

Consolidated
Nine-month Report
of Baader Bank
Aktiengesellschaft
as at 30.09.2013

Overview of key figures

Results of operations		01.01-30.09.2013	01.01-30.09.2012	Change
		in %		
Net interest income	€ million	3.4	4.1	-16.6
Current investment income	€ million	1.4	1.4	-1.8
Net fee and commission income	€ million	39.8	28.3	40.6
Net trading income	€ million	30.8	28.4	8.3
Administrative expenses	€ million	-80.3	-69.8	15.2
Net loss/profit after taxes	€ million	-3.4	8.0	n.a.
Earnings per share	€	-0.07	0.18	n.a.
CONSOLIDATED BALANCE SHEET		30.09.2013	31.12.2012	Change
		%		
Equity	€ million	107.2	111.6	-3.9
Own resources	€ million	134.5	138.9	-3.2
Total assets	€ million	623.4	561.1	20.8
KEY BUSINESS DATA		30.09.2013	30.09.2012	Change
		%		
Employees		478	427	11.9
Order books	Number	738,239	710,047	4.0
BAADER BANK SHARE PRICE		01.01-30.09.2013	01.01-30.09.2012	Change
		%		
Maximum price	€	2.24	2.29	-2.2
Minimum price	€	1.76	1.71	2.9
Closing price (30.09)	€	2.24	1.94	15.5
Market capitalisation (30.09)	€ million	102.84	89.02	15.5
Share turnover (daily average)	Number	17,618	15,314	15.0

Review

In the first nine months of 2013 the European Central Bank continued its policy of unconditional monetary support for the eurozone economy, reducing the base rate of interest to a historic low of 0.5%. After six quarters of contraction, this helped to bring the recession in the eurozone to an end. Concerns that the days of a US Federal Reserve liquidity policy favourable to the financial markets and the economy were coming to an end were reflected in interest rate rises, some of them significant, until well into the second quarter. At their height, fears of a turnaround in interest rates led primarily to what turned out to be a dramatic withdrawal of capital from emerging countries. Meanwhile, the potential consequences of budget disputes in the US, worries about more restrictive policies from the Federal Reserve and fresh signs of impending crisis in the eurozone all led to a distinct volatility on the financial markets. In euro terms, the stock markets have been the overall winners since the start of the year. Taken as a whole, bond markets showed a sideways trend.

Trading volumes on the securities markets were rather more encouraging. Baader Bank further expanded its OTC trading, achieving better than average growth rates. The bank successfully acquired a mandate to act as a Xetra specialist on the Frankfurt Stock Exchange on behalf of Deutsche Annington and Osram, both newcomers to the stock exchange. The Frankfurt Stock Exchange once again appointed us as a specialist in retail funds trading.

In the field of investment banking, the bank successfully supported DIC Asset in placing a 75-million-euro bond. Since the start of the year, we have executed a total of ten equity transactions for German companies. This puts the bank at number three in the rankings, based on the number of transactions. In comparison with the same period the previous year, income from institutional equity and derivatives business once again increased significantly. At the second Baader Investment Conference, 115 companies from Germany and Austria gave presentations to institutional investors from more than 20 countries. As well as group presentations, more than 1,250 individual meetings were organised. This allowed the bank to consolidate its position as one of the leading equities brokers in the German-speaking countries.

Net assets

Balance sheet as at 30.09.2013

ASSETS	30.09.2013	31.12.2012	Change
	€thousand	€thousand	%
1. Cash reserves	6,787	1,373	>100.0
2. Loans and advances to banks	120,685	60,760	98.6
3. Loans and advances to customers	23,181	34,950	-33.7
4. Bonds and other fixed-income securities	292,671	245,177	19.4
5. Equities and other variable-rate securities	18,483	11,109	66.4
6. Trading portfolio	42,835	59,750	-28.3
7. Equity investments	4,008	1,440	>100.0
8. Investments in associates	6,289	4,269	47.3
9. Intangible fixed assets	35,837	37,350	-4.1
10. Tangible fixed assets	48,306	45,847	5.4
11. Other assets	16,720	8,883	88.2
12. Prepaid expenses and accrued income	2,194	1,121	95.7
13. Excess of plan assets over pension liability	5,413	4,108	31.8
Total assets	623,409	516,137	20.8

EQUITY AND LIABILITIES	30.09.2013	31.12.2012	Change
	€thousand	€thousand	%
1. Liabilities to banks	77,794	65,194	19.3
2. Liabilities to customers	384,256	297,071	29.3
3. Trading portfolio	7,996	1,619	>100.0
4. Other liabilities	9,522	3,919	>100.0
5. Accrued expenses and deferred income	21	0	-
6. Provisions	9,353	9,410	-0.6
7. Deferred tax liabilities	0	0	0.0
8. Fund for general banking risks	27,300	27,300	0.0
9. Equity	107,167	111,624	-4.0
Total equity and liabilities	623,409	516,137	20.8

In comparison with the balance sheet as at 31 December 2012, total assets as at 30 September 2013 grew by 20.8%, reaching €623,400 thousand. The main driver of this increase was a rise in customer deposits.

Baader Bank successfully completed its takeover of the Swiss company Helvea Holding SA (100%) in August. All the necessary authorisations from the regulatory authorities in Switzerland, the UK and the USA have been granted. The takeover of Helvea, one of the largest independent brokers in Switzerland, allows Baader Bank to expand the range of services it offers considerably and brings it closer to becoming the leading local broker in the German-speaking countries. The inclusion of the company and its subsidiaries in the consolidated balance sheet led to an increase in total assets of approximately €16,000 thousand.

