



## **Quarterly Report II / 2006**

/ BAADER /

## Foreword

Dear Shareholders,

High energy prices, increasing concerns about inflation, further interest rate rises in the USA and in Europe, the noticeably weaker US dollar and concerns that the global economy will cool off in the second half of the year left their mark on the leading exchanges. After adjustment for currency effects, the Dow Jones Industrial Average was down by 3.8 percentage points and the NASDAQ was down by 11.4 percentage points in the first half-year. The NIKKEI 225, which was up slightly in the first quarter, is now posting a minus of 8.2% compared to the end of 2005 after adjustment for currency effects. The DJ STOXX 50 increased by 3% compared to the year-end.

The economic situation in Germany is better than it has been for a long time. The booming export business continues to drive the economy and is primarily benefiting from high demand, particularly in the newly industrialising countries in Asia. The DAX held its ground against fluctuations in the first half of the year, gaining 5.1%. The small and mid-cap indices MDAX and SDAX fared considerably better in the first half-year with 7.9% and 10.5% respectively. The TecDAX sustained its position with an increase of 9.3% compared to the year-end.

The REX Performance Index (German government bonds) closed the quarter at a minus figure of 3.8%.

In the first half of the year, 27 companies, each with an issue volume of more than EUR 5 million, and around 30 smaller companies (listing and IPO) joined the stock exchange.

Baader Wertpapierhandelsbank AG accompanied 19 capital measures with a total volume of EUR 71 million in the first half of the year. This included 4 IPOs: ecotel communication ag, Impreglon AG, ENDOR AG and artec technologies AG.

Baader Wertpapierhandelsbank AG also plans to increase its investment in the listed Indian financial service provider Parsoli Corporation Ltd. from 9.09% to 24.9%. In addition to the Indian growth market, Baader Wertpapierhandelsbank AG is turning its attention to another market. It intends to invest in a financial service provider in Oman. The potential investment will create access to the capital markets in the Gulf states, thus creating the foundation for additional growth outside Germany on a broader basis.

## Earnings position

Following the strong start to the 2006 stock exchange year, various decreases in the second quarter led to a dampening of the trend. Nevertheless, this direction remains upward. In particular, rising oil prices, the forthcoming increase in value-added tax, the interest rate policy of the US Federal Reserve Bank and the political situation in the Middle East resulted in uncertainty on the international markets.

This also had an effect on the earnings position of Baader Wertpapierhandelsbank AG. Following record profit from ordinary activities of EUR 18,218 thousand as at 31 March 2006, earnings before tax of EUR 4,941 thousand were generated in the second quarter. Whilst net fee and commission income in the second quarter of 2006 (EUR 9,648 thousand) remained at the same level as in the first quarter of 2006 (EUR 9,952 thousand), net trading income almost halved to EUR 10,611 thousand in the second quarter of 2006, following EUR 20,100 thousand in the first quarter of 2006, thus reflecting the difficult stock exchange environment.

Profit from ordinary activities in the Group increased year-on-year by EUR 1,528 thousand to EUR 23,160 thousand for the first half of 2006. After deducting taxes of EUR 6,134 thousand and the profit shares of third parties in the amount of EUR 15 thousand, a consolidated net profit of EUR 17,010 thousand (previous year: EUR 1,184 thousand) remains. With an average of 22.6 million issued shares, this means earnings of EUR 0.75 per share as against EUR 0.05 in the prior-year period. Net fee and commission income of EUR 19,600 thousand soared 89.5% compared with the first half of 2005. This increase was primarily generated by the Specialist Activities and the Agency Business segments but the Capital Market Services segment also provided increasing profit contributions. Net trading income almost doubled compared to the prior-year period, increasing from EUR 14,246 thousand to EUR 30,712 thousand. Increasing trading volumes favoured this development, but are still only 50% of the level in 2001. Net income from available-for-sale financial instruments of EUR 5,563 thousand (previous year: EUR 109 thousand) primarily reflect the income from the sale of shares in KST Beteiligungs AG during the first quarter of 2006.

