

Consolidated
Quarterly Report
of Baader Bank AG
as at 31.03.2015

OVERVIEW OF KEY FIGURES

RESULTS OF OPERATIONS		Q1 2015	Q1 2014	Change in %
Net interest income	EUR thousand	-95	869	>-100.0
Current income	EUR thousand	302	284	6.5
Net fee and commission income	EUR thousand	14,442	12,855	12.3
Net trading income	EUR thousand	19,699	16,185	21.7
Administrative expenses ¹	EUR thousand	-28,645	-26,486	8.2
Net profit after tax	EUR thousand	4,824	2,605	85.2
Earnings per share	EUR	0.11	0.06	83.3
CONSOLIDATED BALANCE SHEET		31.03.2015	31.12.2014	Change in %
Equity	EUR thousand	114,067	108,748	4.9
Own resources	EUR thousand	137,317	131,998	4.0
Total assets	EUR thousand	720,511	663,293	8.6
KEY BUSINESS DATA		31.03.2015	31.03.2014	Change in %
Employees		469	478	-1.9
Order books	Number	837,134	772,605	8.4
BAADER BANK SHARE PRICE		Q1 2015	Q1 2014	Change in %
Maximum price	EUR	2.96	2.84	4.2
Minimum price	EUR	2.39	2.30	3.9
Closing price (31.03)	EUR	2.69	2.41	11.6
Market capitalisation (31.03)	EUR thousand	123,471	110,639	11.6
Share turnover (daily average)	Number	14,204	16,559	-14.2

¹ Without depreciation, amortisation and write-downs on intangible assets and property, plant and equipment

REVIEW

While the US economy suffered during the first quarter of 2015 due to the appreciation of the US dollar, the recovery of eurozone economies continued, especially in Germany. This was driven by a devaluation of the euro that supported exports, record-low lending rates and cheap energy prices. The positive economic trend was confirmed by a rise in the Ifo Business Climate Index. At the same time, risk factors such as the crisis in the Ukraine and the Greek debt situation receded into the background. The development of the equity markets in the eurozone was fuelled by the ECB's newly commenced bond buyback programme. With a monthly purchase volume of €60 billion, government bonds in the eurozone became even less attractive. In the absence of alternatives, investors sought refuge in the equity markets.

International monetary policy remained the stabilising factor for the financial markets. Across the world, 21 central banks cut their key interest rates. Even the US Federal Reserve appeared reluctant to raise interest rates, due to continued weakness of oil prices.

An increased appetite for risk by investors was reflected in the performance of the largest equity markets, calculated on a euro basis. The strongest performance in the first quarter of 2015 came from the Japanese Nikkei 225, which increased by 24% thanks to the Bank of Japan's aggressive liquidity policy and reallocations of Japanese pension funds. The German DAX and MDAX indices, which are sensitive both to the economy and to exports, recorded increases of around 22% each, followed by the European Euro Stoxx 50 index, which gained 18%. US equities, commodities and precious metals profited from the weak euro.

In Germany, the consumer sector enjoyed an increase in consumer purchasing power, while sectors that are sensitive to exports benefitted from the brighter economic outlook. Utilities, however, continued to suffer the consequences of Germany's energy transition policy.

In this positive environment, and with markedly increased turnover at the key German trading platforms, Baader Bank achieved an increase in net trading income of almost 22% against the first quarter of 2014. This was thanks in particular to the pleasing and significantly increased volumes in equities, funds/ETFs and securitised derivatives; bond trading on the other hand was heavily impacted by the ECB's buyback programme. In addition, the Securitised Derivatives business benefitted from increased volatility and was also able to acquire a new issuer. The telecoms operator TeleColumbus chose Baader Bank as the trading specialist for their shares on the Frankfurt Stock Exchange. The contract for market making at the Stuttgart Stock Exchange was extended by a further five years to the end of 2020. Since January 2015 Baader Bank has been acting as market maker for gettex, the new trading platform of the Munich Stock Exchange, where over 13,000 securities can be traded without broker fees or exchange fees. At the Berne Stock Exchange BX Swiss the Bank traded numerous Swiss equities as well as international equities and Exchange Traded Funds.

