

Consolidated
Quarterly Report
of Baader Bank AG
as at 31.03.2014

OVERVIEW OF KEY FIGURES

RESULTS OF OPERATIONS		01.01-31.03.2014	01.01-31.03.2013	Change in %
Net interest income	€ thousand	869	946	-8.1
Current income	€ thousand	284	116	>100.0
Net fee and commission income	€ thousand	12,855	10,243	25.5
Net trading income	€ thousand	16,185	10,038	61.2
Administrative expenses	€ thousand	-28,866	-24,560	17.5
Net profit after taxes	€ thousand	2,605	275	>100.0
Earnings per share	€	0.06	0.01	>100.0
CONSOLIDATED BALANCE SHEET		31.03.2014	31.12.2013	Change in %
Equity	€ thousand	112,416	110,213	2.0
Own resources	€ thousand	137,586	135,383	1.6
Total assets	€ thousand	632,816	617,865	2.4
KEY BUSINESS DATA		31.03.2014	31.03.2013	Change in %
Employees		478	437	9.4
Order books	Number	772,605	703,876	9.8
BAADER BANK SHARE PRICE		01.01-31.03.2014	01.01-31.03.2013	Change in %
Maximum price	€	2.84	2.15	32.1
Minimum price	€	2.30	1.92	19.8
Closing price (31.03)	€	2.41	1.93	24.9
Market capitalisation (31.03)	€ thousand	110.64	88.37	25.2
Share turnover (daily average)	Number	16,559	21,376	-22.5

REVIEW

The first quarter of 2014 was influenced by fears of a change in monetary policy in the USA, economic insecurity in emerging countries and geopolitical uncertainties such as the crisis in Ukraine. Expectations regarding US monetary policy triggered a pre-emptive withdrawal of liquidity from the emerging countries.

Economic distortions in emerging countries have a particularly negative effect on the German equity markets, which are considerably more sensitive to exports and the global economy than other European markets. The geopolitical crisis in Ukraine also contributed to subdued market sentiment. Any potential economic sanctions or restrictions in the supply of gas would have a more marked effect on Germany than on any other country in Europe.

Increases in the value of various asset classes since the start of the year, measured in euros, reflect the fact that investors are more willing to take risks. The equity markets in the industrialised countries were able to recover substantially from the lows reached over the past year, thanks to more moderate rhetoric coming from the US central bank on monetary policy, and the fact that the crisis in Ukraine had receded by the end of the quarter.

While the DAX rose by a meagre 4 points, the MDAX, which is more sensitive to economic trends, fell slightly, by -0.7%. Emerging countries lost 0.8%, measured against the MSCI Emerging Markets Index. The biggest loser was the Japanese equity index, the Nikkei 225, which fell by around 9% as a result of economic uncertainty among its major export partners in Asia and the sales tax increase that came into force on 1 April. Growth in the crisis-hit countries within the eurozone was impressive. Italy, Spain, Portugal and Greece benefited from the effects of monetary policy measures taken to contain the sovereign debt crisis in the eurozone, with a rise of 14% in each.

Turnover in securities recovered considerably in the first quarter of 2014. By the end of the first three months of the year, turnover in Xetra trading and on the Frankfurt Stock Exchange was over 21% higher than in the same period the previous year. Baader Bank was able to take advantage of the favourable opportunities offered by the markets during this period and increased its net trading income by 61%. There was also a significant increase in over-the-counter trading, and the Bank succeeded in securing a partnership with another online bank.

In investment banking, the Group organised the tenth Helvea Swiss Equities Conference. More than 300 representatives from Swiss companies, along with institutional investors from 14 countries, took part in the two-day event.

In March 2014, Baader Bank increased its holding in Ophirum ETP GmbH to 50%. The company specialises in issues of Exchange-Traded-Products underpinned by precious metals, which have been available since April for trading on the stock markets in Berlin, Frankfurt am Main and Munich, as well as via numerous online brokers. Skalis Asset Management AG launched its first multi-asset fund (SKALIS Evolution Flex).