The improvement in profit is also accompanied by an increase in administrative expenses. In the first six months of 2006, these increased by 39.8% year-on-year to EUR 33,691 thousand. Staff costs were solely responsible for this increase. The rise in staff costs is predominantly due to the variable bonuses for employees of the operational business segments and the administration employees. Operating expenses were up by 15.5%. There was a slight decrease in write-downs year-on-year.

## Net assets

At EUR 209,432 thousand, total assets as at 30 June 2006 increased by 13.5% compared with EUR 184,464 thousand on 31 December 2005. This is mainly due to the rise in loans and advances to other banks and the increase in trading assets. The increase in loans and advances to banks was accompanied by an increase in liabilities to customers due to increased customer deposits. The inclusion of Conservative Concept Portfolio Management GmbH in the consolidated financial statements using the equity method results in a move between the available-for-sale financial instruments item and equity-accounted investment.

As at 30 June 2006, the Group's equity amounted to EUR 142,158 thousand (31 December 2005: EUR 127,090 thousand) and the equity ratio was 67.9%. The issued capital and the capital reserves remained almost unchanged. The subscription to stock options resulted in minimal changes. The decrease in the revaluation reserve is due to both sales of financial instruments and lower valuation prices. The considerable increase in equity is thus primarily due to earnings from the first six months of the current financial year.

## Financial position

On 30 June 2006, short-term loans and advances to other banks and available-for-sale negotiable securities of EUR 99,779 thousand offset current liabilities to other banks of EUR 27,638 thousand. This results in a net balance-sheet liquidity surplus of EUR 72,141 thousand. The Group's liquidity was secured at all times during the period under review.

## Risk report

### Credit risks

In the area of credit risks, a distinction is made between the counterparty and issuer risks inherent in trading, classic credit risks, investment risks and country risks.

Baader Service Bank GmbH is the sole performer of lending business as defined by section 1 (1) no. 2 of the Kreditwesengesetz (KWG – German Banking Act) within the Group. This guarantees customers a low volume of (non-genuine) loans against collateral in listed securities, the lending value of which is stated very conservatively. The credit risk is managed decentrally and can be classified as low overall.

Only money market deposits at banks (due in less than 3 months) are made within the Group as part of the lending business. Money market facilities exist at the Bank for such transactions based on credit checks with the corresponding credit decisions.

There are no additional credit risks that are significant at the Group subsidiaries due to the activities that they perform. As a result, all of the credit risks described below relate to Baader Wertpapierhandelsbank AG.

As a rule, all of the Bank's security transactions are settled as delivery versus payment transactions and regulated by our settlement banks. Consequently, counterparty risks in our trading may be disregarded.

The only exception is the settlement of borrower's note loan transactions. Payment and execution of these transactions do not occur concurrently, so Baader is subject to counterparty risk in the sense of an advance payment risk in this case. At the end of the quarter, this advance payment risk amounted to approximately EUR 0.07 million in accordance with Principle I.

The issuer limits must also be complied with during individual days and are so designed that regulatory limits on large-volume loans cannot be exceeded. The largest individual commitments in the trading book can all be turned into cash easily.

All of the positions at the end of the first half-year with an inherent country risk could easily be turned into cash.

The Bank discontinued the investment business – new commitments are no longer being made. Holdings in the portfolio that remained were further reduced in the past period under review.

## Market price risks

Market price risk is the risk of fluctuation in the value of the item under consideration due to changes in market prices, e.g., share price changes, exchange rate and interest rate changes, and volatility changes.

Only Baader Wertpapierhandelsbank AG and also Baader Service Bank GmbH to a very small extent were subject to market price risk. At the end of the quarter, the following risk positions with the following market values in EUR million, or in the case of options and futures in the number of contracts, were held:

CASH MARKET		FORWARD MARKET	
EQUITIES	20.02	OPTIONS	-125
BONDS	6.47	FUTURES	24
FUNDS, INDEX AND FUND-LIKE CERTIFICATES	19.63	SWAPS	-5.50
SECURITISED DERIVATIVES	2.08		

Market price risks are measured using a value-at-risk (VaR) model based on Monte Carlo simulations and applying a one-day holding period along with a confidence level of 1%. The input risk parameters are determined using a variance-covariance matrix based on the Bank's own time series which are exponentially weighted.

