



**Quarterly Report
Q3 2011**

Overview of key figures

		01.01.-30.09.2011	01.01.-30.09.2010	Change (%)
Net interest income	€m	4.66	4.06	14.8
Net fee and commission income	€m	25.50	26.00	-1.9
Net trading income	€m	35.31	44.60	-20.8
Administrative expenses	€m	-63.80	-59.10	8.0
Net profit for the period	€m	-4.40	11.95	-
EPS	€	-0.10	0.26	-
CONSOLIDATED BALANCE SHEET				
		30.09.2011	31.12.2010	Change (%)
Equity	€m	100.05	110.32	-9.3
Total assets	€m	531.21	623.66	-14.8
KEY BUSINESS DATA				
		30.09.2011	30.09.2010	Change (%)
Employees		412	367	12.3
Order books	Number	580,767	320,199	81.4
BAADER BANK SHARE PRICE				
		01.01.-30.09.2011	01.01.-30.09.2010	Change (%)
Opening price	€	3.07	3.27	-6.1
High	€	3.45	3.83	-9.9
Low	€	2.04	3.03	-32.8
Closing price (30.09)	€	2.08	3.05	-31.8
Market capitalisation (30.09)	€m	95.44	140.02	-31.8
Share turnover (daily average)	Number	19,911	21,996	-9.5

The period in review

The price performance of all asset classes in the third quarter of 2011 was dominated by the sovereign debt crisis in the euro zone and the economic weakness in the USA. The ensuing risks led to significant fluctuations in markets and uncertainty among investors. The outcome was declining trading activity by private investors and caution from institutional investors in all market segments. Baader Bank AG was therefore confronted between July and September of this year with an ongoing difficult market environment. As previously reported, against this backdrop write-downs of securities in particular caused an overall negative result in the reporting period. In lead brokerage, the uncertainty in the markets was evident across all categories of securities. Bond trading in particular suffered from the heavily politicised markets.

Meanwhile, the expansion of the Customers and Products unit continued to bear fruit. For example, net fee and commission income remained steady in the third quarter thanks to this fast growing business area. The expansion of the product offering for institutional clients led even in the difficult market environment to an encouraging increase in the number of customers and hence steady improvements in returns. As a result, in September the unit posted its strongest month of the year. In addition to the expansion of the institutional advisor team in equities and equity derivatives, Baader Bank also extended its equity research to include Austrian corporations. This extension of the product spectrum for institutional investors represents an important strategic step forward for Baader Bank.

On 6 July 2011, the KA.DE.GE. Capital. Foreign Exchange. Money Market. Vermittlungsgesellschaft mbH was merged retroactively as of 1 January 2011 into Baader & Heins Capital Management AG (both with headquarters in Unterschleißheim). The name KADEGE will be maintained as a recognised brand in the sector for services involving money markets and currency trading. In addition, this step means that a significant contribution can be made to reduce administrative expenses. Another effect is that employees will be released from administrative tasks so that they can concentrate more on their trading activities. Baader & Heins has significant expertise in the trading of promissory notes. KADEGE is specialised in money market and currency trading.

Selected indices (euro basis)	30.12.2009	30.12.2010	30.09.2011	Change
DAX	5,957.43	6,914.19	5,502.02	-20.42%
MDAX	7,507.04	10,128.10	8,341.08	-17.64%
TecDAX	817.58	850.67	662.63	-22.10%
SDAX	3,549.02	5,173.79	4,310.89	-16.68%
REXP	375.62	390.67	414.51	6.10%
EURO STOXX 50	2,966.24	2,792.82	2,179.66	-21.95%
DOW JONES	7,356.52	8,661.91	8,114.64	-6.32%
S&P 500	785.56	940.93	841.27	-10.59%
NASDAQ 100	1,310.17	1,659.33	1,590.59	-4.14%
NIKKEI 225	79.62	94.35	83.86	-11.12%
BRAZIL BOVESPA	27,458.90	31,451.90	20,929.50	-33.46%
MEXICO BOLSA	1,732.32	2,335.29	1,803.62	-22.77%
RUSSIAN RTS	995.14	1,334.75	1,341.09	0.47%
HANG SENG	1,933.28	2,217.27	1,680.07	-24.23%
SHANGHAI B	174.83	227.70	177.95	-21.85%
SENSEX	258.70	343.23	249.85	-27.21%

Net assets

Balance sheet for the period ended 30 September 2011

ASSETS	30.09.2011	31.12.2010	Change
	€thou.	€thou.	%
1. Cash reserves	475	2,893	-83.6
2. Loans and advances to other banks	82,931	148,423	-44.1
3. Loans and advances to customers	22,014	31,159	-29.3
4. Bonds and other fixed-income securities	201,695	260,962	-22.7
5. Equities and other variable-rate securities	693	693	0.0
6. Trading portfolio	132,566	98,316	34.8
7. Non-controlling interests	1,563	1,563	0.0
8. Shares in associates	4,564	4,852	-5.9
9. Intangible fixed assets	43,053	39,982	7.7
10. Tangible fixed assets	25,743	19,119	34.6
11. Other assets	12,119	12,180	-0.5
12. Prepaid expenses	1,080	553	95.3
13. Excess of plan assets over pension liability	2,712	3,000	-9.6
Total assets	531,209	623,695	-14.8

