



Quarterly Report III / 2006

/ BAADER /

Foreword

Dear Shareholders,

The fears of rising energy prices and growing inflation that prevailed in the first half of the year have been allayed for now. The hurricane season in the United States was less severe than anticipated and as a result there was an easing in the previously high price of oil. Thanks to the surprisingly strong falling of the oil price, all the key international indices improved over the summer months, but in some cases remained currency adjusted below the levels achieved in 2005. The Dow Jones Industrial Average rose slightly in the first nine months by 2%. The NASDAQ 100 was down by 6% as against the end of 2005. The NIKKEI 225 traded 7% below its level as at the end of 2005. The DJ STOXX 50 rose by almost 9% against the year-end.

The DAX topped the key marker of 6,000 points and surged 11% as against the end of 2005. The MDAX and SDAX small and mid cap stock indices again performed significantly better in the first nine months at 17% and 16% respectively. The TecDAX rose by 11% in the reporting period. The REX Performance Index (German government bonds) tended weaker again, closing 2% down.

34 companies, each with an issue volume of more than EUR 5 million, and around 72 smaller companies (listing and IPO) went public by the end of September 2006.

In the reporting period, Baader Wertpapierhandelsbank AG saw through 23 capital measures with a total volume of EUR 115 million. This included four IPOs: ecotel communication ag, Impreglon AG, Endor AG and artec technologies AG.

In order to document the Group affiliation of our 70% subsidiary, Heins & Seitz Capital Management GmbH is renamed as Baader Heins & Seitz Capital Management AG effective 18 July 2006.

Among other things, the ordinary General Meeting of 19 July 2006 resolved to increase the Company's share capital against own funds by EUR 22,954,341 from EUR 22,954,341 to EUR 45,908,682 by converting EUR 22,954,341 of share premium. The new shares have profit participation rights from the beginning of financial year 2006. Ex-day for this capital measure was 6 September 2006.

As previously announced on several occasions, Mr. Christopher Schütz took up his post as the new member of the Board of Directors on 1st October 2006. He will be expanding the new MiFIS division and specifically will be overseeing the development and sales of MiFID-compliant products.

In the first nine months of the year, Baader Wertpapierhandelsbank AG increased the number of its employees by 15% to 257. On the one hand, this is due to the further expansion of core business, the development of the new MiFIS business area and the tapping of markets in India and Oman, while on the other this is also due to the increasing administrative requirements owing to the additional regulations and laws placed on us by the EU, German legislation and the stock exchanges.

Earnings position

Despite the positive market environment (further rise in economic growth, falling oil price, positive corporate news flow), the third quarter of 2006 was characterised by low, declining trading volumes. The number of shareholders in Germany has fallen to its lowest level since 1997. The reasons for this include profit taking and the growing uncertainty as a result of the ongoing discussion of price gain taxation.

This also had an effect on the earnings position of Baader Wertpapierhandelsbank AG. With a profit from ordinary activities of EUR 1,366 thousand, earnings for this quarter were down on the figures for the previous two quarters of the current financial year, and also down on the figure for the third quarter of the previous year (EUR 4,754 thousand).

The Group's profit from ordinary activities increased by EUR 6,282 thousand year-on-year to EUR 24,526 thousand for the first nine months of 2006. After deducting taxes of EUR 6,458 thousand and minority interests of EUR 13 thousand, the consolidated net profit amounted to EUR 18,055 thousand (previous year: EUR 3,857 thousand). With an average of 45.5 million shares outstanding, this means earnings of EUR 0.40 per share as against EUR 0.05 in the prior-year period. Net fee and commission income of EUR 26,200 thousand soared by 56.2% as against the first nine months of financial year 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 also rose from EUR 25,088 thousand in the previous year to EUR 38,210 thousand. Net income from available-for-sale financial instruments of EUR 5,964 thousand (previous year: EUR 324 thousand) primarily reflects the income from the sale of shares in KST Beteiligungs AG during the first quarter of 2006.

The improvement in profit was also accompanied by an increase in administrative expenses. In the first nine months of 2006, these increased by 28.2% year-on-year to EUR 47,462 thousand. This increase was almost solely due to staff costs. The rise in staff costs is predominantly due to the variable bonuses for employees. Operating expenses were up by 16.7%. There was a slight decrease in write-downs year-on-year.