In past years, the following VaR values were calculated in EUR million:

Value-at-risk of the trading segments	2001	2002	2003	2004	2005	2006 Q1	2006 Q2
VaR as at end of the period	0.34	0.73	0.65	0.74	0.83	1.22	1.68
Minimum VaR	0.31	0.19	0.41	0.70	0.51	0.88	1.18
Maximum VaR	4.90	1.10	1.48	1.73	1.46	1.48	2.85

In accordance with Principle I, the overall ratio increased slightly to the previous quarter. For the Baader Group, it was 40.7% as at the end of the quarter and 37.1% for Baader Wertpapierhandelsbank AG.

## Liquidity risks

The Bank's medium- to long-term liquidity surplus is calculated regularly and is used to manage excess liquidity and as a basis for investment decisions.

The liquidity ratio in accordance with Principle II, which represents the ratio of cash to payment obligations, increased considerably compared to the previous quarter and amounted to 17.2 at Baader Wertpapierhandelsbank AG as at the end of the period.

## Accounting principles

The interim financial statements of Baader Wertpapierhandelsbank AG for the quarter ended 30 June 2006 were prepared in compliance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council from 19 July 2002 as well as Regulation (EC) no. 2086/2004 of the European Commission based on the International Accounting Standards/International Financial Reporting Standards (IASs/IFRSs) issued and published by the International Accounting Standards Board (IASB). These financial statements are based on the IAS/IFRS rules that were accepted by the European Commission as part of the endorsement processes. The accounting policies applied in this interim report are the same as those used in the consolidated financial statements as at 31 December 2005.

## Consolidated companies

The consolidated companies in the interim report as at 30 June 2006 only changed as against the consolidated financial statements for the year ended 31 December 2005 to the extent that the investment in Conservative Concept Portfolio Management GmbH was increased from 19.96% to 49.96% and the company is now included in the consolidated financial statements using the equity method.

## Outlook

Another trend that is likely to have a positive impact on our business development in the next 12 months is the forthcoming introduction of the new EU MiFID directive (Markets in Financial Instruments Directive) in 2007. MiFID is setting comprehensive new regulations for trading in financial instruments and affects banks, trading platforms, asset managers and private asset managers. MiFID is the new basic law for securities trading in Europe. Baader Wertpapierhandelsbank and its subsidiaries are well prepared for this. The processes already conform to the MiFID to a large extent and will conform completely by the time the legislation comes into force. Baader Wertpapierhandelsbank has also appointed a new member of the Board of Directors, who is scheduled to take office on 1 October 2006 and will take responsibility for the development and sales of MiFID-compliant products. Baaderbank is delighted to have obtained Mr Christopher Schütz, previously responsible for Brokerage, Clearing and Custody Services at HypoVereinsbank AG, for this new area.

Thanks to the measures introduced – entering markets that have not yet been accessed and creating a new business area with MiFID -Baader Wertpapierhandelsbank AG is able to face the challenges of the international capital market and is well equipped for the anticipated weakening of the economic situation in the second half of the year.