NET ASSETS

Balance sheet as at 31.03.2014

	31.03.2014	31.12.2013	Change
	€ thousand	€ thousand	%
ASSETS			
1. Cash reserves	20,010	11,153	79.4
2. Loans and advances to banks	91,926	83,324	10.3
3. Loans and advances to customers	43,922	34,665	26.7
4. Debt securities and other fixed-income securities	266,474	288,848	-7.7
5. Equities and other variable-rate securities	32,076	33,641	-4.7
6. Trading portfolio	64,424	51,708	24.6
7. Equity investments	2,058	2,058	0.0
8. Investments in associates	10,134	8,185	23.8
9. Intangible assets	33,951	35,278	-3.8
10. Property, plant and equipment	47,335	47,692	-0.7
11. Other assets	10,813	10,864	-0.5
12. Prepaid expenses and accrued income	2,802	2,348	19.3
13. Excess of plan assets over pension liabilities	6,891	8,101	-14.9
Total assets	632,816	617,865	2.4

	31.03.2014	31.12.2013	Change
	€ thousand	€ thousand	%
EQUITY AND LIABILITIES			
1. Liabilities to banks	86,901	109,576	-20.7
2. Liabilities to customers	377,717	352,653	7.1
3. Trading portfolio	11,806	4,754	>100.0
4. Other liabilities	8,978	5,481	63.8
5. Accrued expenses and deferred income	3	0	-
6. Provisions	9,825	10,018	-1.9
7. Deferred tax liabilities	0	0	0.0
8. Fund for general banking risks	25,170	25,170	0.0
9. Equity	112,416	110,213	2.0
Total equity and liabilities	632,816	617,865	2.4

As at 31.03.2014 there was a slight increase of 2.4% in the balance sheet total compared to 31.12.2013, now standing at €632.8 million. The principal reason for this was a rise in customer deposits. The main effect on the Bank's assets was an increase in liquid funds.

The rise in loans and advances to customers is mainly the result of overnight deposits invested as at the balance sheet date.

In March 2014, Baader Bank increased its holding in Ophirum ETP GmbH to 50%. This resulted in an increase in the amount reported under investments in associates. The company began operations in the first quarter of the year, as planned, issuing bearer bonds underpinned by physical assets in the form of the precious metals gold, silver, palladium and platinum. Ophirum ETP GmbH continues to be consolidated using the equity method. Baader Bank does not make use of the proportional consolidation option under Section 310 of the German Commercial Code (*Handelsgesetzbuch – HGB*) for this holding.

The increase in other liabilities compared with the previous year is due to payment obligations in respect of the acquisition of shares and capital increases for third parties.

As at 31.03.2014, the Group's equity was €112.4 million (31.12.2013: €110.2 million). The fund for general banking risks pursuant to Section 340g of the HGB stood at €25.2 million, and as a result the Bank's own resources were higher than equity by this amount. The equity ratio was 17.8 %. The bulk of the change in equity is linked to the net profit before minority interests of €2.7 million for the first three months of 2014, and dividend payments of €0.5 million from subsidiaries.

Overall, the Group's net asset position remains satisfactory.

