



Half-year Report Q2 2011

Overview of key figures

		1 Jan.-30 June 2011	1 Jan.-30 June 2010	Change
				(%)
Net interest income	€m	2.97	2.78	6.8
Net fee and commission income	€m	17.87	18.29	-2.3
Net trading income	€m	27.13	31.24	-13.2
Administrative expenses	€m	48.38	43.77	10.5
Net profit for the period	€m	4.94	10.77	-54.1
EPS	€	0.11	0.23	-52.2
CONSOLIDATED BALANCE SHEET		30 June 2011	31 Dec. 2010	Change
				(%)
Equity	€m	109.27	110.32	-1.0
Total assets	€m	578.90	623.66	-7.2
KEY BUSINESS DATA		30 June 2011	30 June 2010	Change
				(%)
Employees		403	351	14.8
Order books	Number	515,819	320,199	61.1
BAADER BANK SHARE PRICE		1 Jan.-30 June 2011	1 Jan.-30 June 2010	Change
				(%)
Opening price	€	3.07	3.27	-6.1
High	€	3.42	3.83	-10.7
Low	€	2.80	3.03	-7.6
Closing price (30 June)	€	2.97	3.45	-13.9
Market capitalisation (30 June)	€m	136.35	158.38	-13.9
Share turnover (daily average)	Number	13,041	11,364	14.8

Due to the escalating debt crisis in the PIIGS countries (Portugal, Ireland, Italy, Greece and Spain), Baader Bank AG's market environment remained challenging throughout the first half of 2011. The result was a decline in trading activity by private and institutional investors in all market segments. Nevertheless, in the period from April to June, Baader Bank was able to generate a modest after-tax profit.

By the second quarter, our greatly expanded investment banking team was already establishing a strong foothold in the market. As reported previously, we had paved the way for this by bolstering our Capital Market Services and Equities & Derivatives units, which since this year have been supported by a dedicated research department. The unit's achievements are reflected, among other things, in a series of capital increases undertaken in the second quarter under Baader Bank's direction. Notable examples include the capital increases by Grammer AG in the amount of €19 million, Odeon Film AG in the amount of €5.6 million and VIB Vermögen AG in the amount of €28.4 million.

For the first time, Baader Bank participated in a cross-border bond issue. In our role as co-lead manager, we were jointly responsible for the successful placement on the German market of €90 million in bonds issued by Alpine Holding GmbH in Vienna.

We completed a fundamental system change in the way our banking and custodial accounts are managed. By implementing a new core banking system, we laid the foundations for increased automation and even greater processing stability and quality in the management of banking and custodial accounts.

Since the beginning of the second quarter, "Baader Markets TV" has also been on the air. Every trading day between 10.25 and 10.30 a.m., viewers of the German channel Deutsches Anlegerfernsehen (DAF) can watch "Baader Markets TV", where our trading experts are interviewed about current trends in capital markets. Anyone unable to catch "Baader Markets TV" can find the programmes at any time in the Baadermarkets and DAF online libraries.

Select indices (in euros)	30/12/2009	30/12/2010	30/06/2011	Change
DAX	5,957.43	6,914.19	7,376.24	6.68%
MDAX	7,507.04	10,128.10	10,932.30	7.94%
TecDAX	817.58	850.67	893.78	5.07%
SDAX	3,549.02	5,173.79	5,416.54	4.69%
REXP	375.62	390.67	393.18	0.64%
EURO STOXX 50 P	2,966.24	2,792.82	2,848.53	1.99%
DOW JONES INDUS. AVG	7,356.52	8,661.91	8,555.71	-1.23%
S&P 500	785.56	940.93	910.16	-3.27%
NASDAQ 100	1,310.17	1,659.33	1,602.39	-3.43%
NIKKEI 225	79.62	94.35	83.97	-11.00%
BRAZIL BOVESPA	27,458.90	31,451.90	27,560.00	-12.37%
MEXICO BOLSA	1,732.32	2,335.29	2,150.80	-7.90%
RUSSIAN RTS	995.14	1,334.75	1,314.07	-1.55%
HANG SENG	1,933.28	2,217.27	1,983.77	-10.53%
Shanghai SEB	174.83	227.70	186.98	-17.88%
SENSEX	258.70	343.23	291.48	-15.08%

Net assets

In the reporting period, Baader Bank switched the accounting for its financial statements for financial year 2011 from the International Financial Reporting Standards (IFRSs) back to the German Commercial Code (HGB). All current- and prior-year figures presented here were therefore calculated in accordance with the HGB.