# Consolidated Balance Sheet

June 30, 2006

ASSETS	Notes	June 30, 2006	Dec. 31, 2005
		€	€ thousands
1. Cash reserve	(11)	605,162.13	2,586
2. Loans and advances to other banks	(12)	46,910,590.07	24,057
3. Loans and advances to customers	(12)	3,133,766.50	2,916
4. Allowance for losses on loans and advances	(12)	-29,322.84	-22
5. Assets held for trading	(13)	45,074,345.12	34,040
6. Available-for-sale financial instruments	(14)	24,612,466.37	29,741
7. Investments in companies carried at equity	(15)	16,565,483.36	13,817
8. Property and equipment	(16)	21,967,885.03	22,476
9. Intangible assets	(17)	17,060,321.74	19,030
10. Goodwill	(17)	2,581,093.59	2,581
11. Recoverable income taxes	(18)	263,173.37	126
12. Other assets Deferred tax assets	(19)	5,234,323.06	5,168
13. Defferred tax assets	(18)	25,452,986.92	27,948
<b>Total assets</b>		<b>209,432,274.42</b>	<b>184,464</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	June 30, 2006	Dec. 31, 2005
		€	€ thousands
1. Deposits from other banks	(20)	14,608,914.73	21,144
2. Deposits from customers	(20)	25,746,115.09	16,911
3. Liabilities held for trading	(21)	169,786.75	0
4. Provisions	(22)	8,069,152.94	6,944
5. Provisions for taxes	(23)	4,125,127.63	341
6. Other liabilities and accruals	(24)	11,329,138.03	8,281
7. Deferred tax liabilities	(23)	3,225,993.20	3,753
8. Shareholders' equity			
a) Issued capital		22,701,652.00	22,602
b) Share premium		83,386,466.22	83,473
c) Rvaluation reserve		6,805,679.97	8,687
d) Minority interest		59,271.38	133
e) Consolidated net profit		29,204,976.48	12,195
<b>Total liabilities and shareholders' equity</b>		<b>209,432,274.42</b>	<b>184,464</b>

## Consolidated Income Statement for the period January 1 to June 30, 2006

	Notes	€	Jan. 1, - June 30, 2006	Jan. 1, - June 30, 2005
			€ thousands	
1. Interest income	(1)	424,805.59		194
2. Interest expense	(1)	-392,613.98		-420
3. Net interest expense	(1)		32,191.61	-226
4. Allowance for losses on loans and advances	(2)		-8,851.35	-2
5. Net interest expense after allowance for losses and advances			23,340.26	-228
6. Fee and commission income	(3)	28,176,463.15		15,902
7. Fee and commission expense	(3)	-8,575,928.78		-5,560
8. Net fee and commission income	(3)		19,600,534.37	10,342
9. Net trading income	(4)		30,711,782.33	14,246
10. Net income from available-for-sale financial instruments	(5)		5,563,407.46	109
11. Net income from equity-accounted investments	(6)		79,000.00	767
12. Administrative expenses	(7)		-33,690,914.52	-24,099
13. Profit from operations			22,287,149.90	1,137
14. Other operating income	(8)		1,137,329.25	489
15. Other operating expenses	(8)		-264,842.36	-98
16. Income from ordinary activities			23,159,636.79	1,528
17. Income taxes on profit	(9)		-6,133,968.93	-239
18. Net profit for the period before minority interest			17,025,667.86	1,289
19. Minority interest in net profit			-15,502.45	-105
20. Net profit for the period before minority interest			17,010,165.41	1,184
21. Accumulated income brought forward			12,194,811.07	4,272
22. Consolidated net profit			29,204,976.48	5,456

	Jan. 1, - June 30, 2006	Jan. 1, - June 30, 2005
	€	
Earnings per share	0.75	0.05



## Income Statement Quarterly Overview

	II/2006 € thsd.	I/2006 € thsd.	II/2005 € thsd.	I/2005 € thsd.
1. Net interest income/expense	60	-28	-129	-97
2. Allowance for losses on loans and advances	3	-12	-1	0
3. Net interest income/expense after allowance for losses on loans and advances	63	-40	-130	-97
4. Net fee and commission income/expense	9,649	9,952	4,839	5,503
5. Net trading income	10,612	20,100	6,601	7,645
6. Net income/expense from available-for-sale financial instruments	618	4,945	157	-47
7. Net income/expense from equity-accounted investments	-239	318	767	0
8. Administrative expenses	-16,414	-17,277	-11,554	-12,546
9. Profit/loss from operations	4,289	17,998	680	458
10. Other operating income	855	282	265	223
11. Other operating expense	-203	-62	-19	-79
12. Profit/loss from ordinary activities	4,941	18,218	926	602
13. Income taxes on profit from ordinary activities	-1,194	-4,940	-33	-206
14. Net profit/loss for the period before minority interest	3,747	13,278	893	396
15. Minority interest in net profit/loss	-4	-11	-26	-80
16. Net profit/loss for the period	3,743	13,267	867	316
17. Accumulated income brought forward	0	12,195	-2,247	6,519
18. Consolidated net profit/loss	3,743	25,462	-1,380	6,835