In January 2015 the Investment Banking business division held the eleventh Baader Helvea Swiss Equities Conference in Switzerland. This well-established, two-day conference showcased 53 Swiss companies to an audience of some 250 investors from 17 countries. The Swiss-based Helvea Group made good progress. Its US subsidiary Helvea Inc., based in New York, obtained an additional licence in order to trade in derivatives and American Depositary Receipts (ADRs) for US-based American clients. The further growth in net fee and commission income was primarily driven by the Corporates & Markets business and Helvea, and rose by 12% against the corresponding quarter in the previous year.

The Asset Management & Services business continued to develop well. Assets under management rose by around 7% to almost €2.4 billion. The number of mandates increased by two to a total of 51.

NET ASSETS

Balance sheet as at 31.03.2015

	31.03.2015	31.12.2014	Change
ASSETS	EUR thousand	EUR thousand	%
1. Cash reserves	1,259	7,683	-83.6
2. Loans and advances to banks	203,394	199,321	2.0
3. Loans and advances to customers	32,432	37,148	-12.7
4. Debt securities and other fixed-income securities	246,402	205,483	19.9
5. Equities and other variable-rate securities	52,929	29,507	79.4
6. Trading portfolio	69,415	75,989	-8.7
7. Equity investments	1,440	1,440	0.0
8. Interests in associates	8,629	8,608	0.2
9. Intangible assets	29,479	30,891	-4.6
10. Property, plant and equipment	45,954	46,608	-1.4
11. Other assets	18,052	11,047	63.4
12. Prepaid expenses and accrued income	3,323	3,118	6.6
13. Excess of plan assets over pension liabilities	7,803	6,450	21.0
Total assets	720,511	663,293	8.6

	31.03.2015	31.12.2014	Change
EQUITY AND LIABILITIES	EUR thousand	EUR thousand	%
1. Liabilities to banks	133,284	87,568	52.2
2. Liabilities to customers	415,241	416,754	-0.4
3. Trading portfolio	11,197	8,684	28.9
4. Other liabilities	11,046	7,009	57.6
5. Accruals and deferred income	12	8	50.0
6. Provisions	12,414	11,272	10.1
7. Deferred tax liabilities	0	0	0.0
8. Fund for general banking risks	23,250	23,250	0.0
9. Equity	114,067	108,748	4.9
Total equity and liabilities	720,511	663,293	8.6

RESULTS OF OPERATIONS

Income statement for the period 1 January to 31 March 2015

INCOME STATEMENT	Q1 2015 EUR thousand	Q1 2014 EUR thousand	Change %
1. Net interest income	-95	869	-
2. Current income from			
a) Equities	302	284	6.3
b) Equity investments	0	0	0.0
	302	284	6.3
3. Net fee and commission income	14,442	12,855	12.3
4. Net income from the trading portfolio	19,699	16,185	21.7
5. Other operating income	1,458	449	>100.0
6. Administrative expenses			
a) Personnel expenses	-18,306	-15,938	14.9
b) Other administrative expenses	-10,339	-10,548	-2.0
	-28,645	-26,486	8.2
7. Depreciation, amortisation and write-downs on intangible assets and property, plant, and equipment	-2,498	-2,380	5.0
8. Other operating expenses	-319	-201	58.7
9. Income from the revaluation of loans and advances and certain securities as well as reversals of loan loss provisions	1,296	1,692	-23.4
10. Income from the revaluation of equity investments, interests in associates, interests in affiliated companies and securities treated as investments	1	0	-
11. Loss from interests in associates	-140	-1	>100.0
12. Profit from ordinary activities	5,501	3,266	68.4
13. Taxes on income	-640	-575	11.3
14. Other taxes not recognised under item 8	-42	-36	16.7
15. Profit for the period before minority interests	4,819	2,655	81.5
16. Minority interest share of net income	5	-50	-
17. Net profit for the period	4,824	2,605	85.2
18. Retained earnings brought forward	1,196	1,116	7.2
19. Consolidated net profit	6,020	3,721	61.8

The Baader Bank Group made a good start to the 2015 financial year and is able to report a profit from ordinary activities for the first three months of €5.5 million. In contrast to the previous year, the numbers reflect not only the banking book but also above all the contributions to operating earnings from the market segments.

