



## **Financial Reporting for the 1st Quarter 2008**

/ BAADER /

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# Interim Group Management Report

## 1. Business and market environment

The US property crisis hit the financial markets worldwide more strongly than many observers initially had expected. Bad news of write-downs in the billions at banks only made the situation on the capital markets worse and led to a considerable loss of confidence.

The German DAX saw its worst quarter in six years. The market capitalisation of the 30 largest German industrial stocks shrank as the DAX fell 19% by EUR 170 billion to EUR 780 billion. The first quarter was also disappointing for German small and mid caps, with the MDAX losing 11% and the SDAX falling 14%. The TecDax technology index dropped 20% in the first quarter compared with the same period of the previous year.

Despite substantial cash injections administered by the US Central Bank in an effort to counteract, the downward trend could not be stopped. The Dow Jones Industrial Average closed the first quarter of 2008 at a loss of 15% after adjustment for currency effects. The NASDAQ 100 dropped 21% on a euro basis. The Japanese Nikkei 225 lost 14%. The DJ STOXX 50 – the leading European index – recorded a fall of 18%.

The US property crisis also left its mark on the BRIC countries. After adjustment for currency effects, these countries suffered considerable losses in the first quarter of 2008. The Chinese SSEB equity index in Shanghai, which was the front runner amongst the BRIC countries last year, lost 35%. The SENSEX in India fell 30%. Share prices on the Russian Stock Exchange (RTS) decreased by 17%. The Brazilian BOVESPA ended the quarter with a loss of 10%. In comparison, the MSM 30 on the Muscat Stock Exchange in Oman gained 5% after adjustment for currency effects.

In view of the currently difficult capital market environment, potential stock exchange candidates are not prepared to place their shares at lower ratings. The two most recent newcomers – Fonterelli and GSC Portfolio – endured heavy share price losses. The sentiment on the IPO market is currently marked by cancellations and delays of planned IPOs. The IPOs of Evonik AG and HSH Nordbank AG, for example, were cancelled. This clearly highlights the cool climate prevailing on the capital market.

Gulf Baader Capital Markets S.A.O.C. (GBCM) – a company founded with two partner companies in Muscat, Oman – began operations in the first quarter. In addition to Baader Wertpapierhandelsbank (24.9%), Gulf Investment Services Co. S.A.O.G. (70%) and Silver Circle LLC (5.1%), both based in Muscat, make up the members of the joint venture. Gulf Investment Services, one of the leading investment banks in the Sultanate of Oman, is contributing its core business areas, consisting of brokerage, asset management and corporate finance, to GBCM.

In order to push ahead with the diversification strategy within the core business area of securities trading and to participate in the attractive fund trading growth market, Baader Wertpapierhandelsbank acquired all of DBM Deutsche Börsenmakler GmbH with retrospective effect from 1 January 2008. Over the course of 2008, DBM will be merged into its parent company, Baader Wertpapierhandelsbank AG, with retrospective effect from 1 January 2008. DBM is the leading order book management company in stock exchange trading. Its market share on the Frankfurt Stock Exchange is around 60% in this area, 30% on the Düsseldorf Stock Exchange and 100% on the Berlin Stock Exchange. Furthermore, DBM is the order book manager for securitised derivatives and shares on the Frankfurt Stock Exchange and order book manager for bonds and securitised derivatives on the Düsseldorf Stock Exchange. Another of DBM's divisions is involved in agency business for shares with well-known national and international banks. DBM is also the leading provider of financial portals for bonds and mutual funds.

At the end of Q1 2008, Baader managed 13,075 order books for equities. Securitised derivatives such as warrants, certificates and ETFs accounted for 218,804 of these order books, bonds and participation certificates for 9,812 and actively managed funds for 1,167. This is in addition to a further 50,933 order books from DBM. The Baader Group thus managed a total of 293,791 order books as at 31 March 2008, which corresponds to an increase of 117%.

## 2. Earnings situation

At EUR 5,350 thousand, the Group's profit from ordinary activities for the first quarter of 2007 was lower than that recorded in the same period of the previous year (EUR 11,813 thousand). Both net fee and commission income of EUR -3,539 thousand (-25.9%) and, albeit to a lesser extent, net trading income of EUR -1,023 thousand (-6.0%) contributed to the decline in profit. This was primarily due to the financial crisis that not only affected individual institutions in particular but also impacted the entire financial market in general in the form of uncertainty. For Baader Wertpapierhandelsbank AG, this is particularly noticeable in the specialist activities involving equities due to falling trading revenues on stock exchanges with extremely volatile share price fluctuations. Market participants' loss of confidence in banking had a rather positive effect for the institutional agency business for bonds operated within the Group.

In light of these difficult market conditions, the Group generated satisfactory net profit before taxes and minority interests of EUR 5,763 thousand (previous year: EUR 8,629 thousand). The fund trading business of Deutsche Börsenmakler GmbH (DBM) also contributed substantially to profit. The acquisition of this Company in February 2008 again shows that diversification and the accompanying expansion of the income base is an important and key factor in dynamic markets. Earnings per share amount to EUR 0.13, down from EUR 0.19 in the same period of the previous year.

Administrative expenses of EUR 21,567 thousand rose slightly compared with the same quarter of the previous year (EUR 20,440 thousand). At EUR 12,506 thousand, staff costs remained almost unchanged, while other administrative expenses rose by EUR 1,156 thousand to EUR 7,389 thousand. This was mainly due to the first-time consolidation of the new subsidiary DBM. Depreciation of property and equipment and amortisation of intangible assets fell 3.7% to EUR 1,672 thousand due to some of the useful lives being revised.

International investments also made positive contributions to profit. Parsoli Corporation Ltd. in Mumbai (India) and Gulf Baader Capital Markets S.A.O.C. in Muscat (Oman) contributed EUR 190 thousand to consolidated net profit when it was consolidated at equity.

## 3. Net assets

At EUR 307,225 thousand, total assets as at 31 March 2008 increased by 17.8% as against EUR 260,875 thousand on 31 December 2007. The increase in assets is primarily attributable to the first-time consolidation of DBM. The decrease in loans and advances to other banks is due to the purchase price payment in cash for shares in DBM. In contrast, the assets held for trading, intangible assets and goodwill balance sheet items saw substantial rises. One main change on the equity & liabilities side of the balance sheet is the prominent increase in the liabilities held for trading item. The liabilities were predominantly due to the consolidation of DBM and together form an integral part of the Company's fund trading.

The Group's shareholders' equity amounted to EUR 169,450 thousand as of 31 March 2008 (31 December 2007: EUR 165,364 thousand). The equity ratio is thus 55.16%.

## 4. Financial position

On 31 March 2008, short-term loans and advances to other banks and available-for-sale negotiable securities of EUR 147,323 thousand were offset by current liabilities to other banks of EUR 84,134 thousand. This results in a net balance sheet liquidity surplus of EUR 63,189 thousand. The Group's liquidity was secured at all times during the period under review.

## 5. Risk report

### Principles of risk management

Generating earnings in banking is generally not possible without entering into risks. The core elements of the success-oriented governance of the Baader Group therefore involve conscious handling, active management and ongoing identification and monitoring of risks. As the parent institution, Baader Wertpapierhandelsbank AG is responsible for establishing a risk control system throughout the Group, which complies with the Mindestanforderungen an das Risikomanagement (MaRisk – Minimum Requirements for Risk Management) issued by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – the German Financial Supervisory Authority). In this context, special care is taken to ensure that the various business activities are suitably backed with equity.