RESULTS OF OPERATIONS

Income statement for the period 1 January to 31 March 2014

INCOME STATEMENT	01.01 - 31.03.2014	01.01 - 31.03.2013	Change
	€thousand	€thousand	%
1. Net interest income	869	946	-8.1
2. Current income from			
a) Equities	284	116	>100.0
b) Equity investments	0	0	0.0
	284	116	>100.0
3. Net fee and commission income	12,855	10,243	25.5
4. Net trading income	16,185	10,038	61.2
5. Other operating income	449	173	>100.0
6. Administrative expenses			
a) Personnel expenses	-15,938	-13,136	21.3
b) Other administrative expenses	-10,548	-9,180	14.9
	-26,486	-22,316	18.7
7. Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment	-2,380	-2,244	6.1
8. Other operating expenses	-201	-146	37.7
9. Income from the revaluation of loans and advances and certain securities as well as reversals of loan loss provisions	1,692	3,838	-55.9
10. Loss/profit from investments in associates	-1	40	-
11. Profit from ordinary activities	3,266	688	>100.0
12. Taxes on income	-575	-251	>100.0
13. Other taxes not recognised within item 8	-36	-8	>100.0
14. Profit for the period before minority interests	2,655	429	>100.0
15. Minority interests	-50	-154	-67.5
16. Profit for the period	2,605	275	>100.0
17. Retained earnings brought forward	1,116	8,439	-86.8
18. Consolidated net profit	3,721	8,714	-57.3

The Baader Bank Group's profit from ordinary activities for the first three months of the financial year was €3.3 million. The fact that operating activities made a significant contribution to results is particularly encouraging, given that the previous year's results were largely attributable to rises in the value of securities in the banking book and the realisation of these gains. The decline in net interest income is mainly due to current interest rates levels and steps taken to limit risk. In contrast, net fee and commission income increased by 25%. Almost all of this rise is attributable to the companies in the Helvea Group, whose figures were not included in the previous year's results. Net trading income rose considerably, by more than 61%, reflecting the fact that the Bank was able to take advantage of the favourable opportunities offered by the markets over the past three months.

Administrative expenses rose by €4.3 million, largely as a result of the integration of Helvea and higher levels of variable remuneration in connection with the improved operating results.

Whilst Baader & Heins Capital Management once again made an encouraging contribution to results, despite the planned start-up costs for Skalis Asset Management, the CCPM Group made a small loss from ordinary activities. Assets under management stabilised, even rising slightly in the first quarter of 2014.

Profit from investments in associates is made up of the Bank's share of the results for the period and amortisation of goodwill, in proportion to the percentage holding. As at 31.03.2014 these amounts were almost equal. The investment in GBCM in Oman is particularly worthy of mention, as it made a sizeable contribution to results. The results of Clueda and Ophirum ETP continue to be influenced by start-up costs.

The tax expense represents the Group's actual tax liability.

As at 31.03.2014 the Group employed 478 staff (31.03.2013: 437).

Earnings per share were €0.06 (previous year: €0.01).

FINANCIAL POSITION

As at 31 March 2014, short-term receivables and negotiable securities available for sale totalling €487.6 million were offset by short-term liabilities of €194.2 million. This gives rise to a net liquidity surplus on the balance sheet of €293.4 million. The Group's solvency was guaranteed at all times during the reporting period.

OUTLOOK

In view of geopolitical risks such as the crisis in Ukraine, and taking a conservative view of the emerging countries as a whole, volatility in the equities markets is initially expected to remain high. International monetary policy continues to influence the economy and investor attitudes. As a result, the US central bank has already issued conciliatory statements to counter fears of a turnaround in interest rates in that country, thereby acknowledging its responsibility in monetary policy terms, particularly towards emerging countries. In view of the low level of loans being granted by banks, the danger caused to exports by a strong euro and economic weakness in the peripheral eurozone countries, the ECB may relax its monetary policy further. If the crisis in Ukraine can be resolved, and if the global economy stabilises, equity markets could perform well in the second half of the year. If this happens, the MDAX, which is sensitive to economic trends and exports, could perform even better than the German index of leading shares, the DAX.

In view of this, Baader Bank expects securities turnover levels to rise, both in market making and investment banking. Issuers in the German-speaking countries should increasingly take advantage of the overall positive, if still extremely volatile, market environment for equity transactions. This should bring benefits for the Bank later on in the year.

Forecasts for the 2014 and 2015 financial years are available in the Baader Bank Group's consolidated annual report for 2013, published on 30 April 2014.

Unterschleissheim, 30 April 2014
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