Net assets

At EUR 215,748 thousand, total assets as at 30 September 2006 increased by 17.0% as against EUR 184,464 thousand on 31 December 2005. This was mainly due to the increase in loans and advances to banks in conjunction with the decline in assets held for trading and the increase in amounts due to customers as a result of higher customer deposits. The inclusion of Conservative Concept Portfolio Management GmbH in the consolidated financial statements results in a move from available-for-sale financial instruments item to equity-accounted investments. The reduction in deferred tax assets was due to the partial utilisation of the loss carryforward.

As at 30 September 2006, the Group's equity amounted to EUR 138,871 thousand (31 December 2005: EUR 127,090 thousand) with an equity ratio of 64.4%. The issued capital rose as a result of the capital increase from own funds against the issue of free shares in the ratio 1:1. The share premium was reduced accordingly. As part of the appropriation of the previous year's profits, EUR 8,000 thousand was appropriated to retained earnings and EUR 4,086 thousand was distributed to shareholders as a dividend. The drop in the revaluation reserve was mainly caused by disposals of available-for-sale financial instruments. The considerable increase in equity is thus primarily due to earnings from the first nine months of the current financial year.

Financial position

On 30 September 2006, short-term loans and advances to other banks and available-for-sale negotiable securities of EUR 105,740 thousand were offset by current liabilities to other banks of EUR 38,178 thousand. This results in a net balance sheet liquidity surplus of EUR 67,562 thousand. The Group's liquidity was guaranteed 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 banking 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 not managed centrally 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 board 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 and mediation of debt certificates 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 0.45 million in accordance with KWG Principle I.

The issuer limits must also be complied with during intraday and are designed in such a way 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. Positions at year-end with an inherent country risk are hardly appreciable and could easily be turned into cash. The Bank discontinued the investment business – new commitments are no longer being entered into. 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	21.35	OPTIONS	-180.00
BONDS	2.72	FUTURES	32.00
FUNDS, INDEX AND FUND-LIKE CERTIFICATES	20.05	SWAPS	-6.08
SECURITISED DERIVATIVES	1.72		

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	2006 Q3
VaR as at end of the period	0.34	0.73	0.65	0.74	0.83	1.22	1.68	0.85
Minimum VaR	0.31	0.19	0.41	0.70	0.51	0.88	1.18	0.79
Maximum VaR	4.90	1.10	1.48	1.73	1.46	1.48	2.85	1.76
Average VaR	1.26	0.40	1.12	1.04	0.84	1.13	1.69	1.11

In accordance with KWG Principle I, the overall ratio fell slightly as against the previous quarter. For the Baader Group, it was 39.3% as at the end of the quarter and 36.4% 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 KWG Principle II, which represents the ratio of cash to payment obligations, rose slightly as against the previous quarter and amounted to 17.5 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 September 2006 were prepared in compliance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council dated 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 September 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

In light of business developments to date in October, the Board of Directors is assuming that it will also generate a profit in the fourth quarter.

Baader Wertpapierhandelsbank AG is retaining its policy of increasing its investment in the Indian financial services provider Parsoli Corporation Ltd. to 24.9% and of securing an investment in a financial services provider in Oman.

Consolidated Balance Sheet

September 30, 2006

ASSETS	Notes	Sep. 30, 2006	Dec. 31, 2005
		€	€ thousands
1. Cash reserve	(11)	182,145.82	2,586
2. Loans and advances to other banks	(12)	67,718,203.98	24,057
3. Loans and advances to customers	(12)	3,159,196.03	2,916
4. Allowance for losses on loans and advances	(12)	-29,322.84	-22
5. Assets held for trading	(13)	30,760,764.11	34,040
6. Available-for-sale financial instruments	(14)	25,914,507.26	29,741
7. Investments in companies carried at-equity	(15)	16,783,983.36	13,817
8. Property and equipment	(16)	21,830,962.34	22,476
9. Intangible assets	(17)	16,177,447.31	19,030
10. Goodwill	(17)	2,581,093.59	2,581
11. Recoverable income taxes	(18)	233,797.55	126
12. Other assets deferred tax assets	(19)	5,031,129.26	5,168
13. Deffered tax assets	(18)	25,404,014.86	27,948
Total assets		215,747,922.63	184,464

