



Quarterly Report
Q1 2011

Overview of Key Financials

		01/01-31/03/2011	01/01-31/03/2010	Variation as a %
Net interest income	M €	1,48	1,47	0,7
Net income from commissions	M €	9,49	9,87	-3,9
Trading profit	M €	20,28	16,94	19,7
Administrative expenses	M €	-24,42	-21,07	15,9
Annual result	M €	4,13	10,65	-61,2
EPS	€	0,09	0,23	-60,9
CONSOLIDATED BALANCE SHEET				
		31.03.2011	31.12.2010	Variation as a %
Equity	M €	114,05	110,32	3,4
Balance sheet total	M €	565,36	623,66	-9,3
KEY FIGURES				
		31.03.2011	31.03.2010	Variation as a %
Employees		400	353	13,3
Order books	Unit	483.905	332.143	45,7
BAADER BANK SHARE PRICE				
		01/01-31/03/2011	01/01-31/03/2010	Variation as a %
Opening price	€	3,07	3,30	-7,0
Maximum price	€	3,42	3,83	-10,7
Minimum price	€	2,80	3,03	-7,6
Closing price (31.03.)	€	3,07	3,58	-14,1
Market capitalisation (31.03.)	M €	141,12	164,35	-14,1
Share turnover (average per day)	Unit	16.284	12.947	25,8

The effects of the debt crisis in the PIIGS countries (Portugal, Ireland, Italy, Greece and Spain) created difficult market conditions for Baader Bank AG in the first quarter of 2011. This was exacerbated by market instability due to the catastrophe in Japan.

Baader Bank has continued to expand its market maker operations in over-the-counter trading. Customers from Targobank in Düsseldorf are now able to trade approximately 2,500 shares directly with Baader Bank. Market maker operations for index funds have also been expanded to include products from ETFlab Investment and SPDR ETFs from State Street Global Advisors.

Baader Bank has already been operating for the past year in equity trading as a market maker for Maxblue, the online broker for Deutsche Bank, and for S-Broker, the central online broker affiliated with the Sparkasse Savings Banks Financial Group. In addition, we quote prices for 2,500 funds, which customers from DAB Bank are able to trade directly through us.

As previously announced, the development and expansion of investment banking is being stepped up a gear. The foundations for this were laid through the strengthening of our capital market services division, and equities and derivatives division, which from the beginning of this year are being supported by a dedicated research department. Approximately 40 experts in total have been recruited to perform this function.

The first successes of the new structure are already apparent in the first quarter of 2011. Our involvement in IPOs resulted in a more favourable start than expected. We had not originally planned any IPOs in 2011; however, as matters stand at the moment, we are already have two behind us. We are very proud to have been involved in the flotation of the Formula One team Williams Grand Prix Holdings PLC, which is our first IPO of a British company in Germany. We have also been able to secure the listing of the Darmstadt-based company Datron AG on the German stock exchange. In addition, we have overseen a capital increase for the automobile components supplier Grammer AG.

We are delighted to be named one of the top 200 companies in Europe in terms of rate of growth and job creation in the first quarter of the year. This distinction was awarded in the European Parliament in Brussels by Europe's 500, the organisation which lists the fastest growing and most entrepreneurial companies in Europe. We are aware that we would not have received this honour had it not been for the dedication of our colleagues.

Selected Indices (in euros)	30/12/2008	30/12/2009	30/12/2010	31/03/2011	Variation
DAX	4,810.20	5,957.43	6,914.19	7,041.31	1.84%
MDAX	5,601.91	7,507.04	10,128.10	10,310.10	1.80%
SDAX	2,800.73	3,549.02	5,173.79	5,144.02	-0.58%
TecDAX	508.31	817.58	850.67	930.61	9.40%
REXP	357.99	375.62	390.67	382.96	-1.97%
EURO STOXX 50 P	2,447.62	2,966.24	2,792.82	2,910.91	4.23%
DOW JONES INDUS. AVG	6,290.19	7,356.52	8,661.91	8,681.98	0.23%
S&P 500	647.38	785.56	940.93	934.34	-0.70%
NASDAQ 100	868.41	1,310.17	1,659.33	1,648.34	-0.66%
NIKKEI 225	69.49	79.62	94.35	82.99	-12.04%
BRAZIL BOVESPA	11,390.10	27,458.90	31,451.90	29,701.10	-5.57%
MEXICO BOLSA	1,153.98	1,732.32	2,335.29	2,217.45	-5.05%
RUSSIAN RTS	452.89	995.14	1,334.75	1,440.59	7.93%
HANG SENG	1,330.53	1,933.28	2,217.27	2,132.09	-3.84%
SHANGHAI SEB	79.50	174.83	227.70	223.71	-1.75%
SENSEX	142.05	258.70	343.23	307.34	-10.46%

Net Worth Position

In this reporting quarter Baader Bank has converted its financial reporting for the 2011 consolidated accounts from IFRS (International Financial Reporting Standards) back to the HGB (German Commercial Code). All figures presented for the current and previous financial year have been calculated according to HGB regulations.