### Risk-bearing capacity and strategy

With this basic conviction as a starting point, the Group's management is regularly provided with an overview of the forms that all the risks take within the Group based on the MaRisk. This basis guarantees that the Group's risk-hedging potential covers all material risks at all times, thus ensuring the risk-bearing capacity required. The business and risk strategy, the allocation of risk capital across the individual risk types and business segments and the limits for the following financial year are adopted as part of a resolution.

### Internal control system

The internal control system stipulated in accordance with the MaRisk requires the setup of risk management and risk control processes which ensure that material risks within the Group are identified, assessed, managed and communicated. These processes ensure that material risks are identified in good time, completely recorded and presented in an appropriate manner.

Of the risk types identified within the Group, the following risks can be considered material: counterparty default risks, market price risks, operational risks and business risks. These are presented briefly below:

#### Counterparty default risks

A distinction is made in counterparty default risks between credit risks, counterparty risks and investment risks.

Within the Group, only Baader Service Bank GmbH performs lending business as defined by Section 1 (1) No. 2 of the Kreditwesengesetz (KWG – German Banking Act). This guarantees customers (non-genuine) Lombard loans against collateral in listed securities, the lending value of which is set at an extremely conservative level and/or bank guarantees. Credit risk is managed on a local basis and can generally be classified as low. The following chart shows lending exposure as at 31 March 2008:

	Total credit exposure EUR million	Drawdowns EUR million	Unutilised loan commitments EUR million	Evaluated collateral EUR million	90 days or more overdue as % of total exposure
Private customers	12.07	5.70	6.37	9.50	0.00 %
of which employees	1.66	1.00	0.66	-	0.00 %
Corporate customers	7.61	0.00	7.61	2.55	0.00 %
<b>TOTAL</b>	<b>19.68</b>	<b>5.70</b>	<b>13.98</b>	<b>12.05</b>	

Furthermore, only money market deposits at banks are made within the Group as part of the lending business. Money market facilities exist at the Bank for such transactions based on either external credit ratings or internal credit checks with the corresponding credit decisions.

When trades are settled, a counterparty risk can arise if a trading partner fails to fulfil all his or her obligations. A distinction must be made between the replacement risk in the event of default of a counterparty and the resulting inability to settle transactions that have been concluded on the one hand, and the advance payment risk that can arise from transactions not settled as delivery versus payment (DVP) transactions on the other. As a rule, all transactions conducted by the Bank are settled as delivery versus payment transactions, so no replacement risks arise here. The only exception to this is the settlement of promissory note loan transactions where Baader is the counterparty in the purchase sales agreement. Since the payments in the case of these transactions are “free of delivery”, i.e. payment and transfer of the instrument do not occur concurrently, Baader is subject to counterparty risk in the sense of an advance payment risk.

#### Market price risks

Market risk is the risk of a fluctuation in the value of a given item due to changes in market prices, e.g. share prices, exchange rates, interest rates and volatility.

At the end of the year, the following risk positions with the following market values were held in EUR million in the trading book:

<b>CASH MARKET</b>		<b>FORWARD MARKET</b>	
Equities	18.17	Optionen	-0.01
Bonds	9.82	Futures	-3.07
Funds, Index-and Funds-Linked Certificates	24.22	Swaps	6.58
Securitised Derivatives	3.66		

Market price risks are measured using a value-at-risk (VaR) model based on Monte Carlo simulations (generally a one-day holding period and a confidence level of 99%). The input risk parameters are determined using a variance-covariance matrix based on the Bank's own historical summaries, which are exponentially weighted. In past years, the following VaR values were calculated in EUR million:

Value-at-risk of the trading segments	2004	2005	2006	2007	Q1/2008
VaR at the end of the period	0,74	0,83	0,78	1,32	1,48
Minimum VaR	0,70	0,51	0,68	1,11	1,14
Maximum VaR	1,73	1,46	2,84	2,73	2,60
Average VaR	1,04	0,84	1,19	1,36	1,60

#### Operational risks

Operational risk is the danger of losses that occur as a result of the inadequacy or failure of internal procedures, people and systems or of external events. This also includes legal risks. Strategic and reputation risks are excluded.

The risk potential is evaluated, i.e. operational risks are identified and assessed, by the Risk Control department of the Group's parent using questionnaires to be filled out every six months by our operational risk managers. In addition, it is the operational risk manager's responsibility to report any losses that occur from operational risks. Significant losses are immediately analysed with regard to their causes. Losses totalling EUR 61 thousand have been reported to date in financial year 2008. The highest individual loss here was EUR 33 thousand and can be classified under the Basel II category *Business interruptions and system failures*.

At the end of the quarter, no significant ongoing or potential legal disputes involving material financial risks were known.

#### Business risk

Business risk describes the uncertainty that accompanies operation of a business. Business risk is countered in the business strategy and the responsible action of the management. In accordance with BaFin's risk management requirements and MaRisk, the Group management defines a business strategy and a risk strategy consistent with these goals and plans, taking the risk-bearing capacity into account, for the coming financial year.

## **6. Forecast**

In the first quarter of 2008, Baader Wertpapierhandelsbank AG significantly expanded its position as a leading securities trading bank and the largest stock broker in Germany. It boosted its market share amongst the providers of specialist activities on the Frankfurt Stock Exchange from January to March to 38%, up from 31% (monthly average in 2007).

This means that Baader Wertpapierhandelsbank AG has fulfilled its aim of increasing the number of order books and its market share on German stock markets. As a company that aspires to set benchmarks in securities trading and related transactions, Baader Wertpapierhandelsbank AG has been successfully pursuing the strategy for several years to offer additional or related services to its core competences of securities trading and thus to generate new income fields. To counter the ongoing pressure on margins in stock market trading, options for reducing trading and settlement costs are still being evaluated.

This is primarily the case in view of the prevailing financial crisis. Baader Wertpapierhandelsbank believes that the financial industry will have to contend with the consequences of this crisis throughout the whole of this year. The competition and consolidation pressure which could be seen before the current crisis within the European financial industry due to falling margins, substantial investment expenses and requirements by the supervisory authorities will therefore increase further. For these reasons, Baader Wertpapierhandelsbank believes that the process of concentration amongst stock exchanges, trading platforms and financial institutions and brokerage companies will continue at a national and European level. Even Baader Wertpapierhandelsbank AG cannot evade this situation. However, the Bank's broad position and own equity strength mean that it is not only well prepared to actively shape this trend but it also sees opportunities to emerge from the financial crisis strengthened.

We expect that the high volatility on the market will continue over the next few months. On the one hand, this makes it more difficult to successfully operate in equities trading, but strict risk management will keep the dangers within tight limits. On the other hand, bond trading is benefitting from the uncertain market situation since an ongoing high return difference can be expected between default-encumbered and risk-free bonds (credit spreads).

November of this year will see the first anniversary of the EU's MiFID (Markets in Financial Instruments Directive) being implemented nationally. Commercial banks will then have to review their best execution policies. Baader Wertpapierhandelsbank sees this as a new opportunity to offer these financial institutions a MiFID-compliant service with the aim of generating additional orders. An increase is expected here in 2008, mainly from the cross-selling effects with the best execution services offered. Further positive stimulus is expected due to synergies from international investments.

The competitive and price pressure affecting issue business is also likely to grow. Baader Wertpapierhandelsbank AG will counter this trend by expanding its distribution channels and increasing its qualitative lead in its existing network. The value added chain is to be expanded at the same time with new products and markets being added.

