



**Semi – Annual – Report  
as at 30 June 2010**

## Overview of key figures

		01.01.-30.06.2010	01.01.-30.06.2009	Change in %
Net fee and commission income	in EUR	18,29	17,33	5,5
Net trading income	in EUR	31,41	37,71	-16,7
Administrative expenses	in EUR	-43,11	-46,12	-6,5
Net profit for the period	in EUR	7,38	8,97	-17,7
EPS	in EUR	0,16	0,20	-20,0
<b>CONSOLIDATED BALANCE SHEET</b>		<b>30.06.2010</b>	<b>31.12.2009</b>	<b>Change in %</b>
Shareholders' equity	in EUR	176,60	177,56	-0,5
Total assets	in EUR	577,84	439,83	31,4
<b>KEY BUSINESS FIGURES</b>		<b>30.06.2010</b>	<b>30.06.2009</b>	<b>Change in %</b>
Employees		351	350	0,3
Order books	Number	320.199	299.841	6,8
<b>SHARE PRICE OF BAADER BANK</b>		<b>01.01.-30.06.2010</b>	<b>01.01.-30.06.2009</b>	<b>Change in %</b>
Opening price (4 January / 2 January)	in EUR	3,27	2,22	47,3
Highest price	in EUR	3,83	2,22	72,5
Lowest price	in EUR	3,03	1,63	85,9
Closing price (30 June)	in EUR	3,45	2,35	46,8
Market capitalisation (30 June)	in EUR	158,38	107,89	46,8
Share turnover (daily average)	Number	11.364	2.356	382,3

## Letter to shareholders

The effects of the debt crisis in Greece and other euro countries, together with the continuing risks of the financial markets crisis, resulted in a very difficult market environment for Baader Bank in the second quarter of 2010 too. Nonetheless, the Bank continued to hold its ground in this uncertain capital market situation.

As at 1 June, Baader Bank acquired Joachim Grützner Börsenmakler GmbH in Frankfurt. The company manages trading of approximately 50 different shares in OTC trading on the Frankfurt Stock Exchange, and is thus one of the small order book management companies. The order books managed by Grützner with a focus on foreign shares include those of BNP Paribas, Goldfields, HSBC Holdings, Rio Tinto, Mediobanca, Newcrest Mining and Peugeot. These foreign securities are an excellent match for the portfolio managed by Baader Bank on the Frankfurt Stock Exchange. The acquisition also reflects the consolidation process taking place among order book management companies, in which Baader Bank has repeatedly participated actively where it considered this appropriate.

As part of the expansion of its business activities, Baader Bank is increasingly acting as a market maker on off-exchange trading platforms. For instance, the partnership which was entered into in the first quarter with maxblue, Deutsche Bank's online broker, quickly became established with customers. Baader Bank now provides quotes for approximately 2,500 shares on maxblue.

In April, Baader Bank became a new partner in DAB bank's off-exchange trading platform, "DAB Sekunden-Handel", with funds. The number of tradeable funds has now been increased to around 2,700.

With BHB Brauholding Bayern-Mitte AG, Ingolstadt, Baader Bank alone once again successfully brought a company onto the stock market. BHB raised its share capital by EUR 1.6 million to EUR 3.1 million with the issue. The issue price was EUR 2.80. Since 8 July 2010, the BHB shares are traded in the m:access market segment in OTC trading on the Munich Stock Exchange. Baader Bank thus succeeded in bringing another company onto the stock market for the first time since June 2007, when it accompanied Steico AG.

