



Q3/2010

**Interim report
as of September 30, 2010**

Overview of key figures

		01.01.-30.09.2010	01.01.-30.09.2009	Change in %
Net fee and commission income	EUR million	25,89	27,03	-4,2
Net trading income	EUR million	44,68	61,08	-26,9
Administrative expenses	EUR million	-63,30	-69,56	-9,0
Net profit for the period	EUR million	8,52	15,69	-45,7
EPS	EUR	0,19	0,35	-45,7
CONSOLIDATED BALANCE SHEET		30.09.2010	31.12.2009	Change in %
Equity	EUR million	178,24	177,56	0,4
Total assets	EUR million	592,27	439,83	34,7
KEY BUSINESS FIGURES		30.09.2010	30.09.2009	Change in %
Employees		367	349	5,2
Order books	No.	346.657	320.294	8,2
SHARE PRICE OF BAADER BANK		01.01.-30.09.2010	01.01.-30.09.2009	Change in %
Opening price (4 January/2 January)	EUR	3,27	2,22	47,3
Highest price	EUR	3,83	2,22	72,5
Lowest price	EUR	3,03	1,63	85,9
Closing price (30 September)	EUR	3,05	2,80	8,9
Market capitalisation (30 September)	EUR million	140,02	128,54	8,9
Share turnover (daily average)	No.	9.338	2.949	216,6

Letter to shareholders

The effects of the debt crisis in the PIIGS countries of Portugal, Ireland, Italy, Greece and Spain continued to ensure that the market environment for Baader Bank remained extremely difficult in the third quarter of 2010. This was exacerbated by the traditionally lower levels of stock market turnover in the summer months, with the result that Baader Bank's profit from operations declined to EUR 2.3 million in the third quarter (previous year: 10.1). Profit from ordinary activities also fell to EUR 2.3 million in the period under review (previous year: 9.6), while earnings after taxes decreased to EUR 1.1 million (previous year: 6.7).

The Board of Directors considers the fact that Baader Bank managed to achieve a profit from operations of EUR 11.3 million for the period from January to September 2010 (previous year: 19.2) to be a success in light of the uncertain situation on the capital markets. The same applies to profit from ordinary activities in the amount of EUR 12.1 million (previous year: 20.1) and earnings after taxes of EUR 8.5 million (previous year: 15.7). This also reflects the impact of Baader Bank's variable salary model, which helped to reduce administrative expenses to EUR 63.3 million in the first three quarters of the year (previous year: 69.6).

Baader Bank continued to develop its product range for institutional clients. Since 1 September, the Bank has offered Baader FX-Trader, a proprietary solution for professional foreign exchange trading that allows clients to make spot trades in the G10 currencies (except the rouble), the Singapore dollar and the Hong Kong dollar.

Baader Bank also expanded its consulting activities for capital market measures. In the first nine months of 2010, it provided support for 16 transactions with a total volume of EUR 45.6 million, compared with EUR 36.2 million in the same period of the previous year. The Bank benefited from the slight upturn in the propensity of companies to seek refinancing on the capital markets, as well as the close relationship between Baader Bank and small and medium-sized issuers.

Selected indices on a euro basis	30.12.2008	30.12.2009	30.06.2010	30.09.2010	Change
					30.09.2010 vs. 30.12.2009
DAX	4.810,20	5.957,43	5.965,52	6.229,02	4,56%
TecDax	508,31	817,58	734,48	781,47	-4,42%
SDAX	2.800,73	3.549,02	3.904,22	4.369,76	23,13%
MDAX	5.601,91	7.507,04	8.008,67	8.768,03	16,80%
REXP	357,99	375,62	394,19	398,49	6,09%
DJ STOXX 50 P	2.447,62	2.966,24	2.573,32	2.747,90	-7,36%
DOW JONES INDUS. AVG	6.290,19	7.356,52	7.974,23	7.920,74	7,67%
S&P 500	647,38	785,56	840,92	837,89	6,66%
NASDAQ 100	868,41	1.310,17	1.418,90	1.466,99	11,97%
NIKKEI 225	69,49	79,62	86,41	82,42	3,52%
BRAZIL BOVESPA STOCK	11.390,10	27.458,90	27.673,40	30.090,50	9,58%
MEXICO BOLSA	1.153,98	1.732,32	1.975,74	1.942,11	12,11%
RUSSIAN RTS \$	452,89	995,14	1.092,72	1.106,95	11,24%
HANG SENG STOCK	1.330,53	1.933,28	2.109,12	2.115,48	9,42%
Shanghai SE B	79,50	174,83	170,45	192,93	10,35%
SENSEX (India)	142,05	258,70	310,89	327,70	26,67%
BSE 100 (India)	73,45	136,92	165,84	173,53	26,74%
MSM 30 (Oman)	9.972,44	11.512,90	12.839,50	12.346,80	7,24%

