

Consolidated  
Half-Year Report  
of Baader Bank AG  
as at 30.06.2014

## OVERVIEW OF KEY FIGURES

<b>RESULTS OF OPERATIONS</b>		<b>01.01-30.06.2014</b>	<b>01.01-30.06.2013</b>	<b>Change in %</b>
Net interest income	€ thousand	1,017	1,991	-48.9
Current investment income	€ thousand	906	1,138	-20.4
Net fee and commission income	€ thousand	22,743	20,711	9.8
Net trading income	€ thousand	26,163	18,234	43.5
Administrative expenses	€ thousand	-55,417	-47,858	15.8
Net profit/loss after taxes	€ thousand	2,864	-488	>100.0
Earnings per share	EUR	0.06	-0.02	>100.0
<b>CONSOLIDATED BALANCE SHEET</b>		<b>30.06.2014</b>	<b>31.12.2013</b>	<b>Change in %</b>
Equity	€ thousand	112,707	110,213	2.3
Own resources	€ thousand	137,877	135,383	1.8
Total assets	€ thousand	562,704	617,865	-8.9
<b>KEY BUSINESS DATA</b>		<b>30.06.2014</b>	<b>30.06.2013</b>	<b>Change in %</b>
Employees		487	440	10.7
Order books	Number	730,618	696,943	4.8
<b>BAADER BANK SHARE PRICE</b>		<b>01.01-30.06.2014</b>	<b>01.01-30.06.2013</b>	<b>Change in %</b>
Maximum price	EUR	3.03	2.15	40.9
Minimum price	EUR	2.31	1.76	31.3
Closing price (30.06)	EUR	2.83	1.93	46.7
Market capitalisation (30.06)	€ thousand	129.97	88.60	46.7
Share turnover (daily average)	Number	15,442	8,272	86.7

## FIRST SIX MONTHS OF 2014

Overall, the risks arising from economic policy and the geopolitical situation, as well as opportunities presented by the continuing loose monetary policy, resulted in unsettled capital markets.

The first six months of the year were initially affected by faltering economic progress in emerging countries and geopolitical crises in Ukraine and Iraq. Nonetheless, these had only a limited negative impact on the equity markets. Taken as a whole, monetary policy continued to be generous, and this helped to counteract the risks. The US central bank pressed resolutely ahead with the reductions in its monthly bond purchases, with a view to bringing the programme entirely to a close in autumn 2014. However, the Fed took regular action to dispel fears that the next geopolitical move could be a sudden turnaround in central bank interest rates. The European Central Bank's monetary policy was even more aggressive, with a further reduction in its key interest rate and the announcement of measures to improve liquidity supply. Its stated reasoning for this was that it was seeking to reinvigorate declining levels of lending in the eurozone, and to combat the risk of deflation, particularly in the peripheral eurozone countries.

Within the eurozone, there were some impressive market results, above all from crisis-hit countries Italy, Spain and Greece, which in some cases notched up double-digit rises. In terms of monetary policy, they benefited from a reduction in the systematic risk associated with the sovereign debt crisis in the euro area. In stock and shares, the prices of German and Japanese equities performed the worst. The German indices DAX and MDAX, which are particularly sensitive to economic conditions, experienced only moderate price rises of 2.9% and 1.5% respectively, despite having reached new record highs. The Japanese equity index, the Nikkei 225, fell by 2.7%, thanks to the dampening effect on the economy of an increase in sales tax. The US equity index S&P 500 performed well, growing by 6.8%.

Turnover in securities recovered considerably in the half of 2014. At the end of the six-month period, it was just under 3% higher on German exchanges than in the same period the previous year. This environment enabled Baader Bank to increase its net trading income by more than 40%. Performance in OTC trading was also encouraging. Baader Bank was able to secure partnerships with new online banks and achieved a significant overall increase in turnover with its existing partners. The Bank won mandates from Austrian company Buwog, building materials supplier Braas Monier and car parts supplier Stabilus to act as a specialist to handle trading in their shares on the Frankfurt Stock Exchange.