Balance sheet for the period ended 30 June 2011

ASSETS	30 June 2011	31 Dec. 2010	Change
	€thou.	€thou.	%
1. Cash reserves	4	2,893	-99.9
2. Loans and advances to other banks	121,451	148,423	-18.2
3. Loans and advances to customers	27,961	31,159	-10.3
4. Bonds and other fixed-income securities	204,306	260,962	-21.7
5. Equities and other variable-rate securities	693	693	0.0
6. Trading portfolio	134,234	98,316	36.5
7. Non-controlling interests	1,563	1,563	0.0
8. Shares in associates	4,668	4,852	-3.8
9. Intangible fixed assets	44,226	39,982	10.6
10. Tangible fixed assets	22,072	19,119	15.4
11. Other assets	13,984	12,180	14.8
12. Prepaid expenses	452	553	-18.3
13. Excess of plan assets over pension liability	3,291	3,000	9.7
Total assets	578,905	623,695	-7.2

EQUITY AND LIABILITIES	30 June 2011	31 Dec. 2010	Change
	€thou.	€thou.	%
1. Liabilities to other banks	85,756	76,511	12.1
2. Liabilities to customers	316,172	379,611	-16.7
3. Trading portfolio	11,409	2,938	>100.0
4. Other liabilities	10,943	5,510	98.6
5. Deferred income	22	0	-
6. Provisions	9,334	12,803	-27.1
7. Deferred tax liabilities	0	0	0.0
8. Fund for general banking risks	36,000	36,000	0.0
9. Equity	109,268	110,322	-1.0
Total equity and liabilities	578,905	623,695	-7.2

Total assets as at 30 June 2011 show a slight decline of 7.2% compared with 31 December 2010 to €578,905 thousand. This change was mainly the result of normal fluctuations in customer deposits payable on demand. It was accompanied by a reduction in loans and advances to other banks. Long-term liabilities to customers remain unchanged year on year. The significant differences in the trading portfolio on both the assets and the liabilities sides are due to the reporting date. Other liabilities increased by the amount of the dividend approved by the General Meeting on 30 June 2011 (€5,447 thousand). This dividend was distributed on 1 July 2011.

The Group's equity amounts to €109,268 thousand as at 30 June 2011 (31 December 2010: €110,322 thousand). The equity ratio is therefore 18.9%. The change in equity primarily stems

from the balance of the net profit of €4,869 thousand for the first six months of financial year 2011 and the dividend payout.

Results of operations

Income statement for the period 1 January to 30 June 2011

INCOME STATEMENT	1 Jan.-30 June 2011 €thou.	1 Jan.-30 June 2010 €thou.	Change %
1. Net interest income	2,971	2,776	7.0
2. Current income from			
a) Equities	534	177	>100.0
b) Non-controlling interests	0	0	0.0
	534	177	>100.0
3. Net fee and commission income	17,871	18,293	-2.3
4. Net trading income	27,131	31,235	-13.1
5. Other operating income	893	1,128	-20.8
6. Administrative expenses			
a) Personnel expenses	-26,266	-24,976	5.2
b) Other administrative expenses	-18,041	-15,166	19.0
	-44,307	-40,142	10.4
7. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	-4,077	-3,622	12.6
8. Other operating expenses	-370	-472	-21.6
9. Write-downs of and allowances on loans and advances and certain securities and additions to loan loss provisions	-3,085	-3,393	-9.1
10. Income from the reversal of write-downs of and allowances on loans and advances and certain securities and the reversal of loan loss provisions	7,739	758	>100.0
11. Income from the reversal of write-downs of and allowances on non-controlling interests, shares in associates, shares in affiliated companies and securities classified as fixed assets	0	61	-100.0
12. Net income from shares in associates	-140	-661	-78.8
13. Result from ordinary activities	5,161	6,138	-15.9
14. Extraordinary result	0	6,569	-100.0
15. Taxes on income	-167	-1,905	-91.2
16. Other taxes not included in item 8	-57	-29	95.5
17. Net profit for the period before minority interest	4,937	10,773	-54.2
18. Net profit attributable to minority interest	-69	-225	-69.5
19. Net profit for the period	4,869	10,548	-53.8
20. Retained profits/accumulated losses brought forward	1,940	4,421	-56.1
21. Consolidated net profit	6,808	14,969	-54.5