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 September 2010

ASSETS	30.09.2010 EUR thou.	31.12.2009 EUR thou.	Change %
1. Cash reserve	2.014	911	>100,0
2. Loans and advances to other banks	131.994	66.676	98,0
3. Loans and advances to customers	40.270	36.892	9,2
4. Allowance for losses on loans and advances	-4.074	-3.768	8,1
5. Assets held for trading	111.652	178.237	-37,4
6. Available-for-sale financial instruments	208.205	47.002	>100,0
7. Equity-accounted investments	4.632	13.836	-66,5
8. Property and equipment	18.543	19.105	-2,9
9. Intangible assets	24.593	22.347	10,0
10. Goodwill	24.785	24.785	0,0
11. Income tax assets	10.827	11.044	-2,0
12. Other assets	2.700	3.751	-28,0
13. Deferred tax assets	16.132	19.011	-15,1
Total assets	592.273	439.829	34,7

LIABILITIES AND EQUITY	30.09.2010 EUR thou.	31.12.2009 EUR thou.	Change %
1. Deposits from other banks	27.189	31.605	-14,0
2. Amounts due to customers	347.213	194.617	78,4
3. Liabilities held for trading	7.157	824	>100,0
4. Provisions	12.123	11.757	3,1
5. Income tax liabilities	641	880	-27,2
6. Other liabilities	14.803	16.289	-9,1
7. Deferred tax liabilities	4.906	6.295	-22,1
8. Equity	178.242	177.562	0,4
Total liabilities and equity	592.273	439.829	34,7

Total assets increased significantly by 34.7% compared with year-end 2009, amounting to EUR 592,273 thousand as at 30 September 2010. This development was primarily 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 96,130 thousand in the form of *Schuldschein* note loans and term deposits. On the asset 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 also rose. Accordingly, 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, while the rise in liabilities held for trading is due to the market situation.

As at 30 September 2010, the Group's equity amounted to EUR 178,242 thousand (31 December 2009: EUR 177,562 thousand). This meant that the equity ratio was 30.1%. The change in equity is essentially due to the profit distribution of EUR 5,900 thousand, which was offset by comprehensive income for the first nine months of 2010 in the amount of EUR 5,846 thousand.

Earnings

Income statement for the period from 1 January to 30 September 2010

INCOME STATEMENT	01.01. - 30.09.2010 EUR thou.	01.01. - 30.09.2009 EUR thou.	Change %
1. Net interest income/expense	4.063	1.823	>100,0
2. Allowance for losses on loans and advances	-378	-670	-43,5
3. Net interest income after allowance for losses	3.685	1.153	>100,0
4. Net fee and commission income	25.894	27.031	-4,2
5. Net trading income	44.682	61.079	-26,8
6. Net income/expense from available-for-sale financial instruments	1.232	-454	-
7. Net income/expense from equity-accounted investments	-913	-84	>100,0
8. Administrative expenses	-63.305	-69.564	-9,0
9. Profit/loss from operations	11.275	19.161	-41,2
10. Other income/expense	830	988	-16,0
11. Profit/loss from ordinary activities	12.106	20.149	-39,9
12. Income tax on profit from ordinary activities	-3.236	-4.020	-19,5
13. Net profit for the period before minority interests	8.869	16.129	-45,0
14. Minority interest in net profit	-346	-437	-20,7
15. Net profit for the period	8.523	15.692	-45,7
16. Accumulated income/loss brought forward from previous year	584	379	54,2
17 Consolidated net profit	9.107	16.071	-43,3

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

STATEMENT OF COMPREHENSIVE INCOME	EUR thou.	01.01. - 30.09.2010 EUR thou.	01.01. - 30.09.2009 EUR thou.
1. Consolidated net profit for the period before minority interests		8.869	16.129
<u>Other comprehensive income</u>			
2. Change to the reserve due to currency translation	131		-10
3. Remeasurement of available-for-sale financial assets	-2.282		1.254
4. Income tax on other comprehensive income	-525		3
5. Other comprehensive income		-2.677	1.247
6. Comprehensive income before minority interests		6.193	17.376
7. Minority interests in comprehensive income		-347	-442
8 Comprehensive income		5.846	16.934

Segment reporting for the period from 1 January to 30 September 2010

in EUR thou.	Specialist activities and proprietary trading	Agency / commission business	Capital market services	Financial portfolio management	Other / consolidation	Group
Net interest income/expense	2.497	1.559	0	7	0	4.063
Allowance for losses on loans and advances	0	338	40	0	0	378
Net interest income/expense after allowance for losses on loans and advances	2.497	1.221	-40	7	0	3.685
Net fee and commission income	13.208	9.644	415	2.730	-103	25.894
Net trading income	31.814	12.945	73	0	-150	44.682
Net income/expense from available-for-sale financial instruments	1.346	168	-161	-22	-99	1.232
Net income/expense from equity-accounted investments	0	0	0	0	-913	-913
Net income/expense from financial operations	33.160	13.113	-88	-22	-1.162	45.001
Directly attributable administrative expenses	22.568	14.459	877	2.960	-157	40.707
Other operating income/expense	1.233	64	10	-16	-461	830
Profit/loss after directly attributable income/expenses	27.530	9.583	-580	-261	-1.569	34.703
Indirectly attributable administrative expenses	13.753	7.155	1.116	574	0	22.598
Profit/loss from ordinary activities	13.777	2.428	-1.696	-835	-1.569	12.105
Average number of employees during the period	112	73	10	13	149	357