PASSIVA	Notes	Sep. 30, 2006	Dec. 31, 2005
		€	€ thousands
1. Deposits from other banks	(20)	14,522,982.83	21,144
2. Deposits from customers	(20)	36,517,077.84	16,911
3. Liabilities held for trading	(21)	189,152.50	0
4. Provisions	(22)	8,431,976.76	6,944
5. Provisions for taxes	(23)	2,690,768.00	341
6. Other liabilities and accruals	(24)	11,385,846.07	8,281
7. Deferred tax liabilities	(23)	3,139,310.55	3,753
8. Shareholders' equity			
a) Issued capital		45,456,704.00	22,602
b) Share premium		60,860,008.13	83,473
c) Retained earnings		8,000,000.00	0
d) Revaluation reserve		6,333,716.29	8,687
e) Minority interest		57,047.85	133
f) Consolidated net profit		18,163,331.81	12,195
Total liabilities and shareholders' equity		215,747,922.63	184,464

Consolidated Income Statement

for the period January 1 to September 30, 2006

	Notes	€	Jan. 1, - Sep. 30, 2006	Jan. 1, - Sep. 30, 2005
				€ thousands
1. Interest income	(1)	798,886.20		307
2. Interest expense	(1)	-643,957.81		-702
3. Net interest expense	(1)		154,928.39	-395
4. Allowance for losses on loans and advances	(2)		-8,851.35	-2
5. Net interest expense after allowance for losses and advances			146,077.04	-397
6. Fee and commission income	(3)	37,619,893.57		25,312
7. Fee and commission expense	(3)	-11,419,647.93		-8,538
8. Net fee and commission income	(3)		26,200,245.64	16,774
9. Net trading income	(4)		38,209,672.31	25,088
10. Net income from available-for-sale financial instruments	(5)		5,963,653.81	324
11. Net income from equity-accounted investments	(6)		297,500.00	767
12. Administrative expenses	(7)		-47,462,051.39	-37,029
13. Profit from operations			23,355,097.41	5,527
14. Other operating income	(8)		1,501,164.70	984
15. Other operating expenses	(8)		-330,661.54	-229
16. Income from ordinary activities			24,525,600.57	6,282
17. Income taxes on profit	(9)		-6,457,504.05	-2,276
18. Net profit for the period before minority interest			18,068,096.52	4,006
19. Minority interest in net profit			-13,278.92	-149
20. Net profit for the period before minority interest			18,054,817.60	3,857
21. Accumulated income brought forward			108,514.21	4,272
22. Consolidated net profit			18,163,331.81	8,129

	Jan. 1, - Sep. 30, 2006	Jan. 1, - Sep. 30, 2005
	€	€
Earnings per share	0.40	0.09

Income Statement Quarterly Overview

	III/2006	II/2006	I/2006	III/2005	II/2005	I/2005
	€ thsd.	€ thsd.	€ thsd.	€ thsd.	€ thsd.	€ thsd.
1. Net interest income/expense	123	60	-28	-169	-129	-97
2. Allowance for losses on loans and advances	0	3	-12	-1	-1	0
3. Net interest income/expense after allowance for losses on loans and advances	123	63	-40	-170	-130	-97
4. Net fee and commission income/expense	6,599	9,649	9,952	6,432	4,839	5,503
5. Net trading income	7,498	10,612	20,100	10,842	6,601	7,645
6. Net income/expense from available-for-sale financial instruments	401	618	4,945	214	157	-47
7. Net income/expense from equity-accounted investments	219	-239	318	0	767	0
8. Administrative expenses	-13,771	-16,414	-17,277	-12,929	-11,554	-12,546
9. Profit/loss from operations	1,069	4,289	17,998	4,389	680	458
10. Other operating income	364	855	282	497	265	223
11. Other operating expense	-66	-203	-62	-132	-19	-79
12. Profit/loss from ordinary activities	1,367	4,941	18,218	4,754	926	602
13. Income taxes on profit from ordinary activities	-324	-1,194	-4,940	-2,037	-33	-206
14. Net profit/loss for the period before minority interest	1,043	3,747	13,278	2,717	893	396
15. Minority interest in net profit/loss	2	-4	-11	-43	-26	-80
16. Net profit/loss for the period	1,045	3,743	13,267	2,674	867	316
17. Accumulated income brought forward	-12,087	0	12,195	0	-2,247	6,519
18. Consolidated net profit/loss	-11,042	3,743	25,462	2,674	-1,380	6,835