## Statement of Changes in Equity

	Jan. 1, June 30, 2006 € thousands	Jan. 1, - Dec. 31, 2005 € thousands
<b>Equity as of January 1</b>	<b>127,090</b>	<b>112,435</b>
<b>Issued capital</b>		
- Change in treasury share	100	165
<b>Capital reserve</b>		
- Adjustment of treasury share	290	278
- Valuation of stock options granted	20	43
- Change in consolidated companies / other changes in equity	-398	-47
<b>Retained earnings</b>	<b>0</b>	<b>0</b>
<b>Revaluation reserves</b>		
- Net changes in the revaluation reserve from consolidation	0	168
- Net changes in the revaluation reserve available-for sale financial instruments	-1,881	8,239
<b>Minority interest</b>		
- Changes in consolidated companies / other changes in equity	0	129
- Profit / loss	16	80
- Disbursements	-96	-76
- Recapitalization	7	0
<b>Consolidated earnings</b>		
- Net profit for the period	17,010	7,922
- Dividend distribution	0	-2,246
<b>Equity as of reporting date</b>	<b>142,158</b>	<b>127,090</b>

## Cash Flow Statement

for the period January 1 to June 30, 2006

	Jan. 1 - June 30, 2006 € thousands	Jan. 1 - June 30, 2005 € thousands
<b>Profit for the period (incl. minority interest in net profit)</b>	<b>17,010</b>	<b>1,183</b>
Cash-Flow from operating activities	25,852	12,255
Cash-Flow from investing activities	-3,480	-3,356
Cash-Flow from financing activities	385	-2,183
Net change in cash and cash equivalents	22,757	6,716
Effect of exchange rate adjustments and changes in group structure	0	162
Cash and cash equivalents at beginning of period	18,289	15,456
<b>Cash and cash equivalents at end of period</b>	<b>41,046</b>	<b>22,334</b>
Composition of cash and cash equivalents at June 30		
Loans and advances to other banks - payable on demand	42,107	24,297
Deposits from other banks - payable on demand	-1,061	-1,963
Cash and cash equivalents	41,046	22,334

## Notes to the Consolidated Income Statement

(1) NET INTEREST INCOME	Jan. 1 - June 30,	Jan. 1 - June 30,	Change in %
	2006	2005	
	€ thousand	€ thousand	
<b>Interest income from</b>	<b>425</b>	<b>194</b>	<b>&gt;100,0</b>
- Lending and money market business	425	194	>100,0
- Fixed-interest securities	0	0	0.0
<b>Interest expenses</b>	<b>-393</b>	<b>-420</b>	<b>-6.4</b>
<b>Total</b>	<b>32</b>	<b>-226</b>	<b>-</b>

(2) ALLOWANCES FOR LOSSES AND ADVANCES	Jan.1 - June 30,	Jan. 1 - June 30,	Change in %
	2006	2005	
	€ thousand	€ thousand	
Addition to allowance	-3	0	>100,0
Reversals	0	0	0.0
Direct write-downs	-6	-2	>100,0
<b>Total</b>	<b>-9</b>	<b>-2</b>	<b>&gt;100,0</b>

(3) NET FEE AND COMMISSION INCOME	Jan.1 - June 30,	Jan. 1 - June 30,	Change in %
	2006	2005	
	€ thousand	€ thousand	
<b>Fee and commission income</b>	<b>28,176</b>	<b>15,902</b>	<b>77.2</b>
- Securities and issue business	4,081	3,465	17.8
- Brokerage fees	24,095	12,437	93.7
<b>Fee and commission expenses</b>	<b>-8,576</b>	<b>-5,560</b>	<b>54.2</b>
- Brokerage fees	-3,001	-1,179	>100,0
- Settlement fees	-5,107	-3,193	59.9
- Securities and issue business	-354	-843	-58.0
- Other fee and commission expenses	-114	-345	-67.0
<b>Total</b>	<b>19,600</b>	<b>10,342</b>	<b>89.5</b>

