number	3,295	5,437	-39.4

## **Review**

Stock market confidence picked up in the first quarter of 2013. The recovery of the US property market was a key factor, which was prompted by the US Federal Reserve's policy of monetary easing to stimulate growth.

The Bank of Japan also made an uncharacteristically firm commitment to boosting money supply with the aim of halting the deflationary trend. The decision weakened the Japanese yen, which dropped 5.2% against the euro over the quarter. However, the weaker yen has made the Japanese export market more competitive, particularly against its main rival, Germany.

In contrast, confidence in the eurozone was dented by further developments in its political crisis. No clear winner emerged in the Italian parliamentary elections, resulting in a stalemate on forming a government, which in turn crippled reform efforts. The rescue package for the Cypriot banks – which was designed to save Cyprus from national bankruptcy – set a new precedent at the end of the quarter, with the inclusion of private savers generating concerns about the scope of similar bailouts for other struggling eurozone countries. However, the ECB reiterated its commitment to stabilising the eurozone with unlimited bond purchases if need be, which clearly reassured the bond markets. The euro lost just four cents against the US dollar in the first quarter.

Asset class performance in euros reflected greater risk tolerance among investors in the first three months of the year. Among the benchmark stock indices, the Dow Jones and S&P 500 put in the best performances, gaining 14.5% and 13.3% respectively. However, despite the weaker yen, the Japanese Nikkei also added an impressive 12.4%. The Euro Stoxx 50 fell slightly over the quarter, but the DAX closed up 2.4% while the MDAX advanced almost 12%.

Stock market sales remained disappointingly with spot sales on the German stock exchange down 15% against the pitiful levels achieved in the same period in 2012. So it is particularly satisfying to report that Baader Bank has recorded higher earnings from cash equity transactions with institutional clients. This proves that Baader Bank is gaining acceptance and business as the leading local broker for German and Austrian shares. Preparations continued apace for the second Baader Investment Conference. More than 100 companies from Germany and Austria have already registered as exhibitors. We have expanded our market share in OTC transactions for shares, bonds, funds and exchange traded funds (ETFs). We have also concluded agreements with several new customers.

The Investment Banking segment executed equity transactions for three German companies, thereby maintaining Baader Bank's ranking as number two for equity transactions.

## Net assets

### Consolidated balance sheet for the period ended 31 March 2013

ASSETS	31/03/2013	31/12/2012	Change
	€thousand	€thousand	%
1. Cash reserves	1,140	1,373	-17.0
2. Loans and advances to banks	97,935	60,760	61.2
3. Loans and advances to customers	31,668	34,950	-9.4
4. Debt securities and other fixed-income securities	245,848	245,177	0.3
5. Equities/other non-fixed-income securities	8,964	11,109	-19.3
6. Trading portfolio	62,029	59,750	3.8
7. Equity investments	1,440	1,440	0.0
8. Interests in associates	6,319	4,269	48.0
9. Intangible assets	35,986	37,350	-3.7
10. Property, plant and equipment	47,511	45,847	3.6
11. Other assets	13,644	8,883	53.6
12. Prepaid expenses	1,233	1,121	10.0
13. Positive difference from offsetting	5,453	4,108	32.7
<b>Total assets</b>	<b>559,170</b>	<b>516,137</b>	<b>8.3</b>

EQUITY AND LIABILITIES	31/03/2013	31/12/2012	Change
	€thousand	€thousand	%
1. Liabilities to banks	49,694	65,194	-23.8
2. Liabilities to customers	345,590	297,071	16.3
3. Trading portfolio	5,711	1,619	>100.0
4. Other liabilities	10,532	3,919	>100.0
5. Deferred income	5	0	-
6. Provisions	8,402	9,410	-10.7
7. Deferred tax liabilities	0	0	0.0
8. Fund for general banking risks	27,300	27,300	0.0
9. Shareholders' equity	111,936	111,624	0.3
<b>Total equity and liabilities</b>	<b>559,170</b>	<b>516,137</b>	<b>8.3</b>

Total assets as at 31 March 2013 rose 8.3% against 31 December 2012 to €559,200 thousand, primarily driven by higher volumes of customer deposits. On the assets side, total assets growth was mainly linked to the increase in cash reserves.

The acquisition of a 10% stake in Clueda AG brought the number of associates to two. A shareholder agreement has given Baader Bank a significant influence. As such, the criteria for recognising an associate have been met despite the fact that we only hold a 10% interest. Clueda AG applies scientific research to semantic data processing.

The extension of the Bank's headquarters in Unterschleißheim was completed in the first quarter of 2013. Staff and subsidiaries began using the site in January 2013. Monthly depreciation is approximately €75 thousand.

Other assets and other liabilities were up on the reporting date.

