

Consolidated
Half-year Report
of Baader Bank
Aktiengesellschaft
as at 30.06.2013

Overview of key figures

		01.01-30.06.2013	01.01-30.06.2012	Change
		in %		
Net interest income	€ million	1.99	2.90	-31.4
Current investment income	€ million	1.14	1.12	2.1
Net fee and commission income	€ million	20.71	20.02	3.4
Net trading income	€ million	18.23	18.90	-3.5
Administrative expenses	€ million	-47.86	-47.12	1.6
Net loss/profit after taxes	€ million	-0.83	8.84	n.a.
Earnings per share	€	-0.02	0.12	n.a.
CONSOLIDATED BALANCE SHEET		30.06.2013	31.12.2012	Change
		in %		
Equity	€ million	109.90	111.62	-1.5
Own resources	€ million	137.20	138.90	-1.2
Total assets	€ million	596.49	516.14	15.6
KEY BUSINESS DATA		30.06.2013	30.06.2012	Change
		in %		
Employees		440	430	2.3
Order books	Number	696,943	687,265	1.4
BAADER BANK SHARE PRICE		01.01-30.06.2013	01.01-30.06.2012	Change
		in %		
Maximum price	€	2.15	2.28	-5.7
Minimum price	€	1.76	1.78	-1.1
Closing price (28.06.)	€	1.93	1.83	5.5
Market capitalisation (28.06.)	€ million	88.60	84.01	5.5
Share turnover (daily average)	Number	3,640	19,850	-81.7

Review

Ultra-loose monetary policy continued to be the main influencing factor on the global financial markets in the first half of 2013. The US economy stabilised in the first quarter. The Bank of Japan announced an unprecedented relaxation in its monetary policy, leading to an improvement in economic sentiment and marked share price rises. In the previous year, the ECB had made a commitment to stabilise struggling eurozone countries, if necessary, by purchasing unlimited numbers of bonds, and this also had an effect on the capital markets. However, market sentiment changed direction at the end of the first half of the year, when, in a surprising move, the US central bank began to discuss scaling back its programme of purchasing bonds in future. The resulting fears that the days of a liquidity policy favourable to the financial markets had run their course and that a turnaround in interest rates would follow were reflected in a significant downward trend in all classes of investment at the start of June.

The best stock market performance in the first half of 2013 - translated into euros - was seen in Japan. Shares in the US were also a stable proposition. While the DAX rose by 4.5 per cent in the first half of 2013, shares in companies from emerging countries began to feel the effects of the negative outlook in China. Overall, bond markets showed a sideways trend.

Stock market trading volumes remained disappointing, with spot sales volumes on the Deutsche Börse (German stock exchange) lower in the first six months of 2013 than in the previous year. The fact that volumes in June exceeded the same month in 2012 by 6 billion euros was the sole cause for optimism. Baader Bank is seeking to counter falling volumes on the stock markets by expanding its OTC trading. It has also entered into a partnership with BX Berne eXChange to trade in foreign equities. We expect that this platform, primarily aimed at private investors, will be introduced in the fourth quarter of 2013.

In investment banking, we successfully executed equity transactions for seven German companies, putting Baader Bank at number four in the rankings. This positive news was recognised with top rankings in the annual Thomson Reuters Extel Survey. In the Trading and Execution segment for German equities we received an outstanding rating, and were awarded second place. Our sales teams and research department for German equities also performed well, coming fifth in both categories.

Net assets

Balance sheet as at 30.06.2013

ASSETS	30.06.2013	31.12.2012	Change
	€thou.	€thou.	%
1. Cash reserves	1,330	1,373	-3.1
2. Loans and advances to banks	75,099	60,760	23.6
3. Loans and advances to customers	37,952	34,950	8.6
4. Bonds and other fixed-income securities	297,211	245,177	21.2
5. Equities and other variable-rate securities	8,085	11,109	-27.2
6. Trading portfolio	60,197	59,750	0.7
7. Equity investments	2,058	1,440	42.9
8. Investments in associates	6,334	4,269	48.4
9. Intangible fixed assets	34,874	37,350	-6.6
10. Tangible fixed assets	47,711	45,847	4.1
11. Other assets	19,482	8,883	>100.0
12. Prepaid expenses and accrued income	930	1,121	-17.0
13. Excess of plan assets over pension liability	5,228	4,108	27.3
Total assets	596,491	516,137	15.6

EQUITY AND LIABILITIES	30.06.2013	31.12.2012	Change
	€thou.	€thou.	%
1. Liabilities to banks	70,115	65,194	7.5
2. Liabilities to customers	363,764	297,071	22.5
3. Trading portfolio	6,901	1,619	>100.0
4. Other liabilities	9,600	3,919	>100.0
5. Accrued expenses and deferred income	5	0	-
6. Provisions	8,936	9,410	-5.0
7. Deferred tax liabilities	0	0	0.0
8. Fund for general banking risks	27,300	27,300	0.0
9. Equity	109,870	111,624	-1.6
Total equity and liabilities	596,491	516,137	15.6

In comparison with the balance sheet as at 31.12.2012, total assets as at 30.06.2013 grew by 15.6%, reaching €596.5 million. The main reason for this increase was a rise in customer deposits. Liquid funds were the principle contributor to the growth in total assets.