(4) NET TRADING INCOME	Jan.1 - June 30,	Jan. 1 - June 30,	Change in %
	2006	2005	
	€ thousand	€ thousand	
<b>Securities trading</b>	<b>30,705</b>	<b>14,215</b>	<b>&gt;100,0</b>
- Interest and dividends	445	400	11.3
- Securities	14,369	9,021	59.3
- Options and futures	0	-6	-
- Price differences	15,891	4,800	>100,0
<b>Foreign currencies</b>	<b>7</b>	<b>31</b>	<b>-77.4</b>
<b>Total</b>	<b>30,712</b>	<b>14,246</b>	<b>&gt;100,0</b>

<b>(5) NET INCOME FROM AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS</b>	<b>Jan. 1 - June 30, 2006</b>	<b>Jan. 1 - June 30, 2005</b>	<b>Change in %</b>
	<b>€ thousand</b>	<b>€ thousand</b>	
<b>Interest and dividend income</b>	<b>105</b>	<b>202</b>	<b>-48.02</b>
- Fixed-interest securities	84	139	-39.57
- Equities/other non-fixed-interest securities	21	63	-66.67
- Investments in associates	0	0	0.00
<b>Gain on the sale of available-for-sale securities</b>	<b>5,458</b>	<b>17</b>	<b>&gt;100.0</b>
- Equities/other non-fixed-interest securities	5,458	17	>100.0
- Investments in associates	0	0	0.00
<b>Provision for depreciation</b>	<b>0</b>	<b>-109</b>	<b>-</b>
- Depreciation	0	-109	-
<b>Total</b>	<b>5,563</b>	<b>110</b>	<b>&gt;100.0</b>

<b>(6) NET INCOME FROM EQUITY-ACCOUNTED INVESTMENTS</b>	<b>Jan. 1 - June 30, 2006</b>	<b>Jan. 1 - June 30, 2005</b>	<b>Change in %</b>
	<b>€ thousand</b>	<b>€ thousand</b>	
Reversals of write-downs	79	767	-89.7
<b>Total</b>	<b>79</b>	<b>767</b>	<b>-89.7</b>

<b>(7) ADMINISTRATIVE EXPENSES</b>	<b>Jan. 1 - June 30, 2006</b>	<b>Jan. 1 - June 30, 2005</b>	<b>Change in %</b>
	<b>€ thousand</b>	<b>€ thousand</b>	
Staff costs	-21,126	-12,236	72.7
Other administrative expenses	-9,299	-8,050	15.5
Depreciation, amortization and write-downs on intangible assets and property and equipment	-3,266	-3,814	-14.4
<b>Total</b>	<b>-33,691</b>	<b>-24,100</b>	<b>39.8</b>

<b>(8) OTHER INCOME AND EXPENSES</b>	<b>Jan. 1 - June 30, 2006</b>	<b>Jan. 1 - June 30, 2005</b>	<b>Change in %</b>
	<b>€ thousand</b>	<b>€ thousand</b>	
Other operating income	1,137	488	>100.0
Other operating expenses	-265	-98	>100.0
<b>Total</b>	<b>872</b>	<b>390</b>	<b>&gt;100.0</b>

The increase in other operating income was due to exercising stock options and the monetary value advantage to be taxed for employees. The corresponding item is included in staff costs.

(8) OTHER INCOME AND EXPENSES	Jan.1 - June 30,	Jan. 1 - June 30,	Change in %
	2006	2005	
	€ thousand	€ thousand	
Other operating income	1,137	488	>100.0
Other operating expenses	-265	-98	>100.0
<b>Total</b>	<b>872</b>	<b>390</b>	<b>&gt;100.0</b>

The increase in other operating income was due to exercising stock options and the monetary value advantage to be taxed for employees. The corresponding item is included in staff costs.