In order to participate in economically up-and-coming regions, Baader Wertpapierhandelsbank AG is in the process of also growing beyond national borders in its core business areas. Trading links and institutional brokerage business are to be established and developed with the affiliated company Parsoli Corporation Ltd. in Mumbai (India). In addition to the Indian growth market, Baader Wertpapierhandelsbank AG is focusing on countries in the Persian Gulf region. The investment in Gulf Baader Capital Markets S.A.O.C., Muscat (Oman) provides Baader Wertpapierhandelsbank AG with access to the capital markets in the Gulf states. It is Baader Wertpapierhandelsbank's declared aim to establish connections in other countries, using Oman as a base.

Overall, Baader Wertpapierhandelsbank AG expects 2008 to be a difficult year on the stock markets which will continue to be marked by high volatility. High volatility is likely to become normality more and more. European capital markets will feel the effects of the subprime and credit crisis in the USA long after 2008. Since the markets are oversupplied with liquidity in this context, the Bank believes that the risk of inflation in the medium to long term should be taken seriously. For these reasons, it will be significantly more difficult to boost operating income in 2008 than in the previous year.

Unterschleissheim, 21 April 2008

Baader Wertpapierhandelsbank AG  
Board of Directors

Uto Baader

Stefan Hock

Dieter Brichmann

Christopher Schütz

Dieter Silmen

## Consolidated Balance Sheet (short form)

March 31, 2008

ASSETS	Notes	March 31, 2008	Dec. 31, 2007 € thousands
1. Cash reserve	(3)	481,018.66	3,273
2. Loans and advances to other banks	(4)	62,313,569.51	75,338
3. Loans and advances to customers	(4)	24,244,305.21	2,521
4. Allowance for losses on loans and advances	(4)	-61,982.99	-62
5. Assets held for trading	(5)	59,934,078.53	47,627
6. Available-for-sale financial instruments	(6)	7,888,870.66	9,304
7. Equity-accounted investments	(7)	34,656,757.63	38,216
8. Property and equipment	(8)	20,882,578.89	20,846
9. Intangible assets	(9)	22,815,897.39	12,513
10. Goodwill	(9)	25,748,019.84	4,600
11. Income tax assets	(10)	12,128,771.94	12,071
12. Other assets	(11)	12,311,862.41	11,251
13. Deferred tax assets	(10)	23,881,113.92	23,377
<b>Summe Aktiva</b>		<b>307,224,861.60</b>	<b>260,875</b>

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LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	March 31, 2008 €	Dec. 31, 2007 € thousands
1. Deposits from other banks	(12)	21,391,482.01	19,751
2. Amounts due to customers	(12)	55,895,091.38	41,430
3. Liabilities held for trading	(13)	19,281,636.94	0
4. Provisions	(14)	18,207,142.66	17,314
5. Income tax liabilities	(15)	3,177,355.97	2,560
6. Other liabilities	(16)	14,944,775.58	12,723
7. Deferred tax liabilities	(15)	4,877,747.04	1,733
8. Shareholders' equity	(17)	169,449,630.02	165,364
<b>Total liabilities and shareholders' equity</b>		<b>307,224,861.60</b>	<b>260,875</b>

## Consolidated income statement (cumulative)

for the period January 1 to March 31, 2008

	Notes	€	Jan. 1 - March 31, 2008 €	Jan. 1 - March 31, 2007 €
1. Interest income	(18)	643,187.98		386
2. Interest expense	(18)	-385,488.56		-228
3. Net interest income/expense	(18)		257,699.42	158
4. Allowance for losses on loans and advances	(19)		-10,441.86	0
5. Net interest income/expense after allowance for losses on loan and advances			247,257.56	158
6. Fee and commission income	(20)	15,396,030.68		19,283
7. Fee and commission expense	(20)	-5,263,740.89		-5,612
8. Net fee and commission income	(20)		10,132,289.79	13,671
9. Net trading income	(21)		16,119,737.34	17,143
10. Net expense/income from available-for-sale financial instruments	(22)		138,180.51	-34
11. Net income from equity- accounted investments	(23)		-27,775.01	1,092
12. Administrative expenses	(24)		-21,567,398.68	-20,440
13. Profit from operations			5,042,291.51	11,590
14. Other operating income	(25)		397,423.77	335
15. Other operating expenses	(25)		-89,565.88	-112
16. Profit ordinary activities			5,350,149.40	11,813
17. Income taxes on profit from ordinary activities	(26)		469,458.36	-3,071
18. Net profit for the period before minority interests			5,819,607.76	8,742
19. Minority interests in net profit for the period			-56,563.43	-113
20. Net profit for the period			5,763,044.33	8,629
21. Accumulated income brought forward			31,975,707.56	30,668
22. Consolidated net profit/loss			37,738,751.89	39,297

	Jan. 1 - March 31, 2008 €	Jan. 1 - March 31, 2007 €
Earnings per share	0.13	0.19

## Statement of changes in equity as of 31 March 2008

	Issued capital	Share premium	Retained earnings	Revaluation reserve	Currency translation reserve	Consolidated net profit	Total before minority interests	Minority interests	Shareholders' equity
<b>in € thousand</b>									
<b>Shareholders' equity as of 31 Dec. 2006</b>	<b>45,494</b>	<b>60,978</b>	<b>8,000</b>	<b>6,125</b>	<b>-1</b>	<b>30,668</b>	<b>151,264</b>	<b>1,362</b>	<b>152,626</b>
Consolidated net profit for the period						29,029	29,029		29,029
Transfer to retained earnings			15,570			-15,570	0		0
Gains/losses							0	-57	-57
Net change in the revaluation reserve				-4,898			-4,898		-4,898
Net change in the currency reserve					-9		-9		-9
<b>Comprehensive net profit for 2007</b>	<b>0</b>	<b>0</b>	<b>15,570</b>	<b>-4,898</b>	<b>-9</b>	<b>13,459</b>	<b>24,122</b>	<b>-57</b>	<b>24,065</b>
Capital increases		301					301	371	672
Changes in treasury shares	9	-133					-124		-124
Gains/losses (previous year)							0		0
Dividends						-11,365	-11,365		-11,365
Changes in the consolidated group/other changes		-242					-242	-268	-510
<b>Shareholders' equity as of 31 Dec. 2007</b>	<b>45,503</b>	<b>60,904</b>	<b>23,570</b>	<b>1,227</b>	<b>-10</b>	<b>32,762</b>	<b>163,956</b>	<b>1,408</b>	<b>165,364</b>
Consolidated net profit for the period						5,763	5,763		5,763
Transfer to retained earnings			786			-786	0		0
Gains/losses							0	57	57
Net changes in the revaluation reserve				-1,854			-1,854		-1,854
Net change in the currency reserve					9		9		9
<b>Comprehensive net profit by 31 March 2008</b>	<b>0</b>	<b>0</b>	<b>786</b>	<b>-1,854</b>	<b>9</b>	<b>4,977</b>	<b>3,918</b>	<b>57</b>	<b>3,975</b>
Capital increases							0		0
Changes in treasury shares	4	107					111		111
Dividends							0		0
Changes in consolidated group / other changes							0		0
<b>Shareholders' equity as of 31 March 2008</b>	<b>45,507</b>	<b>61,011</b>	<b>24,356</b>	<b>-627</b>	<b>-1</b>	<b>37,739</b>	<b>167,985</b>	<b>1,465</b>	<b>169,450</b>

## Cash flow statement

	1 Jan. – 31 Mar. 2008	1 Jan. – 31 Mar. 2007
	€ thousand	€ thousand
<b>Net profit for the period (including minority interest in net profit)</b>	<b>5,763</b>	<b>8,629</b>
Non-cash items contained in the net profit for the period and reconciliation to net cash from operating activities	783	2,242
<b>Subtotal</b>	<b>6,546</b>	<b>10,871</b>
Change in assets and liabilities from operating activities	29,946	-10,010
<b>Net cash from operating activities</b>	<b>36,492</b>	<b>861</b>
<b>Net cash used in investing activities</b>	<b>-39,294</b>	<b>-780</b>
<b>Net cash from/used in financing activities</b>	<b>10</b>	<b>-545</b>
Net change in cash and cash equivalents	-2,792	-464
Effect of exchange rate adjustments and changes in Group structure	0	0
Cash and cash equivalents at beginning of period	3,273	485
<b>Cash and cash equivalents at end of period</b>	<b>481</b>	<b>21</b>
Composition of cash and cash equivalents at 31 March		
Cash reserve	481	21

The cash flow statement presents the composition of, and changes in, cash and cash equivalents during the reporting period. It is classified by cash flows from operating, investing and financing activities. The objective of this classification is to illustrate how cash and cash equivalents were generated in the Group and used in the period under review.