The number of associated companies increased once again in the third quarter. We acquired 25% of the shares in Ophirum ETP GmbH. The holding is accounted for in the consolidated financial statements using the equity method. At present, the company has not yet begun trading, but plans to issue debt securities backed by precious metals. Operations are expected to begin in spring 2014. The company has no plans to provide banking or financial services that would require a licence.

Baader Bank acquired a 10% stake in Clueda AG in February 2013. The company applies scientific research to semantic data processing. In connection with this, Baader Bank's partnership with Clueda enabled us to establish an extensive pool of knowledge (Big Data) that is accessible electronically, in August 2013. This

should allow informed decisions to be made extremely quickly. The joint project was awarded the "Best Big Data Project 2013" prize by *Computerwoche* magazine.

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

As at 30 September 2013, the Group's equity stood at €107,100 thousand (31 December 2012: €111,600 thousand). The fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) amounted to €27,300 thousand, and as a result the Bank's own resources are higher than equity by this amount. The equity ratio was 17.2%. The bulk of the change in equity is linked to the net loss before minority interests of €2,900 thousand for the first nine months of 2013, dividend payments of €2,400 thousand and changes in treasury shares of €1,100 thousand.

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

Results of operations

Income statement for the period 1 January to 30 September 2013

INCOME STATEMENT		01.01 - 30.09.2013	01.01 - 30.09.2012	Change
		€thousand	€thousand	%
1.	Net interest income	3,385	4,059	-16.6
2.	Current income from			
	a) Equities	1,390	1,410	-1.4
	b) Equity investments	10	14	-28.6
		1,400	1,425	-1.8
3.	Net fee and commission income	39,772	28,278	40.6
4.	Net trading income	30,793	28,431	8.3
5.	Other operating income	1,427	1,139	25.3
6.	Administrative expenses			
	a) Personnel expenses	-42,870	-38,020	12.8
	b) Other administrative expenses	-30,290	-25,774	17.5
		-73,160	-63,794	14.7
7.	Depreciation, amortisation and write-downs on tangible and intangible fixed assets	-7,207	-5,975	20.6
8.	Other operating expenses	-1,019	-277	>100.0
9.	Income from the revaluation of loans and advances and certain securities as well as reversals of loan loss provisions	2,738	16,897	-83.8
10.	Profit/loss from investments in associates	11	-98	-
11.	Loss/profit from ordinary activities	-1,860	10,084	>100.0
12.	Taxes on income	-896	-1,633	-45.1
13.	Other taxes not recognised within item 8	-185	-85	>100.0
14.	Loss/profit for the period before minority interests	-2,941	8,367	-
15.	Minority interests	-431	-384	12.5
16.	Loss/profit for the period	-3,372	7,982	-
17.	Retained earnings brought forward	657	1,030	-36.2
18.	Consolidated net loss/profit	-2,715	9,012	-

The Baader Bank Group recorded a loss on ordinary activities of €1,900 thousand for the first nine months of the year. Net interest income fell by €700 thousand. This is due to a fall in interest margins, but also the reduction in country risk associated with the GIIPS countries. However, net fee and commission income, excluding the Helvea Group, rose by €2,000 thousand, due in large part to the positive results from Baader & Heins Capital Management AG. Income from the trading portfolio also rose by €2,400 thousand.

The sharp rise in administrative expenses in comparison with the previous year is a result of the inclusion of the Helvea Group companies in the consolidated figures. Our strict cost discipline enabled us to keep the increase excluding this one-off effect to just 1.0%, despite further significant increases in the cost of meeting regulatory and administrative requirements.

While Baader & Heins Capital Management AG made a very positive contribution to the result, the CCPM Group's result from ordinary activities was unsatisfactory.

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

As at 30 September 2013 the Group employed 478 staff (30 September 2012: 427).

Earnings per share was €-0.07 (previous year: €0.18).

Financial position

As at 30 September 2013, short-term receivables and negotiable securities available for sale totalling €474,800 thousand were offset by short-term liabilities of €189,000 thousand. This gives rise to a net liquidity surplus on the balance sheet of €285,900 thousand. The Group's solvency was guaranteed at all times during the reporting period.

Outlook

The bank expects that the underlying mood on the stock markets will be largely positive for the rest of the year. The number of investors using the equities asset class as a traditional investment vehicle for maintaining value is increasing. The appreciable increases in government bond yields also have a downside, namely further rises in sovereign debt levels and the debt-to GDP ratio in most countries. The European Central Bank's announcement that it will start to review banks' balance sheets may introduce further uncertainty into the system. In this context it is impossible to see why it is that undercapitalised banks should once again be rescued by tax-payers rather than by their shareholders and creditors. Unless politicians are able to implement meaningful regulatory measures, the financial markets and national economies will not be able to recover.

In investment banking, Baader Bank expects to see further clear increases in the volume of shares traded among institutional clients. The progress we have made in this so far is supported by the integration of the Swiss brokerage Helvea, which has built up relationships with international institutional investors over many years. An increasing number of medium-sized companies will look to the debt market for financing. In this segment, Baader Bank will only be involved in selected transactions, where they meet our standards in terms of quality and investor protection.

In its market-making activities the Bank expects the increases seen in equity revenues from the stock markets, and above all in OTC trading, to continue. The bank has concluded an agreement to take over the role of Xetra specialist from Schnigge Wertpapierhandelsbank, thus taking a further step in the expansion of the business. Improved performance from equities should also benefit the associated fund and derivative products. The bank is less optimistic about bond trading, as, in the current environment of volatile interest rates, investors are primarily interested in safeguarding their returns.

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

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