The traditionally lower levels of stock market turnover in the third quarter, which was characterised by particularly restrained trading activity among investors during the summer months of 2010, meant that Baader Bank AG's profit from operations declined to EUR 11,275 thousand in the first nine months (previous year: EUR 19,161 thousand). Net trading income thus decreased by 43.2% in the third quarter to EUR 13,272 thousand (previous year: EUR 23,365 thousand). On a nine-month basis, this item fell by 26.8%. By contrast, net fee and commission income declined by only 4.2% to EUR 25,894 thousand in the period under review after EUR 27,031 thousand in the previous year, while net interest income more than doubled to EUR 4,063 thousand. This development shows that interest- and commission-oriented banking business is assuming an increasingly important role at Baader Bank, although this is not yet enough to fully offset the downturn in individual components of its securities business at present.

Nevertheless, Baader Bank is satisfied with achieving a profit from ordinary activities of EUR 12,105 thousand (previous year: EUR 20,149 thousand) in such an erratic and difficult market environment. The Bank generated earnings after taxes of EUR 8,869 thousand compared with EUR 16,129 thousand in the previous year. The comparatively lower level of tax expenses in the prior period is due to positive non-recurring tax effects in the 2009 financial year.

In the first nine months of the 2010 financial year, administrative expenses decreased by EUR 6,259 thousand or 9.0% year-on-year to EUR 63,305 thousand. Of this amount, EUR 4,846 thousand is attributable to staff costs and EUR 522 thousand to other administrative expenses. This highlights the extent to which staff costs vary in accordance with operating earnings due to Baader Bank's variable salary model. Depreciation of property and equipment and amortisation of intangible assets decreased by EUR 892 thousand year-on-year.

As at 30 September 2010, the Group had a total of 367 employees (30 September 2009: 349).

Basic earnings per share amounted to EUR 0.19 (previous year: EUR 0.35).

Financial position

As at 30 September 2010, short-term loans and advances to other banks and available-for-sale negotiable securities of EUR 485,449 thousand were offset by current liabilities to other banks of EUR 176,762 thousand. This results in a net balance sheet liquidity surplus of EUR 308,687 thousand. The Group's liquidity was guaranteed at all times during the period under review.

Outlook

Regardless of the substantial improvement in the economy, Baader Bank is of the firm opinion that the debt crisis in several European countries will continue to influence the capital markets in the coming months and years. This will be exacerbated by the fact that the US Federal Reserve Bank is increasingly flooding the markets with money, thus creating the basis for new bubbles. As these measures are keeping interest rates on the bond markets low, new investment opportunities are being sought. This is one of the main reasons for the bullish equity markets, particularly in emerging economies, and the explosion in commodity prices, which brings with it the risk of inflation.

With this in mind, Baader Bank expects the capital markets to remain difficult to predict over the coming months. Thanks to its broad-based positioning, however, the Bank believes that it is well prepared for these developments. Although Baader Bank is likely to have to cope with sustained uncertainty on the bond markets, it should also benefit from the robust performance of the equity markets. The rise in prices on the commodity markets is also expected to provide similar positive impetus.

In order to expand Baader Bank's customer-oriented business, the Customers and Products unit, into a second strong pillar alongside securities trading, the Bank is in the process of implementing a new strategic step that will significantly strengthen the areas of capital market services and commission trading. At the same time, an internal research department will be established for the first time in order to provide sustainable support for these areas. The first steps in this gradual process were executed in August and October, and the teams of experienced capital market experts will be completed by 1 January 2011. This will create a complementary triad of capital market services, commission trading and research for which Mr. Nico Baader will have responsibility on the Bank's Board of Directors.

The Bank sees these measures as a strategic quantum leap aimed at expanding and rounding off the customer groups in the areas concerned. This means that Baader Bank's capital market services will also be aimed at companies from the upper end of the small and medium-sized segment in future. The Bank is also seeking to increase the individual transaction volumes in commission trading with new and larger institutional clients than previously.

In exchange trading, the reform of Frankfurt floor trading will affect Baader Bank's business there. Trading of shares is to be transferred from the Xontro trading and order routing platform to the internationally linked Xetra system. The extent to which Baader Bank AG can benefit from this step will depend to a large extent on how the pricing model on the stock exchange will be structured in future.

Unterschleissheim, 17 November 2010
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