Cash and cash equivalents are composed exclusively of the cash reserve, which comprises cash in hand and deposits with Deutsche Bundesbank. The item does not include loans and advances to other banks, which are payable on demand.

Shares in Deutsche Börsenmakler GmbH (cf. Note 2) were acquired with retroactive effect to 1 January 2008. In this respect, they were payments for the acquisition of investments in consolidated companies. This item falls under cash flows from investing activities. The purchase price of EUR 39,194 thousand was paid in cash, but in accordance with the determination above does not form part of cash and cash equivalents. The purchase price is derived from the assets measured at fair value and liabilities amounting to net EUR 18,046 thousand plus goodwill in the amount of EUR 21,148 thousand. The acquisition did not include cash and cash equivalents.

Assets and liabilities of the fully consolidated companies acquired in the first quarter of 2008 comprised the following :

<u>Assets</u>	Carrying amounts <u>EUR thousand</u>	Fair values <u>EUR thousand</u>
Loans and advances to banks	13,052	13,052
Loans and advances to customers	10	10
Assets held for trading	13,898	14,149
Available-for-sale financial instruments	235	565
Property, plant and equipment	270	270
Intangible assets	26	11,615
Deferred tax assets	0	9
Other assets	854	854
	28,345	40,524
 <u>Equity &amp; Liabilities</u>	 <u>EUR thousand</u>	 <u>EUR thousand</u>
Liabilities held for trading	14,126	14,126
Provisions for pensions	431	461
Other provisions	425	198
Deferred tax liabilities	0	3,524
Other liabilities	4,169	4,169
	19,151	22,478

## Notes (short form)

### (1) ACCOUNTING PRINCIPLES

In accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council dated 19 July 2002 and Regulation (EC) 2086/2004 of the European Commission, the interim financial statements of Baader Wertpapierhandelsbank AG as of 31 March 2008 were prepared on the basis of the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) issued and published by the International Accounting Standards Board (IASB). These financial statements are based on the IASs/IFRSs that have been endorsed by the European Commission and are consistent with IAS 34 (Interim Financial Reporting). The same accounting policies were applied to this interim report as to the consolidated financial statements for the year ended 31 December 2007, with the exception of the change in the useful lives of order books (cf. Note 9) and the change in the measurement of the tax assets (cf. Note 10).

### (2) BASIS OF CONSOLIDATION

Changes were made in the companies included in consolidation for the purposes of the interim report as of 31 March 2008 compared with the consolidated financial statements for the year ended 31 December 2007. In addition to the parent company, Baader Wertpapierhandelsbank AG, the consolidated financial statements include seven subsidiaries (previous year: six) in which Baader Wertpapierhandelsbank AG holds a direct or indirect interest of more than 50% or over which it exercises a controlling influence. Of these companies, six are headquartered in Germany (previous year: five) and one is headquartered abroad. There are no subsidiaries or associates that are immaterial for transparency of the Group's net assets, financial position and result of operations.

On 14 February 2008, with retroactive effect to 1 January 2008, Baader Wertpapierhandelsbank AG acquired a 100% interest in Deutsche Börsenmakler GmbH (DBM), Frankfurt am Main. The purchase price for the acquisition of this investment was EUR 39,194 thousand.

As part of the first-time consolidation of DBM, the fair values of the acquired, identifiable assets and liabilities on the date of acquisition were calculated for the purposes of distributing the total purchase price of EUR 39,194 thousand (revaluation method). Furthermore, intangible assets not reported to date at DBM must be identified and measured if they fulfil the recognition criteria.

Hidden reserves and charges in the amount of EUR 778 thousand, less deferred tax assets and liabilities of EUR 143 thousand were discovered when the assets and liabilities already reported were revalued. This resulted in revalued equity of EUR 9,829 thousand.

In addition to equity, a premium accounted for by intangible assets not yet reported was paid to acquire shares in DBM. The order books relating to funds, equities and bonds managed by the company were identified as intangible assets eligible for recognition. Based on the currently valid recognition practices for order books and the planning period for the long-term corporate planning of the Baader Group, a useful life of 10 years was recognised for the order books.

The values of the order books were calculated using an acknowledged measurement method – the discounted cash flow method – by discounting the cash flows expected after taxes directly attributable to the order books using a risk-adequate and maturity-matching capitalisation interest rate.

The total value of the order books recognised for the first time as part of full consolidation amounted to a fair value of EUR 11,589 thousand as at the date of acquisition on 1 January 2008. EUR 3,372 thousand of this amount is attributable to deferred tax liabilities at a tax rate of 29.10%. The costs of acquiring the investment in DBM of EUR 39,194 thousand and the revalued equity of EUR 9,829 thousand yielded goodwill of EUR 21,148 thousand.

The business purpose of Deutsche Börsenmakler GmbH (DBM) is to act as an order book manager in investment and trade brokerage and to gain a license for proprietary trading. As the leading order book management company in stock exchange fund trading, DBM holds around 60% of the market share in this area on the Frankfurt Stock Exchange, 30% on the Düsseldorf Stock Exchange and 100% on the Berlin Stock Exchange. Furthermore, DBM is the order book manager for securitised derivatives and equities on the Frankfurt Stock Exchange and order book manager for bonds and securitised derivatives on the Düsseldorf Stock Exchange. DBM also operates in the agency business for equities with national and international banks and is a leading provider of financial portals for bonds and funds.

In the case of the subsidiary direct AG, 100% of the shares of which were previously held indirectly via the investment in CCPM, Baader Wertpapierhandelsbank AG registered a capital increase of EUR 1,397 thousand, disapplying subscription rights, thereby acquiring 75% of the shares in direct AG. However, from the point of view of the Group, no changes have occurred in the consolidation.

In accordance with the *Investmentgesetz* (InvG – German Investment Act), four companies (previous year: three) and interests in five special funds were included in the consolidated financial statements as associates. Included for the first time in the consolidated financial statements were shares in Berlin Asset Management GmbH (BAM).

Baader Wertpapierhandelsbank AG holds 30% of shares in Berlin Asset Management GmbH indirectly via its wholly owned subsidiary DBM.

The interest was revalued as part of the purchase price allocation. The revaluation corresponds to the proportionate equity and amounts to EUR 159 thousand. There is thus no goodwill. The acquisition of DBM causes Berlin Asset Management AG to be included in the consolidated financial statements as a company carried at equity.