Balance Sheet at 31/03/2011

ASSETS	31.03.2011 €Thousand	31.12.2010 €Thousand	Variation %
1. Cash reserves	983	2.893	-66,0
2. Loans and advances to credit institutions	108.077	148.423	-27,2
3. Loans and advances to customers	26.539	31.159	-14,8
4. Debt securities & other fixed-income securities	229.732	260.962	-12,0
5. Shares & other variable-yield securities	693	693	0,0
6. Trading portfolio	116.204	98.316	18,2
7. Shareholdings	1.563	1.563	0,0
8. Shares in associated companies	4.720	4.852	-2,7
9. Intangible assets	38.962	39.982	-2,5
10. Tangible assets	19.984	19.119	4,5
11. Other assets	14.375	12.180	18,0
12. Accruals & deferrals	485	553	-12,2
13. Excess of plan assets over pension liability	3.039	3.000	1,3
Total assets	565.358	623.695	-9,4

LIABILITIES	31/03/2011 €Thousand	31/12/2010 €Thousand	Variation %
1. Liabilities to credit institutions	61,470	76,511	-19.7
2. Liabilities to customers	324,232	379,611	-14.6
3. Trading portfolio	13,009	2,938	>100,0
4. Other liabilities	4,837	5,510	-12.2
5. Accruals & deferrals	6	0	-
6. Provisions	11,754	12,803	-8.2
7. Deferred tax liabilities	0	0	0.0
8. Funds for general banking risks	36,000	36,000	0.0
9. Equity	114,049	110,322	3.4
Total liabilities	565,358	623,695	-9.4

The structure of the balance sheet has changed in several places due to the use of the HGB accounting regulations in the consolidated accounts. As a result of the conversion from IFRS to HGB, a significantly lower amount of equity is shown in the business in the first quarter of 2011, amounting to €114.0m (€174.0m under IFRS as at 31.12.2010). The decrease can be mainly attributed to three factors:

1. According to section 340e, paragraph 4 of the HGB, credit institutes need to set up a special item "funds for general banking risks", which must be endowed annually with at least 10% of the net profit realised from the trading portfolio until at least 50% of the average values from the previous five years is reached. Due to its comfortable equity base, Baader Bank has endowed this special item with €36.0m, which is above the statutory requirement. Ultimately, the special item constitutes a conversion from revenue reserves. According to the HGB, this item is not part of equity, but is regarded as core capital under supervisory law.
2. Deferred tax assets from tax loss carryforwards of €14.0m were still being shown on the IFRS financial statement dated 31/12/2010. Baader Bank is making use of the disclosure option for deferred tax assets for the HGB financial statement and an asset surplus from deferred tax assets will not be shown on the balance sheet.

3. Under IFRS, it is not possible to depreciate acquired goodwill. However, under the HGB, a time frame can be determined and straight line depreciation can be applied over this period. Consequently, this places a burden on equity to the order of €8.6m, since this amount was already written off in previous years.

Furthermore, the balance sheet total on 31/03/2011 fell slightly by 9.4% in comparison with the total recorded on 31/12/2010 and now totals €565,358 thousand. This development was mainly due to normal fluctuations in daily customer deposits. This is accompanied by a reduction in loans and advances to credit institutions. Long-term liabilities to customers have not changed compared with the previous year. There are significant deviations in income and expenditure for the trading portfolio, which are a result of the reporting date.

The Group's equity reached €114,049 thousand at 31/03/2011 (31/12/2010: €110,322 thousand), which results in an equity ratio of 20.2%. The change in equity basically corresponds with the annual result of €4,128 thousand for the first three months of 2011.