EQUITY AND LIABILITIES	30.09.2011	31.12.2010	Change
	€thou.	€thou.	%
1. Liabilities to other banks	60,071	76,511	-21.5
2. Liabilities to customers	313,639	379,611	-17.4
3. Trading portfolio	5,544	2,938	88.7
4. Other liabilities	7,301	5,510	32.5
5. Deferred income	13	0	-
6. Provisions	8,586	12,803	-32.9
7. Deferred tax liabilities	0	0	0.0
8. Fund for general banking risks	36,000	36,000	0.0
9. Equity	100,054	110,322	-9.3
Total equity and liabilities	531,209	623,695	-14.8

Total assets as of 30 September 2011 show a decline of 14.8% compared with 31 December 2010 and now total €531.2 million. This change was caused mainly by an outflow from customer deposits payable on demand. It was accompanied by a reduction in loans and advances to other banks. Long-term liabilities to customers from promissory note loans remain unchanged year on year. The differences in the trading portfolio on both the assets and liabilities sides compared to the previous year are primarily the result of the reporting date. The decrease in provisions is mostly the result of lower values for variable compensation components.

The Group's equity totals €100.0 million as of 30 September 2011 (31 December 2010: €110.3 million). The equity ratio is therefore 18.8%. The change in equity stems primarily from the balance of the net loss of €-4.4 million for the first nine months of financial year 2011 and the dividend payout.

Results of operations

Income statement for the period 1 January to 30 September 2011

INCOME STATEMENT	01.01. –	01.01. -	Change
	30.09.2011	30.09.2010	
	€thou.	€thou.	%
1. Net interest income	4,666	4,063	14.8
2. Current income from			
a) Equities	796	270	>100.0
b) Non-controlling interests	15	0	0.0
	811	270	>100.0
3. Net fee and commission income	25,501	25,997	-1.9
4. Net trading income	35,310	44,577	-20.8
5. Other operating income	1,119	1,339	-16.4
6. Administrative expenses			
a) Personnel expenses	-38,245	-36,705	4.2
b) Other administrative expenses	-25,556	-22,390	14.1
	-63,801	-59,095	8.0
7. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	-6,398	-5,479	16.8
8. Other operating expenses	-447	-564	-20.7
9. Write-downs of and allowances on loans and advances and certain securities and additions to loan loss provisions	-8,603	-4,195	>100.0
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	8,246	1,732	>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	11	61	-82.0
12. Net income from shares in associates	-244	-693	-64.8
13. Result from ordinary activities	-3,830	8,013	-
14. Extraordinary result	0	6,569	-100.0
15. Taxes on income	-288	-2,272	-87.3
16. Other taxes not included in item 8	-87	27	-
17. Net profit for the period before minority interest	-4,205	12,337	-
18. Net profit attributable to minority interest	-196	-392	-50.0
19. Net profit for the period	-4,401	11,945	-
20. Retained profits/accumulated losses brought forward	1,940	8,506	-77.2
21. Consolidated net profit	-2,461	20,451	-

A negative result from ordinary activities of €9.0 million was reported for the third quarter of 2011. Therefore, a pre-tax loss remains for the first nine months of the financial year totalling €3.8 million.

Because Baader Bank values all securities at market prices, write-downs resulted at 30 September 2011 in the amount of €15.8 million. After adjusting for the impact of these write-downs, there was a significant positive operating result despite higher administrative expenses.

The increase in administrative expenses must be seen as an investment in the future of Baader Bank. It reflects the start-up costs associated with the expansion of the Customers and Products business area. Personnel expenses increased by 4.2%. The 14.1% increase in materials costs and related overheads is connected with this change. Depreciation and amortisation rose primarily because of newly acquired order books and the OBS banking software.

Turning to the subsidiaries, Baader & Heins Capital Management AG and N.M. Fleischhacker AG continue to make very encouraging contributions to results.

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 reported tax on income at 30 September 2011 results from the positive contribution to results from the subsidiaries.

The Group employed a total of 412 people at 30 September 2011 (30 September 2010: 367).

Earnings per share amount to €-0.10 (previous year: €0.26).

Financial position

As of 30 September 2011, short-term receivables and marketable securities available for sale amounted to €423.6 million, while short-term liabilities totalled €140.9 million. Netting out these items results in a liquidity surplus on the balance sheet of €282.7 million. The Group's solvency was guaranteed at all times during the reporting period.

Outlook

The Executive Board expects that the debt crisis in several European countries and the USA will continue to have an impact on the capital markets in the coming years. The loan and guaranty programs that were recently put together for Greece and the other debt sinners merely bought some time. Their sovereign debt problems were not resolved, just postponed into the future. Furthermore, this measure is a further step towards a transfer union, which constitutes an attempt to thwart the workings of the market. We firmly believe that this will have dire consequences over the long term.

Despite the difficult market conditions, we expect that Baader Bank will maintain its leading role as an owner-managed investment bank. Strategically, it is essential to develop the Customers and Products business area into a second strong line of business in order 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 in Unterschleißheim. The building is scheduled to be completed in late 2012.

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. The fact that we are dealing with politically influenced capital markets makes an assessment of the future difficult.

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 positive results also beyond 2011.

Unterschleißheim, 2 November 2011

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