Consolidated Nine-month Report of Baader Bank AG as at 30.09.2014

OVERVIEW OF KEY FIGURES

RESULTS OF OPERATIONS		01.01-30.09.2014	01.01-30.09.2013	Change in %
Net interest income	€ thousand	1,585	3,385	-53.2
Current investment income	€ thousand	1,379	1,400	-1.5
Net fee and commission income	€ thousand	37,666	39,772	-5.3
Net trading income	€ thousand	36,255	30,793	17.7
Administrative expenses	€ thousand	-82,315	-80,367	2.4
Net profit/loss after taxes	€ thousand	2,972	-2,941	-
Earnings per share	EUR	0.06	-0.07	-

CONSOLIDATED BALANCE SHEET		30.09.2014	31.12.2013	Change in %
Equity	€ thousand	112,730	110,213	2.3
Own resources	€ thousand	137,900	135,383	1.9
Total assets	€ thousand	607,915	617,865	-1.6

KEY BUSINESS DATA		30.09.2014	30.09.2013	Change in %
Employees		490	478	2.5
Order books	Number	718,248	738,239	-2.7

BAADER BANK SHARE PRICE		01.01-30.09.2014	01.01-30.09.2013	Change in %
Maximum price	EUR	3.03	2.24	35.3
Minimum price	EUR	2.31	1.76	31.3
Closing price (30.09)	EUR	2.75	2.24	22.8
Market capitalisation (30.09)	€ thousand	126.25	102.84	22.8
Share turnover (daily average)	Number	17,714	23,819	-25.6

BUSINESS DEVELOPMENT AND ENVIRONMENT

In the first nine months of 2014, the capital markets were affected by uneven economic development. As well as having sound domestic economies, the emerging countries, especially in Asia, also reported sustained, broad-based growth. The US economy also grew increasingly robust, whilst the eurozone weakened as time went on. One contributing factor was Europe's dependence on the geopolitical crisis regions of Ukraine and the Middle East. However, a continued good supply of liquidity and the expectation of a modest shift in US interest rate policy eased the situation somewhat by the third quarter.

The ECB's generous monetary policy remained a stabilising influence on Europe's financial markets. After cutting its key interest rate to 0.05%, it turned its focus to buying up structured securitisations from the third quarter onwards with the aim of reinvigorating a declining lending market and countering the risk of deflation.

However, the equity markets remained largely unmoved by this. With the eurozone unwilling to embrace reform, there was no knock-on effect on the real economy, pushing some of its countries back into recession and bringing stagnation to the eurozone as a whole. Even the German economy was ultimately unable to escape this trend.

The US equity index S&P 500 was the top performer amongst the leading equity markets in euro terms, gaining 16.5%. Despite a weak yen, Japanese equities benefited from the Bank of Japan's decidedly aggressive monetary policy. Hitherto neglected, the equity markets in Italy and Spain recorded double-digit gains. By contrast, Germany's DAX and MDAX equity indices suffered the effects of profit-taking and lost 0.8% and 3.5% respectively.

In this market environment, with turnover on the German exchanges up some 6% on the previous year, Baader Bank increased its net trading income by nearly 18%. The Bank was engaged by the two stock market newcomers Zalando and Rocket Internet as a specialist for trading their shares on the Frankfurt Stock Exchange. OTC trading continued to enjoy pleasing growth, with three new OTC partners being acquired.

Baader Bank's activities during the third quarter included acting as joint global coordinator for the capital increase at Westgrund AG and as sole bookrunner for the same process at Medigene AG. In terms of equity transactions for companies in the German-speaking countries, the Bank's 13 transactions as at 30 September 2014 secured it second place in the rankings. Scrip dividend schemes were implemented successfully for two further companies.

Held in Munich from 23 to 25 September 2014, the third Baader Investment Conference attracted 600 investors. In well over 1,000 one-to-one and group meetings, the investors exchanged ideas and experiences with representatives from 125 German and Austrian companies.

The Bank's Asset Management & Services activities continued to see positive progress, with assets under management increasing to €2.1 billion since the start of the year. The number of mandates increased in the third quarter by a further three to a total of 46.

NET ASSETS

Balance sheet as at 30.09.2014

ASSETS	30.09.2014 € thousand	31.12.2013 € thousand	Change %
1. Cash reserves	8,738	11,153	-21.7
2. Loans and advances to banks	87,043	83,324	4.5
3. Loans and advances to customers	51,451	34,665	48.4
4. Debt securities and other fixed-income securities	243,712	288,848	-15.6
5. Equities and other variable-rate securities	30,409	33,641	-9.6
6. Trading portfolio	71,806	51,708	38.9
7. Equity investments	1,440	2,058	-30.0
8. Investments in associates	11,206	8,185	36.9
9. Intangible fixed assets	31,221	35,278	-11.5
10. Property, plant and equipment	47,311	47,692	-0.8
11. Other assets	14,081	10,864	29.6
12. Prepaid expenses and accrued income	2,760	2,348	17.5
13. Excess of plan assets over pension liability	6,737	8,101	-16.8
Total assets	**607,915**	**617,865**	**-1.6**