Statement of Changes in Equity

	Attributable to shareholders of the parent company						Minority interest	Total Equity	
	Issued capital	Share premium	Retained earnings	Revaluation reserve		Consolidated net profit			Total
				Available- for-sale	Due to consoli- dation				
in € thousands									
Equity as at Dec. 31, 2004	22,437	83,199	0	280	0	6,519	112,435	0	112,435
Change in revaluation reserve				10,522	168		10,690		10,690
Taxes on change in revaluation reserve				-2,283			-2,283		-2,283
Net profit						7,922	7,922	80	8,002
Total recognised items of income and expense	0	0	0	8,239	168	7,922	16,329	80	16,409
Dividend						-2,246	-2,246	-76	-2,322
Change in treasury shares	165	278					443		443
Share options issued		43					43		43
Other changes in capital due to consolidation		-47					-47	129	82
Equity as at Dec. 31, 2005	22,602	83,473	0	8,519	168	12,195	126,957	133	127,090
Changes in revaluation reserve				-3,196			-3,196		-3,196
Taxes on change in revaluation reserve				842			842		842
Net profit						18,055	18,055	13	18,068
Total recognised items of income and expense	0	0	0	-2,354	0	18,055	15,701	13	15,714
Issued capital	22,728	-22,728					0	7	7
Appropriation to retained earnings			8,000			-8,000	0		0
Dividend						-4,086	-4,086	-96	-4,182
Change in treasury shares	127	417					544		544
Share options issued		95					95		95
Other changes in capital due to consolidation		-397					-397		-397
Equity as at Sep. 30, 2006	45,457	60,860	8,000	6,165	168	18,164	138,814	57	138,871

Cash Flow Statement

For the period January 1 to September 30, 2006

	Jan. 1, - Sep. 30, 2006 € thousands	Jan. 1, - Sep. 30, 2005 € thousands
Profit for the period (incl. minority interest in net profit)	18,055	3,857
Cash-Flow from operating activities	50,275	10,528
Cash-Flow from investing activities	-4,147	-5,146
Cash-Flow from financing activities	-3,543	-1,906
Net change in cash and cash equivalents	42,585	3,476
Effect of exchange rate adjustments and changes in group structure	0	162
Cash and cash equivalents at beginning of period	18,289	15,456
Cash and cash equivalents at end of period	60,874	19,094
Composition of cash and cash equivalents at September 30		
Loans and advances to other banks - payable on demand	62,245	31,158
Deposits from other banks - payable on demand	-1,371	-12,064
Cash and cash equivalents	60,874	19,094

Notes to the Consolidated Income Statement

(1) NET INTEREST INCOME	Jan. 1 - Sep. 30,	Jan. 1 - Sep. 30,	Change in %
	2006	2005	
	€ thousand	€ thousand	
Interest income from	799	307	>100.0
- Lending and money market business	799	307	>100.0
- Fixed-interest securities	0	0	0.0
Interest expenses	-644	-702	-8.3
Total	155	-395	-

(2) ALLOWANCES FOR LOSSES AND ADVANCES	Jan. 1 - Sep. 30,	Jan. 1 - Sep. 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
Total	-9	-2	>100.0

(3) NET FEE AND COMMISSION INCOME	Jan. 1 - Sep. 30,	Jan. 1 - Sep. 30,	Change in %
	2006	2005	
	€ thousand	€ thousand	
Fee and commission income	37,620	25,312	48.6
- Securities and issue business	7,292	5,272	38.3
- Brokerage fees	30,328	20,040	51.3
Fee and commission expenses	-11,420	-8,538	33.8
- Brokerage fees	-3,756	-2,048	83.4
- Settlement fees	-7,002	-5,022	39.4
- Securities and issue business	-582	-946	-38.5
- Other fee and commission expenses	-80	-522	-84.7
Total	26,200	16,774	56.2

(4) NET TRADING INCOME	Jan. 1 - Sep. 30,	Jan. 1 - Sep. 30,	Change in %
	2006	2005	
	€ thousand	€ thousand	
Securities trading	38,199	25,052	52.5
- Interest and dividends	604	535	12.9
- Securities	19,228	15,987	20.3
- Options and futures	-6	-6	0.0
- Price differences	18,373	8,536	>100.0
Foreign currencies	11	36	-69.4
Total	38,210	25,088	52.3