Earnings Situation

Income Statement 01/01 to 31/03/2011

INCOME STATEMENT	01/01 - 31/03/2011	01/01 - 31/03/2010	Variation %
	€Thousand	€Thousand	
1. Net interest income	1,484	1,470	0.9
2. Current income from			
a) Shares	90	21	>100.0
b) Investments	0	1	-100.0
	90	22	>100.0
3. Net income from commissions	9,489	9,872	-3.9
4. Net result from the trading portfolio	20,279	16,942	19.7
5. Other operating income	215	509	-57.7
6. Administrative expenses			
a) Personnel expenses	-14,948	-12,677	17.9
b) Other administrative expenses	-9,469	-8,392	12.8
	-24,417	-21,069	15.9
7. Depreciation on and adjustments to intangible assets and fixed assets	-1,947	-1,778	9.5
8. Other operating expenses	-218	-313	-30.4
9. Depreciation on and adjustments to loans and transferable securities and allocations to provisions for credit business	-533	-257	>100.0
10. Income from the realisation of loans and transferable securities and from the release of provisions for credit business	679	515	31.9
11. Income from the realisation of investments, shares in associated companies, shares in affiliated companies and securities treated as fixed assets	0	61	-100.0
12. Profit from shares in associated companies	-88	-40	>100.0
13. Profit from ordinary activities	5,033	5,934	-15.2
14. Extraordinary profit	0	6,569	-100.0
15. Taxes on income and earnings	-816	-1,672	-51.2
16. Other taxes not shown under item 8	-28	0	-
17. Annual profit before minority interests	4,188	10,831	-61.3
18. Profit attributable to minority interests	-61	-178	-65.9
19. Annual profit	4,128	10,653	-61.3
20. Profit and loss carried forward from the previous year	7,387	22,321	-66.9
21. Group profit	11,514	32,974	-65.1

In the first quarter of 2011 Baader Bank was able to achieve a good result of €5,033 thousand from ordinary activities (previous year: €5,934 thousand). A satisfactory interest and dividend result of €1,573 thousand, net income from commissions reaching the same level as last year at €9,489 thousand and a pleasing trading profit of €20,279 thousand, which is nearly a 20% increase on the first quarter of 2010, made a significant contribution to the profit situation. Specialist lead brokerage services are still mainly responsible for the growth in revenue. A positive trend for investment banking is also being recorded.

Among the affiliated companies, Baader & Heins AG and N.M. Fleischhacker AG have made the most substantial contribution to the Group's profit.

The rise in operating profit of €3,035 thousand is offset by increased administrative expenses in the first three months of 2011, which when compared with the same period last year have risen by €3,348 thousand or 15.9 per cent to €24,417 thousand. €2,271 thousand of this increase can be attributed to personnel expenses, which is due to the considerably higher numbers of employees. The rise in the other administrative expenses of €1,077 thousand reflects higher expenditure as a result of the expansion of the bank's business activities.

Tax expenses incurred through the conversion from IFRS accounting standards to the HGB and the non-entry of deferred tax assets on tax loss carry-forwards represents the bank's actual tax burden.

The post-tax result for this period is 61.3% lower than the same period last year. This is solely due to extraordinary factors in effect last year concerning the introduction of the German Accounting Law Modernisation Act (BilMoG) and its effects on the presentation of the balance sheet following the requirements of the HGB.

As of 31/03/2011, 400 employees were employed by the Group (31/03/2010: 353).

Earnings per share amount to €0.09 (previous year: €0.23).

Financial Position

On 31.03.2011 short term loans and marketable securities available for sale amounting to €464,897 thousand were offset by short term liabilities amounting to €187,337 thousand. Overall, there is an excess in liquidity showing on the balance sheet of the order of €277,560 thousand. The Group's solvency was guaranteed at all times during the reporting period.

Outlook

In view of the capital market transactions carried out in the first quarter of 2011, we are able to establish that the new teams in investment banking are responsible for the appreciable boost in our capital market business. Due to the upheavals in Islamic countries and the catastrophic situation in Japan, the outlook for new issues again seems rather gloomy. However, we can at least assume that we will still be able to report on our involvement in further capital measures for medium-sized companies in the second quarter of 2011. Strategically, Baader Bank is aiming to expand investment banking into a second strong supporting pillar, in order to reduce the bank's dependency on specialist lead brokerage services.

In trading business the focus of interest over the coming months will be on trading reform on the Frankfurt Stock Exchange, within which framework trading systems are to be migrated on 23 May 2011 from the Xontro trading and order routing platform onto the internationally networked Xetra system. With the introduction of this "Xetra Specialist Model" the stock exchange unites high technical levels and the European networking of the Xetra trading platform with specialist services and thereby combines the best of both worlds. The Frankfurt Stock Exchange is therefore setting certain standards for the bid-ask-spread, tradeable volumes and the lead times for securities orders, which specialists must fulfil. In addition, with the aid of a performance-related payment system, the stock exchange is creating a consistently high standard to ensure the quality of order execution. We anticipate that the introduction of the Xetra Specialist Model will continue to force the pace of the consolidation of the brokerage sector.

Baader Bank is convinced that the debt crisis in several European countries and also in the USA will continue to influence capital markets in the coming months and years. We are aware that risks are also the result of the continuing financial and debt crisis, and that these risks may lead to the sudden emergence of severe market fluctuations. This makes the market environment more unpredictable and more volatile. However, we are starting the current year from a similarly positive position as the previous year. In terms of

the result, the Executive Board is convinced that the strategy adopted a number of years ago will pay off in the future and will put us in a position us to provide the broadest possible range of investment services. We therefore anticipate that positive results can be achieved beyond 2011.

Unterschleissheim, 04/05/2011
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