As expected, net interest income continues to decline, due primarily to portfolio reallocations to non-interest-bearing assets. The income from these investments is reflected predominantly in 'Other income and expenses'.

The improvement to net fee and provision income, which rose by 12.3%, was driven primarily by the Corporates & Markets business and by the Helvea companies. Net trading income also rose, with an even more pronounced increase of 21.7% attributable exclusively to market making.

Administrative expenses increased by 7.9%. This was mainly due to personnel expenses, which included higher variable remuneration components resulting from the increased group earnings. In addition, from the start of the 2015 financial year a new remuneration model applied for employees in operational units. This was introduced as a result of the Remuneration Regulation for Institutions (*Institutsvergütungsverordnung*) and leads to higher fixed salary expenses.

Among the subsidiaries, Helvea Group and Baader & Heins Group made particularly positive contributions to earnings, while Conservative Concept Portfolio Management AG posted a small loss.

The loss from interests in associates consists of the Bank's pro rata share in the results for the period and the amortisation of goodwill, in proportion to the percentage holding. The combined contributions to results of Gulf Baader Capital Markets, Oman, and Ophirum ETP GmbH were neutral during the period under review.

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

At 31 March 2015 the Group employed 469 people (31 March 2014: 478).

Earnings per share amounted to €0.11 (previous year: €0.06).

FINANCIAL POSITION

As at 31 March 2015, short-term receivables and negotiable securities available for sale totalling €556.2 million were offset by short-term liabilities amounting to €245.5 million. This results in a net liquidity surplus on the balance sheet of €310.7 million. The Group's solvency was guaranteed at all times during the reporting period.

OUTLOOK

In principle, the geopolitical conflict in the Ukraine is a potential uncertainty factor that is difficult to predict. In addition, Greece represents a specific risk for financial markets in the eurozone. A Greek exit from the euro can now no longer be ruled out. Yet even against this backdrop, the financial markets appear to signal at most temporary uncertainties. This assessment is supported by falling government bond yields in Portugal, Ireland, Spain and Italy. Nonetheless, there is a risk that euro-sceptical parties could come to power in the national elections in Spain and Portugal during autumn 2015, and that eurozone stability will be further eroded. A further latent cause of uncertainty relates to the potential for politicians to make implausible decisions that lead to turbulence in the capital markets.

On the whole, however, the potential crisis factors are strongly counterbalanced by monetary policy. The ECB is thus continuing to attempt to contain any new potential eurozone debt crises through generous liquidity injections. As the Bank of Japan is also expanding its liquidity campaign, and the US Federal Reserve will moderate any change in key interest rates so as to prevent the bond bubble from bursting and causing damage to the financial system, nothing stands in the way of a continued liquidity boom.

In addition, improved fundamentals are also benefitting the equity markets. A further weakening of the euro as an export currency, falling interest rates for company investments, a fundamentally stable US economy, the less dynamic but hence sustainable growth in emerging economies, and low energy prices all pave the way for improved economic and corporate data. Last but not least, high dividend yields versus continued low interest rates and bond yields promise a greater weighting towards value stocks, even amongst large institutional investors.

Baader Bank expects significant growth in trading income due to increasing volumes. Growth is also expected for net fee and commission income from existing business. Disregarding the effect of variable remuneration components, administrative expenses are expected to be around the level of the previous year, following the successful integration of Helvea and despite the increasing burden of regulatory requirements. Overall, Baader Bank anticipates that if market conditions remain unchanged, a net profit above the level of 2014 can be achieved.

The forecasts for the 2015 financial year are presented in the Baader Bank Group's consolidated annual report for the financial year 2014, published on 29 April 2015.

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