(5) NET INCOME FROM AVAILABLE- FOR-SALE FINANCIAL INSTRUMENTS	Jan. 1 - Sep. 30,	Jan. 1 - Sep. 30,	Change in %
	2006	2005	
	€ thousand	€ thousand	
Interest and dividend income	506	384	31.8
- Fixed-interest securities	128	229	-44.1
- Equities/other non-fixed-interest securities	21	63	-66.7
- Investments in associates	357	92	>100,0
Gain on the sale of available-for-sale securities	5,458	32	>100.0
- Equities/other non-fixed-interest securities	5,458	32	>100.0
- Investments in associates	0	0	0.0
Provision for depreciation	0	-92	-
- Depreciation	0	-92	-
Total	5,964	324	>100.0

(6) NET INCOME FROM EQUITY-ACCOUNTED INVESTMENTS	Jan. 1 - Sep. 30,	Jan. 1 - Sep. 30,	Change in %
	2006	2005	
	€ thousand	€ thousand	
Reversals of write-downs	298	767	-61.1
Total	298	767	-61.1

(7) ADMINISTRATIVE EXPENSES	Jan. 1 - Sep. 30,	Jan. 1 - Sep. 30,	Change in %
	2006	2005	
	€ thousand	€ thousand	
Staff costs	-28,345	-19,389	46.2
Other administrative expenses	-14,157	-12,135	16.7
Depreciation, amortization and write-downs on intangible assets and property and equipment	-4,960	-5,505	-9.9
Total	-47,462	-37,029	28.2

(8) OTHER INCOME AND EXPENSES	Jan. 1 - Sep. 30,	Jan. 1 - Sep. 30,	Change in %
	2006	2005	
	€ thousand	€ thousand	
Other operating income	1,501	985	52.4
Other operating expenses	-331	-229	44.5
Total	1,170	756	54.8

The increase in other operating income was due to the exercising of stock options and the monetary value advantage to be taxed for employees. These costs are reported in staff costs.

(9) TAXES	Jan. 1 - Sep. 30,	Jan. 1 - Sep. 30,	Change in %
	2006	2005	
	€ thousand	€ thousand	
Current taxes	-3,685	-713	>100.0
Deferred taxes	-2,773	-1,563	77.4
Total	-6,458	-2,276	>100.0

(10) SEGMENT REPORTING						
in € thousands	Specialist activities and proprietary trading	Agency business	Capital market services	Portfolio management	Other Consolidation	Group
Net interest income/expense	-223	284	5	89	0	155
Allowance for losses on loans and advances	0	6	3	0	0	9
Net interest income/expense after allowance for losses on loans and advances	-223	278	2	89	0	146
Net fee and commission income/expense	20,225	3,863	1,618	757	-263	26,200
Net trading income	34,572	3,794	-83	8	-81	38,210
Net income/expense from available-for-sale financial instruments	374	0	5,815	0	-225	5,964
Net income from at-equity accounted investments	0	0	0		298	298
Net income from investment securities	0	0	0		0	0
Net income/expense from financing activities	34,946	3,794	5,732	8	-8	44,472
Direct allocated administrative expenses	21,882	5,877	698	671	0	29,128
Other operating net income/expenses	1,395	-23	41	7	-250	1,170
Profit/loss after direct allocated administrative expense	34,461	2,035	6,695	190	-521	42,860
Indirect allocated administrative expenses	11,848	5,007	1,239	536	-296	18,334
Profit/loss from ordinary activities	22,613	-2,972	5,456	-346	-225	24,526
Risk-weighted assets	130,800	35,115	20,362	3,890		190,167
Allocated capital	87,976	37,597	9,211	4,087		138,871
Return on allocated capital based on income before taxes	25.7%	-7.9%	59.2%	-8.5%		17.7%
Average number of employees	94	38	7	7	101	247

Consolidated Balance Sheet Disclosures

(11) CASH RESERVE	Sep. 30, 2006	Dec. 31, 2005	Change
	€ thousand	€ thousand	in %
Balance of cash	0	1	>100.0
Assets Deutsche Bundesbank	182	2,585	-93.0
Total	182	2,586	-93.0

(12) LOANS AND ADVANCES	Sep. 30, 2006	Dec. 31, 2005	Change
	€ thousand	€ thousand	in %
Loans and advances to other banks	67,718	24,057	>100.0
- Payable on demand	62,063	23,042	>100.0
- Other loans and advances	5,655	1,015	>100.0
Loans and advances to customers	3,159	2,916	8.3
Allowance for losses on loans and advances	-29	-22	31.8
Total	70,848	26,951	>100.0

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

The change in risk provisioning consists of risk expenses (additions and direct write-downs recognised in income) in the amount of EUR –9 thousand (see Note 2) and disposals (utilisation) of EUR 2 thousand.