In investment banking, the Bank supported the successful spin-off of residential property company Buwog AG from Immofinanz, acting as co-financial advisor and listing agent. The Bank also played a part in the pre-placement for Austrian construction company Porr's capital increase, acting as co-lead manager. We also successfully implemented a scrip dividend scheme for a company. In total, we executed equity transactions for six companies from the German-speaking countries.

Baader Bank's services received recognition in the Thomson Reuters surveys and rankings. In the Extel awards, which are based on investor surveys, the Bank achieved top positions in a number of categories, including first place in the German Small & Mid Caps Trading segment, first place in the Austrian Equities Research category, and third place in the Research and Equity Sales Switzerland category. In the Starmine awards, the Bank received the most individual awards and came first for German equities. In the "recommendations" category, Baader Bank analysts achieved 1st, 2nd, 4th and 9th places.

The Bank's Asset Management & Services activities continue to progress successfully. Assets under management grew to €1.97 billion, and the number of mandates rose by eight to a total of 43. Funds run by the subsidiary Skalis Asset Management AG performed well in the first half of the year, achieving cash inflows in excess of budget.



## NET ASSETS

Balance sheet as at 30.06.2014

	30.06.2014	31.12.2013	Change
	€thousand	€thousand	%
<b>ASSETS</b>			
1. Cash reserves	37	11,153	-99.7
2. Loans and advances to banks	83,180	83,324	-0.2
3. Loans and advances to customers	41,399	34,665	19.4
4. Debt securities and other fixed-income securities	203,375	288,848	-29.6
5. Equities and other variable-rate securities	34,065	33,641	1.3
6. Trading portfolio	83,113	51,708	60.7
7. Equity investments	1,440	2,058	-30.0
8. Investments in associates	11,452	8,185	39.9
9. Intangible fixed assets	32,720	35,278	-7.3
10. Property, plant and equipment	47,583	47,692	-0.2
11. Other assets	14,831	10,864	36.5
12. Prepaid expenses and accrued income	2,608	2,348	11.1
13. Excess of plan assets over pension liability	6,901	8,101	-14.8
<b>Total assets</b>	<b>562,704</b>	<b>617,865</b>	<b>-8.9</b>

	30.06.2014	31.12.2013	Change
	€thousand	€thousand	%
<b>EQUITY AND LIABILITIES</b>			
1. Liabilities to banks	72,358	109,576	-34.0
2. Liabilities to customers	327,734	352,653	-7.1
3. Trading portfolio	7,565	4,754	59.1
4. Other liabilities	7,961	5,481	45.2
5. Accrued expenses and deferred income	4	0	-
6. Provisions	9,205	10,018	-8.1
7. Deferred tax liabilities	0	0	0.0
8. Fund for general banking risks	25,170	25,170	0.0
9. Equity	112,707	110,213	2.3
<b>Total equity and liabilities</b>	<b>562,704</b>	<b>617,865</b>	<b>-8.9</b>

Compared to the balance sheet as at 31.12.2013, there was a decline of 8.9% in the balance sheet total as at 30.06.2014, which now stands at €562.7 million. The main reasons for this were lower levels of customer deposits and a reduction in liabilities to banks. The main effect on the Bank's assets of the lower balance sheet total was a reduction in liquid funds and in the debt securities and other fixed-income securities balance.

The increase in loans and advances to customers is a result of the timing of the balance sheet date.

The equity investments item fell as a consequence of the disposal of the Bank's interest in FiveT Holding AG.

After increasing its holding in Ophirum ETP GmbH to 50% in March, Baader Bank AG also increased the number of shares it holds in Clueda AG during the second quarter, from 10% to 18.2%. This resulted in an increase in the amount reported under investments in associates. Both companies continue 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 its holding in Ophirum ETP GmbH.