As at 31 March 2013, Group equity totalled €111,900 thousand (31 December 2012: €111,600 thousand). A total of €27,300 thousand has been allocated to the Fund for general bank risks in accordance with Section 340g of the German Commercial Code (HGB), which also appears in the Bank's equity. The equity ratio is 20%. The bulk of the change in equity was linked to net profit before non-controlling interests of €400 thousand for the first three months of 2013 and dividend payments made by subsidiaries to shareholders outside the Group.

Overall, the Group's financial situation remained satisfactory.

## Earnings

### Consolidated income statement from 1 January to 31 March 2013

INCOME STATEMENT		01/01 – 31/03/2013	01/01 – 31/03/2012	Change
		€ thousand	€ thousand	%
1.	Net interest income	945	1,517	-37.7
2.	Current income from			
	a) Shares	116	208	-44.2
	b) Equity investments	0	0	-
		116	208	-44.2
3.	Net fee and commission income	10,243	9,692	5.7
4.	Net income of the trading portfolio	10,038	15,157	-33.8
5.	Other operating income	173	181	-4.4
6.	Administrative expense			
	a) Personnel expenses	-13,136	-13,919	-5.6
	b) Other administrative expense	-9,180	-9,886	-7.1
		-22,316	-23,805	-6.3
7.	Amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment	-2,244	-1,988	12.9
8.	Other operating expenses	-145	-54	>100.0
9.	Income from reversal of write-downs charged on loans and advances and certain securities and from the reversal of provisions in the lending business	3,838	9,255	-58.5
10.	Net income from interests in associates	40	24	66.7
12.	Net income from ordinary activities	688	10,187	-93.2
13.	Income taxes	-251	-1,258	-80.0
14.	Other taxes if not reported under Item 8	-8	-29	-72.4
15.	Net profit for the year excluding minority interests	429	8,900	-95.2
16.	Net income attributable to minority interests	-154	-57	>100.0
17.	Net profit for the year	275	8,843	-96.9
18.	Profit/loss brought forward from the previous year	8,439	2,388	>100.0
19.	Consolidated income	8,714	11,231	-22.4

In the first quarter of 2013, net income from ordinary activities came in at €700 thousand. The impressive €10,200 thousand achieved in the same period in 2012 contained high volumes of reversals of impairment losses and realised gains on securities.

We were very pleased with the 5.7% increase in net fee and commission income. The relatively new Investment Banking segment performed well, recording further revenue hikes in the highly-competitive cash equity market.

In contrast, the decline in net trading income was disappointing, dropping 33.8% to €10,000 thousand. This item continued to languish due to low transaction volumes on the stock markets despite improved sentiment.

Net interest income also slipped, primarily due to costs associated with refinancing the office extension and narrower interest margins.

The fall in income was offset by reduced expenses. Personnel expenses were cut by 5.6% and other administrative expenses were down 7.1%, reflecting strict cost management and the performance-related pay structure. New staff were taken on to deal with the dramatic increase in regulatory and administrative requirements.

Baader & Heins Capital Management AG again made a healthy €800 thousand contribution to earnings, whilst operating income for the CCPM Group remained in the black but was less inspiring.

The associated company, GBCM, also posted a €200 thousand profit for the first quarter of 2013, (31 March 2012: €30,000), putting the Group share at €40,000.

The item "Taxes" shows the Group's actual tax liability and mainly relates to the Baader & Heins AG subsidiary.

As at 31 March 2013, the Group employed a total of 437 people (31 March 2012: 416).

Earnings per share came in at €0.01 (previous year: €0.20).

## **Financial position**

As at 31 March 2013, short-term receivables and marketable securities available for sale amounted to €422,499 thousand; short-term liabilities totalled €132,313 thousand. As a result, the balance sheet contained a liquidity surplus of €290,186 thousand. The Group's solvency was guaranteed at all times during the reporting period.

## **Outlook**

The new year continued to be affected by political risks. The euro crisis is far from over, as demonstrated by Italy's difficulties forming a government. The markets are therefore set to remain volatile and unpredictable during the year.

Market making should be stimulated by the gradual expansion of OTC transactions to include a variety of asset classes. Baader Bank's Investment Banking segment will continue to benefit from two trends: the growing importance of capital market finance for businesses and demand from institutional investors for specialist brokers with local knowledge. Higher pricing ratios generated by stock market price gains should make equity transactions far more attractive for companies.

The Bank is forging ahead with preparations for the takeover and integration of the Swiss broker Helvea. As indicated, the takeover is dependent on approvals from the supervisory authority.

Forecasts for 2013 and 2014 can be found in the Baader Bank Group consolidated report for 2012, which was published on 29 April 2013.

Unterschleißheim, 29/04/2013  
Baader Bank AG

The Executive Board

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