(13) ASSETS HELD FOR TRADING	Sep. 30, 2006	Dec. 31, 2005	Change
	€ thousand	€ thousand	in %
Bonds and other fixed income securities	4,347	1,665	>100.0
Equities and other non-fixed-interest securities	26,414	32,375	-18.4
Total	30,761	34,040	-9.6

(14) AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	Sep. 30, 2006	Dec. 31, 2005	Change
	€ thousand	€ thousand	in %
Investments in associates	7,666	6,686	14.7
Equities and other-non-fixed interest securities	14,300	19,405	-26.3
Bonds and dept securities	3,949	3,650	8.2
Total	25,915	29,741	-12.9

(15) INVESTMENTS IN COMPANIES CARRIED AT EQUITY	Sep. 30, 2006	Dec. 31, 2005	Change
	€ thousand	€ thousand	in %
Associated companies	6,430	3,761	71.0
Shares in funds	10,354	10,056	3.0
Total	16,784	13,817	21.5

(16) PROPERTY AND EQUIPMENT	Sep. 30, 2006	Dec. 31, 2005	Change
	€ thousand	€ thousand	in %
Operating and office equipment	1,560	1,644	-5.1
Land and buildings	20,271	20,832	-2.7
Total	21,831	22,476	-2.9

(17) INTANGIBLE ASSETS	Sep. 30, 2006	Dec. 31, 2005	Change
	€ thousand	€ thousand	in %
Concessions, industrial and similar rights and assets	16,177	19,030	-15.0
Goodwill	2,581	2,581	0.0
Total	18,758	21,611	-13.2

(18) RECOVERABLE INCOME TAXES	Sep. 30, 2006	Dec. 31, 2005	Change
	€ thousand	€ thousand	in %
Claims for actual overpayment of taxes	234	126	>100.0
Deferred tax assets	25,404	27,948	-9.1
Total	25,638	28,074	-8.7

(19) OTHER ASSETS	Sep. 30, 2006	Dec. 31, 2005	Change
	€ thousand	€ thousand	in %
Other assets	4,703	4,665	0.8
Prepaid expenses	328	503	-34.8
Total	5,031	5,168	-2.7

(20) LIABILITIES	Sep. 30, 2006 € thousand	Dec. 31, 2005 € thousand	Change in %
Deposits from other banks	14,523	21,143	-31.3
- Payable on demand	1,371	7,339	-81.3
- With agreed maturity or notice	13,152	13,804	-4.7
Loans and advances to customers	36,517	16,911	>100,0
- Payable on demand	36,517	16,911	>100,0
Total	51,040	38,054	34.1

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

(21) LIABILITIES HELD FOR TRADING	Sep. 30, 2006 € thousand	Dec. 31, 2005 € thousand	Change in %
Derivative financial instruments with negative market value	189	0	>100.0
Total	189	0	>100.0

(22) PROVISIONS	Sep. 30, 2006 € thousand	Dec. 31, 2005 € thousand	Change in %
Provisions for pensions	6,159	5,242	17.5
Other provisions	2,273	1,703	33.5
Total	8,432	6,945	21.4

(23) TAX LIABILITIES	Sep. 30, 2006 € thousand	Dec. 31, 2005 € thousand	Change in %
Outstanding	2,691	341	>100.0
Deferred tax liabilities	3,139	3,753	-16.4
Total	5,830	4,094	42.4

(24) OTHER LIABILITIES AND ACCRUALS	Sep. 30, 2006 € thousand	Dec. 31, 2005 € thousand	Change in %
Other liabilities	11,386	8,281	37.5
Total	11,386	8,281	37.5

This item mainly comprises trade liabilities and salary deductions.

(25) OFF-BALANCE-SHEET TRANSACTION	Sep. 30, 2006 € thousand	Dec. 31, 2005 € thousand	Change in %
Contingent liabilities	0	0	0.0
- Liabilities on gurantees and warranties	170	170	0.0
- Liabilities from the granting of security for thirdparty liabilities	0	0	0.0
Irrevocable loan commitments	2,203	1,368	61.0
- Current account credits to customers	2,203	1,368	61.0

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:	Baader Heins & Seitz Management AG, Unterschleissheim
Equity interest/Share in voting right:	70.00 %

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