Selected indices on the basis of €	27.12.2007	30.12.2008	30.12.2009	30.06.2010	Change in %
DAX INDEX	8.067,32	4.810,20	5.957,43	5.965,52	0,14%
TecDax	974,19	508,31	817,58	734,48	-10,16%
SDAX	5.191,56	2.800,73	3.549,02	3.904,22	10,01%
MDAX	9.864,62	5.601,91	7.507,04	8.008,67	6,68%
REXP	325,02	357,99	375,62	394,19	4,94%
DJ STOXX 50 P INDEX	4.404,64	2.447,62	2.966,24	2.573,32	-13,25%
DOW JONES INDUS. AVG	9.085,32	6.290,19	7.356,52	7.974,23	8,40%
S&P 500 INDEX	1.004,99	647,38	785,56	840,92	7,05%
NASDAQ 100 INDEX	1.432,25	868,41	1.310,17	1.418,90	8,30%
NIKKEI 225 INDEX	92,25	69,49	79,62	86,41	8,53%
BRAZIL BOVESPA	24.461,20	11.390,10	27.458,90	27.673,40	0,78%
MEXICO BOLSA INDEX	1.851,47	1.153,98	1.732,32	1.975,74	14,05%
RUSSIAN RTS INDEX	1.556,95	452,89	995,14	1.092,72	9,81%
HANG SENG INDEX	2.384,17	1.330,53	1.933,28	2.109,12	9,10%
Shanghai B Index	248,74	79,50	174,83	170,45	-2,50%
SENSEX (India)	348,31	142,05	258,70	310,89	20,17%
MSM 30 (Oman)	15.782,60	9.972,44	11.512,90	12.839,50	11,52%

Baader Bank continues to prepare its accounts in accordance with IFRS (International Financial Reporting Standards). However, this quarterly report is not an interim report under IAS 34.

## Net assets

### Balance sheet as at 30 June 2010

ASSETS	30.06.2010	31.12.2009	Change
	EUR thou	EUR thou	%
1. Cash reserve	1.232	911	35,2
2. Loans and advances to other banks	127.818	66.676	91,7
3. Loans and advances to customers	34.913	36.892	-5,4
4. Allowance for losses on loans and advances	-3.957	-3.768	5,0
5. Assets held for trading	168.642	178.237	-5,4
6. Available-for-sale financial instruments	145.942	47.002	>100,0
7. Equity-accounted investments	4.950	13.836	-64,2
8. Property and equipment	18.721	19.105	-2,0
9. Intangible assets	23.636	22.347	5,8
10. Goodwill	24.785	24.785	0,0
11. Income tax assets	11.188	11.044	1,3
12. Other assets	3.387	3.751	-9,7
13. Deferred tax assets	16.585	19.011	-12,8
<b>Total assets</b>	<b>577.842</b>	<b>439.829</b>	<b>31,4</b>

LIABILITIES AND EQUITY	30.06.2010	31.12.2009	Change
	EUR thou	EUR thou	%
1. Deposits from other banks	43.845	31.605	38,7
2. Amounts due to customers	316.925	194.617	62,8
3. Liabilities held for trading	6.473	824	>100,0
4. Provisions	11.756	11.757	0,0
5. Income tax liabilities	1.446	880	64,4
6. Other liabilities	16.476	16.289	1,1
7. Deferred tax liabilities	4.321	6.295	-31,4
8. Equity	176.599	177.562	-0,5
<b>Total liabilities and equity</b>	<b>577.842</b>	<b>439.829</b>	<b>31,4</b>

As at 30 June 2010, there was a sharp rise of 31.4% in total assets; which amounted to EUR 577,842 thousand for the first half of 2010. This increase was chiefly due to the expansion of Baader Bank AG's financing activities. Non-current amounts due to customers rose as a result of taking up a further EUR 76,130 thousand in the form of *Schuldschein* note loans and term deposits. On the assets side of the balance sheet, liquidity is now increasingly invested in available-for-sale financial instruments. This also explains the increase in this balance sheet item. However, current amounts due to customers were also increased. Corresponding to this, loans and advances to other banks nearly doubled. The decrease in the equity-accounted investments item is due in particular to sales of the fund units included there. The rise in liabilities held for trading is due to the market situation.