Our acquisition of a 10% holding in Clueda AG increased the number of associated companies to two. As a result of extensive rights to influence the company granted to Baader Bank under a shareholder agreement, the criteria for recognising the holding as an associate are fulfilled, despite the fact that we only hold 10% of the shares. The purpose of Clueda AG is the commercial use of research findings in the field of semantic text analysis.

The Bank also acquired a holding of 24.93% in Five T Capital Holding AG, based in Switzerland. Five T Capital Holding AG is the parent company of the Five T Group, which is made up of various subsidiaries and is an asset management company specialising in bespoke alternative investments.

The building work to extend the Group's headquarters in Unterschleißheim was completed in the first quarter of the year. Our staff and subsidiaries began using the premises in January 2013. Monthly depreciation on the property amounts to roughly €75 thousand.

The increase in other assets and other liabilities is a consequence of seasonal factors prevailing at the reporting date.

As at 30.06.2013, the Group's equity stood at €109.9 million (31.12.2012: €111.6 million). The fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) amounted to €27.3 million, and as a result the Bank's own resources are higher than equity by this amount. The equity ratio was 18.4%.

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

Results of operations

Income statement for the period 1 January to 30 June 2013

INCOME STATEMENT		01.01 - 30.06.2013	01.01 - 30.06.2012	Change
		€thou.	€thou.	%
1.	Net interest income	1,991	2,901	-31.4
2.	Current income from			
	a) Equities	1,138	1,115	2.1
	b) Equity investments	0	0	0.0
		1,138	1,115	2.1
3.	Net fee and commission income	20,711	20,022	3.4
4.	Net trading income	18,234	18,899	-3.5
5.	Other operating income	446	829	-46.2
6.	Administrative expenses			
	a) Personnel expenses	-26,512	-25,913	2.3
	b) Other administrative expenses	-16,786	-17,214	-2.5
		-43,298	-43,127	0.4
7.	Depreciation, amortisation and write-downs on tangible and intangible fixed assets	-4,560	-3,993	14.2
8.	Other operating expenses	-148	-114	29.8
9.	Income from the revaluation of loans and advances and certain securities as well as reversals of loan loss provisions	5,499	10,333	-46.8
10.	Profit/loss from investments in associates	56	-59	-
11.	Profit from ordinary activities	69	6,806	-99.0
12.	Taxes on income	-541	-1,179	-54.1
13.	Other taxes not recognised within item 8	-16	-56	-71.4
14.	Loss/profit for the period before minority interests	-488	5,571	-
15.	Minority interests	-346	-285	21.4
16.	Loss/profit for the period	-834	5,286	-
17.	Retained earnings brought forward	657	1,030	-36.2
18.	Consolidated net loss/profit	-177	6,316	-

The first half of the year showed a small profit on ordinary activities of €0.1 million. Net interest income fell by €0.9 million as a result of the interest on financing for the extension of the Bank's premises and lower interest margins. However, net fee and commission income rose by €0.7 million, due in large part to the positive results from our subsidiary Baader & Heins Capital Management AG. Net trading income was also disappointing, falling by €0.7 million, or 3.5%, compared with the same period last year.

Higher costs for our administrative building and further sharp increases in the cost of meeting regulatory and government requirements led to a small increase in administrative expenses, including depreciation, amortisation and write-downs. The Group's strict cost discipline meant that this increase was limited to just 1.6%.

At €1.5 million, Baader & Heins Capital Management AG once again made a very positive contribution to the result before taxes, and the CCPM Group also reported its first satisfactory profit on ordinary activities of €0.3 million.

GBCM, too, made a positive contribution of €0.1 million to the consolidated result in the first half of 2013.

The tax expense represents the Group's actual tax burden after taking into account losses brought forward. It is largely attributable to the subsidiaries.

As at 30.06.2013 the Group employed 440 staff (30.06.2012: 430).

Earnings per share was €-0.02 (previous year: €0.12).

Financial position

As at 30.06.2013, short-term receivables and negotiable securities available for sale totalling €452,722 thousand were offset by short-term liabilities of €172,057 thousand. This gives rise to a net liquidity surplus on the balance sheet of €280,665. The Group's solvency was guaranteed at all times during the reporting period.

Outlook

The markets continue to suffer as a result of the debt crisis faced by nation states. The activities of the major central banks remain the driving force behind developments on the capital markets. The extent of the markets' dependency on liquidity from central banks has already been demonstrated by the discussions surrounding the US central bank's reduction of the amount of liquidity it would make available. Future economic progress will also have a very substantial influence on stock market trends. Overall, the markets that are most important to Baader Bank will continue to be volatile in the second half of the year.

In its market-making activities the Bank expects to see an increase in new, profitable deals. Our efforts to expand over-the-counter trading are being stepped up in all asset classes. We are optimistic about the commencement of trading in foreign equities on the BX Berne eXChange. More and more private investors are taking advantage of the extension of trading times at the Stuttgart stock exchange, and increased turnover in after-hours trading has already been observed in certain circumstances.

In investment banking, we expect to see growing numbers of customers and turnover. The takeover and integration of the Swiss brokerage Helvea is due to be completed in the near future, and we also expect this to provide a further boost to business. In future we will be able to take advantage of Helvea's excellent business relationships, built up over many years, to market and trade in German and Austrian equities. Together, the two institutions are well on the way to establishing themselves as a strong local broker for German, Austrian and Swiss equities.

Our forecasts for the 2013 and 2014 financial years are available in the Baader Bank Group's 2012 annual report, published on 29 April 2013.

Unterschleissheim, 29 July 2013
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