(9) TAXES	Jan.1 - June 30,	Jan. 1 - June 30,	Change in %
	2006	2005	
	€ thousand	€ thousand	
Current taxes	-3,457	-92	>100.0
Deferred taxes	-2,677	-147	>100.0
<b>Total</b>	<b>-6,134</b>	<b>-239</b>	<b>&gt;100.0</b>

<b>(10) SEGMENT REPORTING</b>						
<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	-168	143	5	52	0	32
Allowance for losses on loans and advances	0	5	4	0	0	9
<b>Net interest income/expense after allowance for losses on loans and advances</b>	<b>-168</b>	<b>138</b>	<b>1</b>	<b>52</b>	<b>0</b>	<b>23</b>
<b>Net fee and commission income/expense</b>	<b>15,274</b>	<b>2,816</b>	<b>1,175</b>	<b>558</b>	<b>-222</b>	<b>19,601</b>
Net trading income	28,281	2,478	-165	6	112	30,712
Net income/expense from available-for-sale financial instruments	330	0	5,458	0	-225	5,563
Net income from at equity accounted investments	0	0	0		79	79
Net income from investment securities	0	0	0		0	0
<b>Net income/expense from financing activities</b>	<b>28,611</b>	<b>2,478</b>	<b>5,293</b>	<b>6</b>	<b>-34</b>	<b>36,354</b>
<b>Direct allocated administrative expenses</b>	<b>16,425</b>	<b>3,824</b>	<b>453</b>	<b>438</b>	<b>0</b>	<b>21,140</b>
<b>Other operating net income/expenses</b>	<b>1,043</b>	<b>-32</b>	<b>30</b>	<b>4</b>	<b>-173</b>	<b>872</b>
<b>Profit/loss after direct allocated administrative expense</b>	<b>28,335</b>	<b>1,576</b>	<b>6,046</b>	<b>182</b>	<b>-429</b>	<b>35,710</b>
<b>Indirect allocated administrative expenses</b>	<b>8,142</b>	<b>3,332</b>	<b>909</b>	<b>371</b>	<b>-204</b>	<b>12,550</b>
<b>Profit/loss from ordinary activities</b>	<b>20,193</b>	<b>-1,756</b>	<b>5,137</b>	<b>-189</b>	<b>-225</b>	<b>23,160</b>
Risk-weighted assets	111,458	28,780	18,049	3,521		161,808
Allocated capital	90,787	37,236	10,136	3,999		142,158
Return on allocated capital based on income before taxes	0	0	1	0		0
Average number of employees	94	37	7	7	97	242

## Consolidated Balance Sheet Disclosures

<b>(11) CASH RESERVE</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Balance of cash	0	1	-100.0
Assets Deutsche Bundesbank	605	2,585	-76.6
<b>Total</b>	<b>605</b>	<b>2,586</b>	<b>-76.6</b>

<b>(12) LOANS AND ADVANCES</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
<b>Loans and advances to other banks</b>	<b>46,911</b>	<b>24,057</b>	<b>95.0</b>
- Payable on demand	41,390	23,042	79.6
- Other loans and advances	5,521	1,015	>100.0
<b>Loans and advances to customers</b>	<b>3,134</b>	<b>2,916</b>	<b>7.5</b>
<b>Allowance for losses on loans and advances</b>	<b>-29</b>	<b>-22</b>	<b>31.8</b>
<b>Total</b>	<b>50,016</b>	<b>26,951</b>	<b>85.6</b>

The other receivables (loans and advances to banks) have a remaining term of up to three months. Loans and advances to customers are due on a daily basis.

Changes to risk provisions comprise risk expenses (additions and direct depreciation recognised in income) in the amount of EUR –9 thousand (see Note 2) and disposals (drawings) of EUR 2 thousand.