Berlin Asset Management GmbH operates in the areas of full service consulting on asset management for institutions and portfolio structure, as well as allocation-orientated financial portfolio management for high-net-worth private clients.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

(3) CASH RESERVE	31 March 2007 € thousand	31 Dec. 2007 € thousand	Change in %
Cash in hand	1	1	-
Deposits with Deutsche Bundesbank	480	3,272	-85.3
<b>Total</b>	<b>481</b>	<b>3,273</b>	<b>-85.3</b>

<b>(4) LOANS AND ADVANCES</b>	<b>31 March 2007</b>	<b>31 Dec. 2007</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
<b>Loans and advances to other banks</b>	<b>62,314</b>	<b>75,338</b>	<b>-17.3</b>
- payable on demand	51,685	56,318	-8.2
- other loans and advances	10,629	19,020	-44.1
<b>Loans and advances to customers</b>	<b>24,244</b>	<b>2,521</b>	<b>&gt;100,0</b>
<b>Allowances for losses on loans and advances</b>	<b>-62</b>	<b>-62</b>	<b>0.0</b>
<b>Total</b>	<b>86,496</b>	<b>77,797</b>	<b>11.2</b>

Other loans and advances (loans and advances to other banks) have a remaining term of up to one year. Loans and advances to customers are payable on a daily basis.

<b>(5) ASSETS HELD FOR TRADING</b>	<b>31 March 2007</b>	<b>31 Dec. 2007</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Bonds and other fixed-interest securities	10,127	7,468	35.6
Equities and other non-fixed-interest securities	49,751	40,149	23.9
Positive fair values of derivatives	56	10	>100,0
<b>Total</b>	<b>59,934</b>	<b>47,627</b>	<b>25.8</b>

<b>(6) AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS</b>	<b>31 March 2007</b>	<b>31 Dec. 2007</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Equity investments	2,392	3,203	-25.3
Equities and other non-fixed-interest securities	5,084	5,723	-11.2
Bonds and debt securities	413	378	9.3
<b>Total</b>	<b>7,889</b>	<b>9,304</b>	<b>-15.2</b>

<b>(7) EQUITY-ACCOUNTED INVESTMENTS</b>	<b>31 March 2007</b>	<b>31 Dec. 2007</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Associates	8,251	7,898	4.5
Investment fund units	26,406	30,318	-12.9
<b>Total</b>	<b>34,657</b>	<b>38,216</b>	<b>-9.3</b>

<b>(8) PROPERTY AND EQUIPMENT</b>	<b>31 March 2007</b>	<b>31 Dec. 2007</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Operating and office equipment	1,775	1,524	16.5
Land and buildings	19,108	19,322	-1.1
<b>Total</b>	<b>20,883</b>	<b>20,846</b>	<b>0.2</b>

<b>(9) INTANGIBLE ASSETS AND GOODWILL</b>	<b>31 March 2007</b>	<b>31 Dec. 2007</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Software	3,469	4,069	-14.7
Order books	17,422	6,459	>100.0
Trading strategies	1,925	1,985	-3.0
Goodwill	25,748	4,600	>100.0
<b>Total</b>	<b>48,564</b>	<b>17,113</b>	<b>&gt;100.0</b>

As part of the acquisition of the shares in Deutsche Börsenmakler GmbH, the two order books relating to funds, equities and bonds present in the company were identified as intangible assets which were previously excluded from recognition as internally generated assets, but must be carried separately from goodwill in the course of the acquisition.

Additions to goodwill are solely attributable to the acquisition of the cash-generating unit Deutsche Börsenmakler GmbH. See also the additional explanations under Note 2.

The useful life of the order books resulting from earlier corporate acquisitions was reviewed on 1 January 2008 and extended for a further 10 years for order books relating to equities and bonds and 4 years for order books relating to derivatives. In the case of the order books relating to derivatives, the change in the estimate is due to an extension of the contractual basis. Holdings of order books relating to equities and bonds were confirmed as part of the redistribution of order books by the Frankfurt Stock Exchange in November 2007. The distribution period was extended from what was previously 18 months to 30 months and the distribution criteria were more strictly oriented toward quality and performance. Empirical values show very positive results in the performance benchmarks of Baader Wertpapierhandelsbank AG and market shares that remain the same or have even increased.

Ultimately, changes in the estimated useful lives will only negatively impact the income statement slightly by EUR 1,316 thousand for the 2008 financial year.

<b>(10) INCOME TAX ASSETS</b>	<b>31 March 2007</b>	<b>31 Dec. 2007</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Current tax claims from overpayment of taxes	12,129	12,071	0.5
Deferred tax assets	23,881	23,377	2.2
<b>Total</b>	<b>36,010</b>	<b>35,448</b>	<b>1.6</b>

The consolidated financial statements of Baader Wertpapierhandelsbank AG recognise deferred tax assets on unused tax loss carryforwards. In accordance with IAS 12, these must be recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be offset.

In the 2007 financial year, the tax loss carryforwards of Baader Wertpapierhandelsbank AG expected to be used amounted to EUR 83,075 thousand. This previously included EUR 30,018 thousand, which represented an addition to the taxable income of Baader Wertpapierhandelsbank AG resulting from an addition to income due to the write-downs charged in the past of an investment in a subsidiary. The current version of the provision governing additions laid down in section 12 (2) of the Umwandlungssteuergesetz (UmwStG – German Reorganisation Tax Act) was deemed valid by the Federal Constitutional Court on 15 January 2008, notwithstanding the fact that its realisation was unconstitutional. This judgment renders it impossible under revenue law to recognise the EUR 30,018 thousand as a loss carryforward for Baader Wertpapierhandelsbank AG.

In 2007, the valuation allowance of 50% was reduced to 30%, reflecting the diminished but still-existing uncertainty of tax legislation, the difficulty of forecasting trading volumes and share pricing, and the volatility of the profits of the company. The acquisition of Deutsche Börsenmakler GmbH and the resolution to merge it with Baader Wertpapierhandelsbank AG retroactively to 1 January 2008 further reinforced the income base. This has reduced uncertainty to the point that the valuation allowance previously amounting to 30% has been completely eliminated as at 31 March 2008.

For the purpose of internal accounting, this change in recognition will also be applied to the loss carryforward of Baader Service Bank GmbH.

The changes in the revaluation of the tax asset are reflected in the income statement as tax income amounting to EUR 1,435 thousand. This is offset by tax expense arising from the utilisation of the remaining tax loss carryforward of EUR 988 thousand as a result of the profit of the first quarter of 2008, causing deferred tax assets from loss carryforwards to rise from the previous year by EUR 447 thousand net.

<b>(11) OTHER ASSETS</b>	<b>31 March 2007</b>	<b>31 Dec. 2007</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Other assets	11,205	10,959	2.2
Prepaid expenses	1,107	292	>100.0
<b>Total</b>	<b>12,312</b>	<b>11,251</b>	<b>9.4</b>

Other assets contain an advance payment for a convertible bond issued by Parsoli Corporation Ltd., India, in the amount of EUR 4,959 thousand. The issue has yet to be divided into individual securities and entered in the Bank's security account.

<b>(12) LIABILITIES</b>	<b>31 March 2007</b>	<b>31 Dec. 2007</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
<b>Deposits from other banks</b>	<b>21,391</b>	<b>19,751</b>	<b>8.3</b>
- payable on demand	8,782	7,004	25.4
- with agreed maturity	12,609	12,747	-1.1
<b>Amounts due to customers</b>	<b>55,895</b>	<b>41,430</b>	<b>34.9</b>
- payable on demand	55,895	41,430	34.9
<b>Total</b>	<b>77,286</b>	<b>61,181</b>	<b>26.3</b>

Deposits from other banks with agreed maturity relate to a loan for the refinancing of the Group's business premises and have a remaining maturity of more than five years.