The Group's shareholders' equity amounted to EUR 176,599 thousand as of 30 June 2010 (31 December 2009: EUR 177,562 thousand), resulting in an equity ratio of 30.6%. The change in equity essentially results from the profit distribution of EUR 5,900 thousand and comprehensive income for the first six months of 2010 amounting to EUR 4,466 thousand.

## Earnings

### Income statement for the period from 1 January 2010 to 30 June 2010

INCOME STATEMENT	01.01. - 30.06.2010 EUR thou	01.01. - 30.06.2009 EUR thou	Change %
1. Net interest income/expense	2.776	880	>100,0
2. Allowance for losses on loans and advances	-261	-237	10,1
3. Net interest income/expense after allowance for losses on loans and advances	2.515	643	>100,0
4. Net fee and commission income	18.293	17.330	5,6
5. Net trading income	31.411	37.714	-16,7
6. Net expense/income from available-for- sale financial instruments	624	-456	-
7. Net expense/income from equity- accounted investments	-595	-31	>100,0
8. Administrative expenses	-43.108	-46.116	-6,5
9. Profit/loss from operations	9.139	8.441	8,3
10. Other income/expense	631	1.476	-57,3
11. Profit/loss from ordinary activities	9.769	9.917	-1,5
12. Income tax on profit from ordinary	-2.182	-1.280	70,5
13. Net profit for the period before minority interests	7.587	8.637	-12,2
14. Minority interest in net profit	-206	-308	-33,3
15. Net profit for the period	7.381	8.329	-11,4
16. Accumulated income/loss brought forward from previous year	584	8.601	-93,2
17. Consolidated net profit	7.966	16.930	-53,0

### Statement of comprehensive income for the period from 1 January 2010 to 30 June 2010

STATEMENT OF COMPREHENSIVE INCOME	01.01. - 30.06.2010 EUR thou	01.01. - 30.06.2009 EUR thou
1. Consolidated net profit for the period before minority interests	7.587	9.280
<u>Other comprehensive income</u>		
2. Change to the reserve due to currency translation	131	-21
3. Remeasurement of available-for-sale financial assets	-2.874	392
4. Income tax on other comprehensive income	-174	13
5. Other comprehensive income	-2.917	384
6. Comprehensive income before minority interests	4.670	9.664
7. Minority interest in comprehensive income	-204	-312
8. Comprehensive income	4.466	9.352

## Segment reporting for the period from 1 January 2010 to 30 June 2010

in EUR thou	Specialist activities and proprietary trading	Agency / commission business	Capital market services	Financial portfolio management	Other / consolidation	Consolidated
Net interest income/expense	1.718	1.052	0	6	0	2.776
Allowance for losses	0	221	40	0	0	261
<b>Net interest income/expenses after allowance for losses on loans and advances</b>	<b>1.718</b>	<b>831</b>	<b>-40</b>	<b>6</b>	<b>0</b>	<b>2.515</b>
<b>Net fee and commission income</b>	<b>9.664</b>	<b>6.699</b>	<b>289</b>	<b>1.640</b>	<b>0</b>	<b>18.292</b>
Net trading income	22.031	9.307	73	0	0	31.411
Net income/expense from available-for-sale financial instruments	466	172	99	-14	-99	624
Net income/expense from equity-accounted investments	0	0	0	0	-595	-595
<b>Net income/expense from financial operations</b>	<b>22.497</b>	<b>9.479</b>	<b>172</b>	<b>-14</b>	<b>-694</b>	<b>31.440</b>
<b>Directly attributable administrative expenses</b>	<b>15.976</b>	<b>8.739</b>	<b>514</b>	<b>1.953</b>	<b>64</b>	<b>27.246</b>
<b>Other operating income/expense</b>	<b>898</b>	<b>53</b>	<b>10</b>	<b>-13</b>	<b>-318</b>	<b>630</b>
<b>Profit/loss after directly attributable income/expenses</b>	<b>18.801</b>	<b>8.323</b>	<b>-83</b>	<b>-334</b>	<b>-1.076</b>	<b>25.631</b>
<b>Indirectly attributable administrative expenses</b>	<b>9.439</b>	<b>5.153</b>	<b>763</b>	<b>507</b>	<b>0</b>	<b>15.862</b>
<b>Profit/loss from ordinary activities</b>	<b>9.362</b>	<b>3.170</b>	<b>-846</b>	<b>-841</b>	<b>-1.076</b>	<b>9.769</b>
Average number of employees during the period	112	70	10	13	147	352