<b>(13) ASSETS HELD FOR TRADING</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Bonds and other fixed income securities	10,262	1,665	>100.0
Equities and other non-fixed-interest securities	34,812	32,375	7.5
<b>Total</b>	<b>45,074</b>	<b>34,040</b>	<b>32.4</b>

<b>(14) AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Investments in associates	5,901	6,686	-11.7
Equities and other-non-fixed interest securities	14,627	19,405	-24.6
Bonds and dept securities	4,084	3,650	11.9
<b>Total</b>	<b>24,612</b>	<b>29,741</b>	<b>-17.2</b>

<b>(15) INVESTMENTS IN COMPANIES CARRIED AT EQUITY</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Associated companies	6,430	3,761	71.0
Shares in funds	10,135	10,056	0.8
<b>Total</b>	<b>16,565</b>	<b>13,817</b>	<b>19.9</b>



<b>(16) PROPERTY AND EQUIPMENT</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Operating and office equipment	1,549	1,644	-5.8
Land and buildings	20,419	20,832	-2.0
<b>Total</b>	<b>21,968</b>	<b>22,476</b>	<b>-2.3</b>

<b>(17) INTANGIBLE ASSETS</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Concessions, industrial and similar rights and assets	17,060	19,030	-10.4
Goodwill	2,581	2,581	0.0
<b>Total</b>	<b>19,641</b>	<b>21,611</b>	<b>-9.1</b>

<b>(18) RECOVERABLE INCOME TAXES</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Claims for actual overpayment of taxes	263	126	>100.0
Deferred tax assets	25,453	27,948	-8.9
<b>Total</b>	<b>25,716</b>	<b>28,074</b>	<b>-8.4</b>

<b>(19) OTHER ASSETS</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Other assets	4,841	4,665	3.8
Prepaid expenses	393	503	-21.9
<b>Total</b>	<b>5,234</b>	<b>5,168</b>	<b>1.3</b>

<b>(20) LIABILITIES</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
<b>Deposits from other banks</b>	<b>14,609</b>	<b>21,143</b>	<b>-30.9</b>
- Payable on demand	1,061	7,339	-85.5
- With agreed maturity or notice	13,548	13,804	-1.9
<b>Loans and advances to customers</b>	<b>25,746</b>	<b>16,911</b>	<b>52.2</b>
- Payable on demand	25,746	16,911	52.2
<b>Total</b>	<b>40,355</b>	<b>38,054</b>	<b>6.0</b>

Liabilities to banks with an agreed term relate to the loan to refinance the business building and have a remaining term of one to five years.

<b>(21) LIABILITIES HELD FOR TRADING</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Derivative financial instruments with negative market value	170	0	>100.0
<b>Total</b>	<b>170</b>	<b>0</b>	<b>&gt;100.0</b>

<b>(22) PROVISIONS</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Provisions for pensions	5,853	5,242	11.7
Other provisions	2,216	1,703	30.1
<b>Total</b>	<b>8,069</b>	<b>6,945</b>	<b>16.2</b>

<b>(23) TAX LIABILITIES</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Outstanding	4,125	341	>100.0
Deferred tax liabilities	3,226	3,753	-14.0
<b>Total</b>	<b>7,351</b>	<b>4,094</b>	<b>79.6</b>

<b>(24) OTHER LIABILITIES AND ACCRUALS</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
Other liabilities	11,329	8,281	36.8
<b>Total</b>	<b>11,329</b>	<b>8,281</b>	<b>36.8</b>

This item mainly comprises trade liabilities and salary deductions.

<b>(25) OFF-BALANCE-SHEET TRANSACTION</b>	<b>June 30, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
	<b>€ thousand</b>	<b>€ thousand</b>	<b>in %</b>
<b>Contingent liabilities</b>	<b>170</b>	<b>170</b>	<b>0.0</b>
- Liabilities on guarantees and warranties	170	170	0.0
- Liabilities from the granting of security for thirdparty liabilities	0	0	0.0
<b>Irrevocable loan commitments</b>	<b>1,414</b>	<b>1,368</b>	<b>3.4</b>
- Current account credits to customers	1,414	1,368	3.4

## Information on consolidated subsidiaries

Name, Headquarters:	Baader Management AG, Unterschleissheim
Equity interest/Share in voting right:	100.00 %
Name, Headquarters:	Baader Service Bank GmbH, Unterschleissheim
Equity interest/Share in voting right:	100.00 %
Name, Headquarters:	Heins & Seitz Capital Management, Unterschleissheim
Equity interest/Share in voting right:	70.00 %

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