<b>(13) LIABILITIES HELD FOR TRADING</b>	<b>31 March 2007</b>	<b>31 Dec. 2007</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Delivery commitments arising from short sales of securities	19,207	0	-
Negative fair values of derivatives	75	0	-
<b>Total</b>	<b>19,282</b>	<b>0</b>	<b>-</b>

<b>(14) PROVISIONS</b>	<b>31 March 2007</b>	<b>31 Dec. 2007</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Provisions for pensions	8,214	7,703	6.6
Other provisions	9,993	9,611	4.0
<b>Total</b>	<b>18,207</b>	<b>17,314</b>	<b>5.2</b>

<b>(15) INCOME TAX LIABILITIES AND DEFERRED TAX LIABILITIES</b>	<b>31 March 2007</b>	<b>31 Dec. 2007</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Current tax liabilities	3,177	2,560	24.1
Deferred tax liabilities	4,878	1,733	>100.0
<b>Total</b>	<b>8,055</b>	<b>4,293</b>	<b>87.6</b>

<b>(16) OTHER LIABILITIES</b>	<b>31 March 2007</b>	<b>31 Dec. 2007</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Other liabilities	14,945	12,723	17.5
<b>Total</b>	<b>14,945</b>	<b>12,723</b>	<b>17.5</b>

This item primarily consists of trade payables and outstanding salary deductions.

<b>(17) SHAREHOLDERS' EQUITY</b>	<b>31 March 2007</b>	<b>31 Dec. 2007</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
a) Issued capital	45,507	45,503	0.0
b) Share premium	61,011	60,904	0.2
c) Retained earnings	24,356	23,570	3.3
d) Revaluation reserve	-627	1,227	-
e) Currency translation reserve	-1	-10	-90.0
f) Consolidated net profit	37,739	32,762	15.2
<b>Total before minority interests</b>	<b>167,985</b>	<b>163,956</b>	<b>2.5</b>
Minority interests	1,465	1,408	4.0
<b>Total</b>	<b>169,450</b>	<b>165,364</b>	<b>2.5</b>

At 31 March 2008, the Group's issued capital (share capital) in the amount of EUR 45,908,682.00 comprised 45,908,682 no-par value bearer shares. The sale of shares to employees as part of a stock option programme caused the number of shares outstanding to increase by 4,260.

	<b>Pieces</b>
<b>Number of shares outstanding at 1 January 2008</b>	<b>45,502,738</b>
Plus: Treasury shares held at 31 December of the previous year	405,944
<b>Number of shares issued at 31 March 2008</b>	<b>45,908,682</b>
Less: Treasury shares held at the reporting date	401,684
<b>Number of shares outstanding at 31 March 2008</b>	<b>45,506,998</b>

## NOTES TO THE CONSOLIDATED INCOME STATEMENTS

(18) NET INTEREST INCOME/EXPENSE	1 Jan. - 31 Mar.	1 Jan. - 31 Mar.	Change in %
	2008	2007	
	€ thousand	€ thousand	
<b>Interest income from</b>	<b>643</b>	<b>386</b>	<b>66.6</b>
- lending and money market transactions	638	384	66.1
- fixed-interest securities	5	2	>100.0
<b>Interest expense</b>	<b>-385</b>	<b>-228</b>	<b>68.9</b>
<b>Total</b>	<b>258</b>	<b>158</b>	<b>63.3</b>

(19) ALLOWANCE FOR LOSSES ON LOANS AND ADVANCES	1 Jan. - 31 Mar.	1 Jan. - 31 Mar.	Change in %
	2008	2007	
	€ thousand	€ thousand	
Additions to allowance	0	0	-
Reversals	0	0	-
Write-downs	-11	0	-
<b>Total</b>	<b>-11</b>	<b>0</b>	<b>-</b>

(20) NET FEE AND COMMISSION INCOME	1 Jan. - 31 Mar.	1 Jan. - 31 Mar.	Change in %
	2008	2007	
	€ thousand	€ thousand	
<b>Fee and commission income</b>	<b>15,396</b>	<b>19,283</b>	<b>-20.2</b>
- Brokerage fee income	11,783	13,630	-13.6
- Order routing	1,344	2,071	-35.1
- Capital market services	205	837	-75.5
- Brokerage of promissory note loans	640	429	49.2
- Brokerage commissions	177	997	-82.2
- Management and performance fees	1,229	1,303	-5.7
- Other fee and commission income	18	16	12.5
<b>Fee and commission expense</b>	<b>-5,264</b>	<b>-5,612</b>	<b>-6.2</b>
- Brokerage fee expenses	-1,535	-1,415	8.5
- Order routing	-344	-580	-40.7
- Capital market services	0	-1	-
- Brokerage of promissory note loans	0	-30	-
- Brokerage commissions	-115	-409	-71.9
- Management and performance fees	-274	-358	-23.5
- Settlement fees	-2,521	-2,469	2.1
- Other fee and commission expense	-475	-350	35.7
<b>Total</b>	<b>10,132</b>	<b>13,671</b>	<b>-25.9</b>

(21) NET TRADING INCOME	1 Jan. - 31 Mar.	1 Jan. - 31 Mar.	Change in %
	2008	2007	
	€ thousand	€ thousand	
<b>Securities trading</b>	<b>16,413</b>	<b>17,141</b>	<b>-4.2</b>
- Interest and dividends	98	51	92.2
- Securities	7,803	11,508	-32.2
- Options and futures	2,057	-71	-
- Price differences	6,455	5,653	14.2
<b>Foreign currencies</b>	<b>-293</b>	<b>2</b>	<b>-</b>
<b>Total</b>	<b>16,120</b>	<b>17,143</b>	<b>-6.0</b>

(22) NET INCOME/EXPENSE FROM AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	1 Jan. - 31 Mar.	1 Jan. - 31 Mar.	Change in %
	2008	2007	
	€ thousand	€ thousand	
<b>Interest and dividend income</b>	<b>135</b>	<b>43</b>	<b>&gt;100.0</b>
- Fixed-interest securities	4	43	-90.7
- Equities/other non-fixed-interest securities	131	0	-
- Equity investments	0	0	0.0
<b>Gain/loss on the disposal of available-for-sale financial instruments</b>	<b>3</b>	<b>-77</b>	<b>-</b>
- Fixed-interest securities	3	-77	-
- Equities/other non-fixed-interest securities	0	0	0.0
- Equity investments	0	0	0.0
<b>Write-downs</b>	<b>0</b>	<b>0</b>	<b>0.0</b>
- Write-downs	0	0	0.0
<b>Total</b>	<b>138</b>	<b>-34</b>	<b>-</b>

(23) NET INCOME FROM EQUITY-ACCOUNTED INVESTMENTS	1 Jan. - 31 Mar.	1 Jan. - 31 Mar.	Change in %
	2008	2007	
	€ thousand	€ thousand	
Write-ups to carrying amount in accordance with the equity method	0	1,092	-100.0
Dividends/share of net income	-28	0	-
<b>Total</b>	<b>-28</b>	<b>1,092</b>	<b>-</b>

The position dividends/share of net income item comprises received dividends and proportionate interest of at equity accounted investments amount to EUR 194 thousand as well as proportionate loss from the special fund (EUR 222 thousand).