Thanks to a strong first quarter, Baader Bank kept its profit from operations constant in the first six months of 2010 at EUR 9,138 thousand after EUR 9,084 thousand. At EUR 9,769 thousand, profit from ordinary activities in the first half of the year was also at roughly the same level as the previous year (EUR 10,560 thousand). Baader Bank is thus defying a very difficult market environment which saw further declines in trading activities by private investors in the second quarter in particular. Net trading income thus decreased significantly by 38.0% to EUR 14,448 thousand in the second quarter (previous year: EUR 23,298 thousand). On a half-year basis, there was a decline of 16.7%. In contrast, net fee and commission income was increased by 5.6% to EUR 18,292 thousand at the half-year point following a slight decrease of 3.7% to EUR 8,420 thousand in the second quarter. This development shows that banking business oriented towards net fee and commission income is playing an increasingly important role at Baader Bank.

In the second quarter, the Bank generated earnings after taxes of EUR 3,552 thousand as compared to EUR 6,888 thousand in the previous year. This results in earnings after taxes of EUR 7,381 thousand for the first half of the year (previous year: EUR 8,972 thousand). The decrease as against the previous year is due to positive non-recurring tax effects in the 2009 financial year.

Administrative expenses decreased in the first six months of the 2010 financial year as compared to the previous year, falling by EUR 3,008 thousand or 6.5% to EUR 43,108 thousand. Of this amount, EUR 1,787 thousand is attributable to staff costs and EUR 700 thousand to other administrative expenses. Here it can be seen that declines in earnings are absorbed by Baader Bank's variable salary model. Depreciation of property and equipment and amortisation of intangible assets decreased by EUR 520 thousand as against the previous year.

As at 30 June 2010, the Group employed a staff of 351 (30 June 2009: 350).

Basic earnings per share amount to EUR 0.16 (previous year: EUR 0.20).

### **Financial position**

On 30 June 2010, short-term loans and advances to other banks and available-for-sale negotiable securities of EUR 466,972 thousand were offset by current liabilities of EUR 163,959 thousand. This results in a net balance sheet liquidity surplus of EUR 303,013 thousand. The Group's liquidity was guaranteed at all times during the period under review.

## **Outlook**

Regardless of the improvement in the overall economy, Baader Bank is of the firm opinion that the debt crisis in several countries in the euro zone will continue to influence the capital markets in the coming months and years. The situation has been contained in terms of preventing the debt crisis from spreading from Greece to other countries at risk. However, the gradual expiry of state stimulus schemes and the largely completed process of replenishing inventories put the possibility of a sustained upturn in doubt. In addition, the debt crisis, austerity measures by Southern European states, and the Chinese government's efforts to cool down the overheating economy are also bringing about uncertainty. Under these premises, Baader Bank is preparing for difficult times in the coming months too.

In order to build up Baader Bank's customer-oriented business, the Customers and Products unit, into a second strong pillar alongside securities trading, the Bank will take the new strategic step of significantly strengthening the areas of capital market services and institutional business. At the same time, an internal Group research department is to support these areas on a sustained basis for the first time.

In exchange trading, it is the reform of Frankfurt floor trading which will affect Baader Bank's business there. Trading of shares is to be transferred from the trading and order routing platform Xontro to the internationally linked system Xetra. This request by the Frankfurt Stock Exchange is now to be brought forward one year to March 2011. The extent to which Baader Bank AG can benefit from this step will very much depend on how the pricing model on the stock exchange will be structured in future.

Unterschleissheim, 18 August 2010  
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