At €4,869 thousand (previous year €10,548 thousand), the result from ordinary activities for the first half of financial year 2011 is up only slightly from the result for the first quarter. In addition to satisfactory net interest and dividend income of €3,505 thousand and net fee and commission income on par with the previous year at €17,871 thousand, the decline in the result is also due to the 13.1% fall in net trading income, which was primarily attributable to depreciation and amortisation charges. In addition, amortisation had to be recognised on holdings in the banking book.

Turning to the subsidiaries, Baader & Heins Capital Management AG, KA.DE.GE GmbH and N.M. Fleischhacker AG continued to make gratifying contributions to results in the first half of the year.

Administrative expenses increased by €4,620 thousand, or 10.6%, year on year. They include personnel expenses of €1,290 thousand resulting from the higher number of employees, other administrative expenses of €2,875 thousand resulting from increased expenditure due to the expansion of the Bank's business activities, and depreciation of tangible fixed assets and amortisation of intangible fixed assets of €455 thousand. Depreciation and amortisation increased in particular due to newly acquired order books and the OBS banking software.

Following the switch from IFRS to HGB accounting and the non-recognition of deferred tax assets for tax loss carryforwards, the tax expense shows the Bank's actual tax liability. The small amount presented as at 30 June 2011 is due to tax-free components within the results.

The after-tax profit for the reporting period is down 53.8% on the previous year. This is due to one-off items in 2010 related to the introduction of the German Accounting Law Modernisation Act (BilMoG) and its effects on the accounting in accordance with the HGB.

The Group employed a total of 403 people as at 30 June 2011 (30 June 2010: 351).

Earnings per share amount to €0.11 (previous year: €0.23).

Financial position

As at 30 June 2011, short-term receivables and marketable securities available for sale amounted to €471,687 thousand, while short-term liabilities totalled €174,676 thousand. Netting out the items results in a liquidity surplus on the balance sheet of €297,011 thousand. The Group's solvency was guaranteed at all times during the reporting period.

Outlook

As already reported, Baader Bank lent its full support to the migration completed by the Frankfurt Stock Exchange on 23 May 2011 from the Xontro order-routing and trading system to the Xetra 2 platform. By taking this step, the Exchange has created the conditions necessary for a consistently high standard of order execution.

In investment banking, the market for initial public offerings will remain difficult. We expect to be able to garner mandates for a number of capitalisation measures in the second half of 2011. Strategically, it is essential for Baader Bank to develop investment banking into a second strong line of business so as to reduce the Bank's dependence on lead brokerage.

One visible element of our expansion strategy is the construction of an extension to our headquarters. Since we moved in with 75 employees in September 2002, the number of people employed in Unterschleißheim has risen to 276 at the present time. As a result, we will almost double the total amount of floor space at our headquarters. The building is scheduled to be completed in late 2012.

We expect the debt crisis in several European countries and the USA to continue to have an impact on capital markets over the coming months and years. Though hailed by many as a break-out move, the new rescue package put together for Greece merely bought some time. Sovereign debt problems have not been resolved, just deferred. The deal also marks the first step towards a transfer union, which constitutes an attempt to thwart the workings of the market. Over the long term, we firmly believe that this will have dire consequences.

The ongoing financial and debt crisis will continue to give rise to risks that may lead repeatedly to sudden sharp market movements. Our market environment will therefore remain unpredictable and volatile. Ultimately, the Executive Board is confident that the strategy adopted some years ago of

positioning ourselves as broadly as possible across the full spectrum of investment services will continue to pay off going forward. We therefore expect to be able to generate a profit in 2011 and beyond.

Unterschleißheim, 3 August 2011
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