(24) ADMINISTRATIVE EXPENSES	1 Jan. - 31 Mar.	1 Jan. - 31 Mar.	Change in %
	2008	2007	
	€ thousand	€ thousand	
Staff costs	-12,506	-12,470	0.3
Other administrative expenses	-7,389	-6,233	18.5
Amortisation and write-downs of intangible assets and depreciation and write-downs of property and equipment	-1,672	-1,737	-3.7
<b>Total</b>	<b>-21,567</b>	<b>-20,440</b>	<b>5.5</b>

(25) OTHER OPERATING INCOME/EXPENSES	1 Jan. - 31 Mar.	1 Jan. - 31 Mar.	Change in %
	2008	2007	
	€ thousand	€ thousand	
Other operating income	397	335	18.5
Other operating expenses	-89	-112	-20.5
<b>Total</b>	<b>308</b>	<b>223</b>	<b>38.1</b>

(26) INCOME TAXES	1 Jan. - 31 Mar.	1 Jan. - 31 Mar.	Change in %
	2008	2007	
	€ thousand	€ thousand	
Current tax expense	-422	-1,656	-74.5
Deferred taxes	891	-1,415	-
<b>Total</b>	<b>469</b>	<b>-3,071</b>	<b>-</b>

The Group tax rate was calculated as 29.1%.

Profit from ordinary activities and the Group tax rate yield an expected income tax expense of EUR 1,557 thousand. However, during the first quarter of 2008, extraordinary effects in the form of tax refunds received for previous financial years and the changed recognition of the tax asset positively impacted the tax income/expense (see Note 10).

**(27) SEGMENT REPORTING**

<b>in € thousands</b>	<b>Specialist Activities and Proprietary Trading</b>	<b>Agency Business</b>	<b>Capital Market Services</b>	<b>Portfolio Management</b>	<b>Other/ Consolidation</b>	<b>Group</b>
Net interest income/expense	-51	296	0	13	0	258
Allowance for losses on loans and advances	0	0	0	11	0	11
<b>Net interest income/expense after allowance for losses on loans and advances</b>	<b>-51</b>	<b>296</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>247</b>
<b>Net fee and commission income/expense</b>	<b>7,397</b>	<b>1,450</b>	<b>204</b>	<b>1,096</b>	<b>-15</b>	<b>10,132</b>
Net trading income/expense	12,055	3,856	-89	0	298	16,120
Net income/expense from available-for-sale financial instruments	7	0	47	150	-66	138
Net income from equity-accounted investments	0	0	0	0	-28	-28
Net income from investments securities	0	0	0	0	0	0
<b>Net income/expense from financial operations</b>	<b>12,062</b>	<b>3,856</b>	<b>-42</b>	<b>150</b>	<b>204</b>	<b>16,230</b>
<b>Directly attributable administrative expenses</b>	<b>8,867</b>	<b>3,378</b>	<b>286</b>	<b>726</b>	<b>178</b>	<b>13,435</b>
<b>Other operating income/expenses</b>	<b>453</b>	<b>9</b>	<b>5</b>	<b>-24</b>	<b>-156</b>	<b>287</b>
<b>Profit after directly attributable income/expenses</b>	<b>10,994</b>	<b>2,233</b>	<b>-119</b>	<b>498</b>	<b>-145</b>	<b>13,461</b>
<b>Indirectly attributable administrative expenses</b>	<b>4,841</b>	<b>2,475</b>	<b>408</b>	<b>387</b>	<b>0</b>	<b>8,111</b>
<b>Profit from ordinary activities</b>	<b>6,153</b>	<b>-242</b>	<b>-527</b>	<b>111</b>	<b>-145</b>	<b>5,350</b>
Risk-weighted assets in € thousands	201,395	52,100	8,637	14,530		276,662
Allocated capital in € thousands	98,965	52,311	9,015	9,159		169,450
Return on allocated capital based on profit from ordinary activities	6.2%	-0.5%	-5.8%	1.2%		3.2%
Average number of employees during the period	115	64	9	18	110	316

## OTHER DISCLOSURES

(28) OFF-BALANCE-SHEET COMMITMENTS	1 Jan. - 31 Mar.	1 Jan. - 31 Mar.	Change in %
	2008	2007	
	€ thousand	€ thousand	
<b>Contingent liabilities</b>	<b>170</b>	<b>170</b>	<b>0.0</b>
- Liabilities from guarantees and warranty agreements	170	170	0.0
- Liabilities from the provision of collateral for third parties	0	0	0.0
<b>Irrevocable loan commitments</b>	<b>13,980</b>	<b>15,196</b>	<b>-8.0</b>
- Current account credits granted to customers	13,980	15,196	-8.0

Lombard loans from the Group company Baader Service Bank GmbH have been granted for the purchase of securities or for the coverage of collateral payments (margin requirements) for listed options and futures trading conducted through the Bank. As a rule, they are made available with a maturity of 6 months. The Lombard loans are backed by valuable collateral, as a rule through the pledging of securities and bank guarantees. At 31 March 2008, the fair value of the securities pledged to Baader Service Bank GmbH was EUR 12,042 thousand.

### (29) EMPLOYEES

At the reporting date of 31 March 2008, the Baader Wertpapierhandelsbank AG Group had a total of 315 employees (previous year: 277 employees).

### (30) SHARE-BASED PAYMENT SYSTEM FOR MEMBERS OF THE BOARD OF DIRECTORS AND EMPLOYEES

Baader Wertpapierhandelsbank AG grants the members of the Board of Directors and the Group's employees performance-related remuneration in the form of stock options.

The table below provides an overview of all granted, lapsed and exercised options.

	2006	2005	2004	2003	2002	2001	2000	Total
Options granted	374,600	299,480	299,600	323,000	468,600	517,800	240,382	2,523,462
Exercise price (EUR)	5.32	6.02	2.34	2.96	1.12	2.14	5.30	-
Options forfeited	34,701	30,480	20,140	17,600	70,000	164,400	125,428	462,749
Options exercised	0	0	91,620	183,100	363,600	304,600	16,936	959,856
<b>Options outstanding</b>	<b>339,899</b>	<b>269,000</b>	<b>187,840</b>	<b>122,300</b>	<b>35,000</b>	<b>48,800</b>	<b>98,018</b>	<b>1,100,857</b>
<b>Exercisable options</b>	<b>0</b>	<b>0</b>	<b>187,840</b>	<b>122,300</b>	<b>35,000</b>	<b>48,800</b>	<b>98,018</b>	<b>491,958</b>
Residual term (in months)	73	62	50	38	25	13	1	-

No options granted from the existing stock option plans have expired yet.

During the first quarter of 2008, the number of stock options changed from 31 December 2007 as follows:

	Mar. 31, 2008		Dec. 31, 2007	
	Number of stock options	Average exercise price	Number of stock options	Average exercise price
<b>As at 1 January</b>	<b>1,106,152</b>	<b>4.44</b>	<b>1,017,958</b>	<b>3.67</b>
Commitment (granted options)	0	0.00	374,600	5.32
Forfeited options	1,035	5.32	46,446	5.18
Exercised options	4,260	2.34	239,960	3.83
<b>As at 31 Dec. 2007/ 31 March 2008</b>	<b>1,100,857</b>	<b>4.44</b>	<b>1,106,152</b>	<b>4.14</b>
<b>Exercisable options as of Dec. 2007/ 31 March 2008</b>	<b>491,958</b>	<b>2.98</b>	<b>496,218</b>	<b>2.97</b>

Beneficiaries of the stock option plan exercised their options during the period under review. A total of 4,260 shares were subscribed for at an exercise price of EUR 2.34. This resulted in an expense of EUR 3,687.00 which was charged directly to equity. The stock options were exercised within a period of one month. The average share price in this period was as follows:

1. Period: 20 February 2008 - 18 March 2008      Share Price: 4.13      Aktienoptionsplan: 2004

The stock options granted from the Stock Option Plan 2004 (and all subsequent stock option plans) are accounted for under the provisions of IFRS 2, Share-Based Payment. The stock option plans embody the share-based payment of employees' additional benefits which are settled by equity instruments. The benefits received must be carried at fair value while raising equity. However, as this value cannot be estimated reliably, it and the corresponding increase in equity must be calculated indirectly by reference to the fair value of the equity instruments granted.