As at 30.06.2014, the Group's equity stood at €112.7 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 20.0%. The bulk of the change in equity is linked to the net profit before minority interests of €2.9 million for the first six 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 30 June 2014

INCOME STATEMENT	01.01-30.06.2014	01.01-30.06.2013	Change
	€ thousand	€ thousand	%
1. Net interest income	1,017	1,991	-48.9
2. Current income from			
a) Equities	906	1,138	-20.4
b) Equity investments	0	0	0.0
	906	1,138	-20.4
3. Net fee and commission income	22,743	20,711	9.8
4. Net trading income	26,163	18,234	43.5
5. Other operating income	1,702	446	>100.0
6. Administrative expenses			
a) Personnel expenses	-30,183	-26,512	13.8
b) Other administrative expenses	-20,494	-16,786	22.1
	-50,677	-43,298	17.0
7. Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment	-4,740	-4,560	3.9
8. Other operating expenses	-194	-148	31.1
9. Income from the revaluation of loans and advances and certain securities as well as reversals of loan loss provisions	6,480	5,499	17.8
10. Income from the revaluation of equity investments, investments in associates, investments in affiliated companies and securities treated as investments	497	0	-
11. Loss/profit from investments in associates	-182	56	-
12. Profit from ordinary activities	3,715	69	>100.0
13. Taxes on income	-774	-541	43.1
14. Other taxes not recognised within item 8	-77	-16	>100.0
15. Profit/loss for the period before minority interests	2,864	-488	-
16. Minority interests	-124	-346	-64.2
17. Profit/loss for the period	2,740	-834	-
18. Retained earnings brought forward	1,116	657	69.9
<b>19. Consolidated net profit/loss</b>	<b>3,856</b>	<b>-177</b>	<b>-</b>

The Baader Bank Group's profit from ordinary activities for the first six months of the financial year was €3.7 million. As was the case in the previous year, this was largely the result of realised gains on securities portfolios held in the banking book, which are reported under other income.

As expected, net interest income remained low, declining in comparison with the previous period. The main factors behind this are the current low interest rates and actions aimed at limiting risk. In addition, the requirements of Basel III mean that portfolios must be restructured so as to contain securities that are highly liquid, but which in turn offer low returns. Growth of around 10% in net fee and commission income is in large part attributable to the companies in the Helvea Group, figures for which were not included in the previous year's results. Net trading income rose considerably, by 43.5%. Particularly in the area of equities market-making, the Bank was able to take advantage of the favourable opportunities offered by the markets in the first six months of the year.

Administrative expenses rose by €7.5 million, largely as a result of the integration of Helvea and higher levels of variable remuneration in connection with the improved results.

Whilst Baader & Heins Capital Management AG once again made an encouraging contribution to results, despite the planned start-up costs for Skalis Asset Management AG, the CCPM Group made a small loss from ordinary activities.

Profit or loss 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 30.06.14, this led to an overall loss from investments in associates of €182 thousand. The investment in GBCM in Oman continued to make a sizeable contribution to consolidated results, while the results of Clueda AG and Ophirum ETP GmbH continue to be subject to the effects of start-up costs.

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

As at 30.06.2014 the Group employed 487 staff (30.06.2013: 440).

Earnings per share were €0.06 (previous year: €0.02).

## **FINANCIAL POSITION**

As at 30.06.14, short-term receivables and marketable securities available for sale totalling €414.7 million were offset by short-term liabilities of €139.1 million. This gives rise to a net liquidity surplus on the balance sheet of €275.6 million. The Group's solvency was guaranteed at all times during the reporting period.

## **OUTLOOK**

Risks associated with the geopolitical and energy situations, as well as less dynamic growth rates in emerging countries, will continue to have an impact on the capital markets until the end of the year. In view of this, the equity markets may see some consolidation during the period. Further stabilisation is anticipated in the US economy and emerging countries. Along with fiscal and monetary policies in the eurozone designed to promote economic growth, this will play a fundamental role in supporting German equities over the remainder of the year, as equity markets in the peripheral eurozone countries are likely to have largely exhausted any scope they had to make up lost ground.

In view of this, Baader Bank expects to see a continuation of the rise in turnover in market-making and investment banking. Issuers from the German-speaking countries should find increasing opportunities in the markets for equity transaction issues, and the Bank expects to continue to benefit from these in the second half of the year.

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

Unterschleissheim, 30 July 2014  
Baader Bank AG  
The Executive Board



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