EQUITY AND LIABILITIES	30.09.2014 € thousand	31.12.2013 € thousand	Change %
1. Liabilities to banks	77,052	109,576	-29.7
2. Liabilities to customers	366,843	352,653	4.0
3. Trading portfolio	8,476	4,754	78.3
4. Other liabilities	7,838	5,481	43.0
5. Accrued expenses and deferred income	6	0	-
6. Provisions	9,800	10,018	-2.2
7. Deferred tax liabilities	0	0	0.0
8. Fund for general banking risks	25,170	25,170	0.0
9. Equity	112,730	110,213	2.3
Total equity and liabilities	**607,915**	**617,865**	**-1.6**

Compared to the balance sheet as at the reporting date of 31 December 2013, there was a slight decline of 1.6% in total assets as at 30 September 2014, which now stand at €607.9 million. The gloomier mood on the stock markets prompted a reduction in debt securities and equity positions. The increase in liabilities to customers was primarily due to the issue of new promissory note loans, while liabilities to banks were also reduced.

The rise in loans and advances to customers and in the trading portfolio is a result of the timing of the reporting date.

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

During the reporting period, Baader Bank upped its interests in Ophirum ETP GmbH and Clueda AG to 50% and 18.2% respectively. 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 September 2014, the Group's equity stood at €112.7 million (31 December 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 18.5%. The bulk of the change in equity is linked to the net profit before minority interests of €3.0 million for the first nine months of 2014, dividend payments to shareholders and subsidiaries of €1.0 million and currency translation effects of €0.5 million.

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

RESULTS OF OPERATIONS

Income statement for the period 1 January to 30 September 2014

INCOME STATEMENT	01.01-30.09.2014 € thousand	01.01-30.09.2013 € thousand	Change %
1. Net interest income	1,585	3,385	-53.2
2. Current income from			
a) Equities	1,304	1,390	-6.2
b) Equity investments	75	10	>100.0
	1,379	1,400	-1.5
3. Net fee and commission income	37,666	39,772	-5.3
4. Net trading income	36,255	30,793	17.7
5. Other operating income	1,602	1,427	12.3
6. Administrative expenses			
a) Personnel expenses	-44,665	-42,870	4.2
b) Other administrative expenses	-30,486	-30,290	0.7
	-75,151	-73,160	2.7
7. Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment	-7,164	-7,207	-0.6
8. Other operating expenses	-535	-1,019	-47.5
9. Income from the revaluation of loans and advances and certain securities as well as reversals of loan loss provisions	8,523	2,738	>100.0
10. Income from the revaluation of equity investments, investments in associates, investments in affiliated companies and securities treated as investments	497	0	-
11. Profit/loss from investments in associates	-428	11	-
12. Profit/loss from ordinary activities	4,229	-1,860	-
13. Taxes on income	-1,157	-896	29.1
14. Other taxes not recognised within item 8	-100	-185	-45.9
15. Profit/loss for the period before minority interests	2,972	-2,941	-
16. Minority interests	-226	-431	-47.6
17. Profit/loss for the period	2,746	-3,372	-
18. Retained earnings brought forward	660	657	0.5
19. Consolidated net profit/loss	**3,406**	**-2,715**	**-**

The Baader Bank Group's profit from ordinary activities for the first nine months of the financial year was €4.2 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. Net fee and commission income fell by 5.3% year on year, mainly as a result of falls in income at the subsidiaries. Within Baader Bank, net fee and commission income increased markedly in Corporates & Markets but fell significantly in Inter Dealer Brokerage Fixed Income. This area of the business was wound up with effect from 30 September 2014 as a result of the ongoing technical and regulatory restructuring. On the other hand, a pleasing trend could be observed with regard to net trading income, which increased by 17.7% and was generated exclusively in Baader Bank's business segments.

Administrative expenses were kept at virtually the same level as last year. The integration of the Helvea Group is expected to have a positive impact on costs in the coming financial year.

Although the Baader & Heins Group is making a solid contribution to results, which is pleasing, the CCPM Group and the Helvea Group have posted losses.

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. Only GBCM in Oman is consistently making a positive contribution to the result, whilst earnings at Clueda AG and Ophirum ETP GmbH were decidedly negative.

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

As at 30 September 2014, the Group employed 490 staff (30 September 2013: 478).

Earnings per share were €0.06 (previous year: €0.07).

FINANCIAL POSITION

As at 30 September 2014, short-term receivables and marketable securities available for sale totalled €461.6 million, while short-term liabilities amounted to €146.2 million. This gives rise to a net liquidity surplus on the balance sheet of €315.4 million. The Group's solvency was guaranteed at all times during the reporting period.

OUTLOOK

The ongoing geopolitical crises in Ukraine and the Middle East will have an adverse impact on developments on the financial markets. The main risk factor as far as Europe's equity markets are concerned is the economic outlook for the eurozone. The persistently aggressive monetary policy is providing something of a safety net for equities. Positive momentum may come from a weakening euro, stability in the US economy, sustained growth in emerging countries and falling energy prices. The eurozone can expect to see an increase in leveraged economic stimulus packages in a bid to stave off a recession. In terms of stability policy, measures such as these are high-risk. There is no accompanying policy of reform, which is the only way to make the forces stimulating growth truly effective.

Baader Bank's future business development will depend very much on what will happen on the capital markets, something that is impossible to predict. The result for 2014 as a whole will also be adversely affected by necessary restructuring costs connected with winding up the Inter Dealer Brokerage Fixed Income business.

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