	2006	2005	2004	Total
Options granted	374,600.00	282,420.00	299,600.00	956,620.00
Options price	1.40	1.00	0.43	-
Total staff costs	524,477.46	281,713.95	128,828.00	935,019.41
Staff costs in the period under review	65,559.68	35,214.24	0.00	100,773.92

The staff costs are distributed over the two-year period during which they are incurred. Proportionate costs were recorded for three months for each of the 2005 and 2006 stock options.

## (31) RELATED PARTY DISCLOSURES

### Board of Directors

In addition to fixed compensation and performance-related variable compensation, the members of the Board of Directors receive options under the Baader Wertpapierhandelsbank AG stock option plan. No stock options have yet been granted during the 2008 financial year. The following table shows changes to the stock options of members of the Board of Directors for the 2000 to 2006 financial years.

	2006	2005	2004	2003	2002	2001	2000	Total
Options granted	374,600	299,480	299,600	323,000	468,600	517,800	240,382	2,523,462
Exercise price (EUR)	5.32	6.02	2.34	2.96	1.12	2.14	5.30	-
Options forfeited	34,701	30,480	20,140	17,600	70,000	164,400	125,428	462,749
Options exercised	0	0	91,620	183,100	363,600	304,600	16,936	959,856
<b>Options outstanding</b>	<b>339,899</b>	<b>269,000</b>	<b>187,840</b>	<b>122,300</b>	<b>35,000</b>	<b>48,800</b>	<b>98,018</b>	<b>1,100,857</b>
<b>Exercisable options</b>	<b>0</b>	<b>0</b>	<b>187,840</b>	<b>122,300</b>	<b>35,000</b>	<b>48,800</b>	<b>98,018</b>	<b>491,958</b>
Residual term (in months)	73	62	50	38	25	13	1	-

In the period under review, members of the Board of Directors did not sell Baader shares in excess of the annual exemption limit of EUR 5,000.00 subject to notification and publication requirements under section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act).

### Supervisory Board

The members of the Supervisory Board do not receive any stock options or other share-based compensation for their Supervisory Board activities. If employee representatives on the Supervisory Board receive stock options under the conditions of the stock option plans resolved by the General Meetings, these payments are due to their position as employees of Baader Wertpapierhandelsbank AG and are independent of their supervisory function.

No stock options have yet been granted during the 2008 financial year. The following table shows changes in the stock options of employee representatives in the Supervisory Board for financial years 2000 to 2006.

	2006	2004	2003	2002	2001	2000	Total
Options granted	4,000	2,640	2,800	4,000	5,200	1,590	20,230
Exercise price (EUR)	5.32	2.34	2.96	1.12	2.14	5.30	-
Options forfeited	0	0	0	0	0	0	0
Options exercised	0	0	0	4,000	5,200	0	9,200
<b>Options outstanding</b>	<b>4,000</b>	<b>2,640</b>	<b>2,800</b>	<b>0</b>	<b>0</b>	<b>1,590</b>	<b>11,030</b>
<b>Exercisable options</b>	<b>0</b>	<b>2,640</b>	<b>2,800</b>	<b>0</b>	<b>0</b>	<b>1,590</b>	<b>7,030</b>
Residual term (in months)	73	50	38	25	13	1	-

In the period under review, members of the Supervisory Board did not sell Baader shares in excess of the annual exemption limit of EUR 5,000.00 subject to notification and publication requirements under section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act).

Majority ownership of Baader Wertpapierhandelsbank AG lies with Baader Beteiligungs GmbH, Munich. No transactions were conducted between the two companies in the period under review.

Unterschleissheim, April 21, 2008  
Baader Wertpapierhandelsbank AG  
Bord of Directors

Uto Baader

Dieter Brichmann

Stefan Hock

Christopher Schütz

Dieter Silmen

## Statement by the legal representatives

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.”

Unterschleissheim, 21 April 2008  
Baader Wertpapierhandelsbank AG  
Board of Directors

Uto Baader

Stefan Hock

Dieter Brichmann

Christopher Schütz

Dieter Silmen

## Review report by the auditors

to Baader Wertpapierhandelsbank AG

We have reviewed the consolidated interim financial statements (short form), consisting of the balance sheet (short form), income statement (short form), cash flow statement (short form), statement of changes in equity (short form) and selected explanatory notes, and the interim Group management report of Baader Wertpapierhandelsbank AG, Unterschleissheim for the period from 1 January to 31 March 2008, which are part of quarterly financial reporting in accordance with section 37(x) of the German Securities Trading Act. The preparation of the consolidated interim financial statements (short form) in accordance with the International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the consolidated interim financial statements (short form) and the interim Group management report based on the results of our review.

We conducted our review of the consolidated interim financial statements (short form) and the interim Group management report in accordance with the generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform our review in order to obtain reasonable assurance by way of a critical evaluation that the consolidated interim financial statements (short form) are materially consistent with the IFRSs applicable to interim financial reporting as adopted by the EU, and that the interim Group management report is materially consistent with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is largely limited to discussions with employees of the Company and analytical evaluations, and hence does not provide the same level of assurance as a full audit of the financial statements. As our engagement does not extend to a full audit of the financial statements, we cannot issue a corresponding audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements (short form) are materially inconsistent with the IFRSs applicable to interim financial reporting as adopted by the EU or that the interim Group management report is materially inconsistent with the provisions of the German Securities Trading Act applicable to interim group management reports.

Bremen, 30 April 2008

Clostermann & Jasper Partnerschaft  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

(Clostermann)  
Auditor

(Lamm)  
Auditor

## Key Figures

		Q1 2008	Q1 2007	Change in %
Net fee and commission income	mln. €	10.10	13.67	-26.1
Net trading income	mln. €	16.10	17.14	-6.1
Administrative expenses	mln. €	-21.60	-20.44	5.7
Net profit	mln. €	5.76	8.63	-33.3
Earnings per share	€	0.13	0.19	-31.6
<b>Consolidated Balance Sheet</b>				
		March 31, 2008	Dec. 31, 2007	Change in %
Shareholders' equity	mln. €	169.40	161.74	4.7
Total assets	mln. €	307.20	268.46	14.4
<b>Operating figures</b>				
		March 31, 2008	Dec. 31, 2007	Change in %
Employees		315	277	13.7
Orderbooks	piece	293,791	135,375	117.0
<b>Share price of Baaderbank</b>				
		Q1 2008	Q1 2007	Change in %
Opening price (Jan. 2nd)	€	4.91	4.25	15.5
Highest price	€	4.91	5.40	-9.1
Lowest price	€	3.74	4.08	-8.3
Closing price (March 31st)	€	3.89	5.15	-24.5
Market capitalization (March 31st)	mln. €	178.60	236.43	-24.5
Volume (daily average) (March 31st)	piece	11,918	38,096	-68.7

Baader Wertpapierhandelsbank AG  
Weihenstephaner Str. 4  
85716 Unterschleissheim  
[www.Baaderbank.de](http://www.Baaderbank.de)  
[www.Baaderservicebank.de](http://www.Baaderservicebank.de)  
[www.Zertifikateboerse.de](http://www.Zertifikateboerse.de)