



**Quarterly Report  
Q1 2012**

## Overview of key figures

		01/01 – 31/03/2012	01/01 – 31/03/2011	Change in %
Net interest income	€ million	1.52	1.48	2.3
Net fee and commission income	€ million	9.69	9.49	2.1
Net income of the trading portfolio	€ million	15.16	20.28	-25.3
Administrative expense	€ million	-25.79	-26.36	-2.2
Net profit for the year	€ million	8.84	4.13	114.2
EPS	€	0.20	0.09	122.2
<b>CONSOLIDATED BALANCE SHEET</b>				
		31/03/2012	31/03/2011	Change in %
Shareholders' equity	€ million	113.54	105.03	8.1
Total assets	€ million	574.56	535.82	7.2
<b>KEY BUSINESS FIGURES</b>				
		31/03/2012	31/03/2011	Change in %
Employees		416	400	4.0
Order books	Number	680,335	483,905	40.6
<b>BAADER BANK SHARE PRICE</b>				
		01/01 – 31/03/2012	01/01 – 31/03/2011	Change in %
Highest price	€	2.29	3.42	-33.0
Lowest price	€	1.83	2.80	-34.7
Closing price (31/03)	€	2.11	3.07	-31.4
Market capitalisation (31/03)	€ million	96.87	141.12	-31.4
Shares turnover (daily average)	Number	5,437	16,284	-66.6

## **Review**

Development in international capital markets in the first quarter of this year benefited from the debt crisis easing in Europe and better than expected economic data, particularly in the USA. As a result, global share markets experienced extremely positive development in the first quarter of 2012. As well as the DAX – the leading index in Germany – the US S&P 500 and EURO STOXX 50 indices also grew. On occasions the DAX gained more than 20% compared to its closing value for 2011.

The European Central Bank's generous provision of funds to banks led to a noticeable easing of the earlier nervousness on the financial markets. At the end of February, the ECB allocated a second tranche of its three-year loans of over half a trillion euros, having already provided just under 500 billion euros in December. Banks in peripheral European countries made particular use of these funds in order to purchase new government bond issues coming onto the market. This led to a significant improvement in refinancing conditions in countries such as Spain and Italy, which in turn also had a positive impact on the prices of government bonds traded on secondary markets. The absorbing capacity of other areas of the credit market also benefited from the increase in demand.

Particularly in Italy, the positive impact of these measures for liquidity was initially also accompanied by success in terms of reform policy, but at the start of March Spain announced that it would be raising its deficit target for 2012. This meant that the stock markets' positive atmosphere diminished somewhat over the course of the month of March.

Positive share price development on the markets was not reflected in turnover of securities. Stock exchange turnover was in fact characterised by declining volumes. The Frankfurt Stock Exchange, for example, the leading trading centre in Germany, reported a 27.6% year-on-year decline in the order book volume in the first quarter of 2012. This had a negative impact on the trading activities of Baader Bank.

In investment banking, the high-performing sales unit for institutional investors was expanded further and took on additional sales employees dealing specifically with customers from the USA and the United Kingdom. This unit gained further prominent customers and posted consistent operating income in a tough market environment. The Bank also carried out several corporate actions on behalf of companies.

As an owner-operated bank based in Munich, with a focus on German and Austrian companies, Baader Bank has decided to hold an annual conference for companies and investors at its Munich offices. This has been very well received, with 95 German and Austrian companies (15 DAX, 27 MDAX, 22 SDAX, 12 TechDAX/others and 19 Austrian stocks) having already signed up for the Baader Investment Conference in September.

Selected indices (euro basis)	30/12/2010	30/12/2011	31/03/2012	Change
DAX	6,914.19	5,898.35	6,946.83	17.78%
MDAX	10,128.10	8,897.81	10,703.10	20.29%
TecDAX	850.67	685.06	789.87	15.30%
SDAX	5,173.79	4,421.44	5,220.98	18.08%
REXP	390.67	423.06	425.22	0.51%
EURO STOXX 50 P	2,792.82	2,316.55	2,477.28	6.94%
DOW JONES INDUS. AVG	8,661.91	9,427.13	9,910.02	5.12%
S&P 500	940.93	970.37	1,056.46	8.87%
NASDAQ 100	1,659.33	1,757.58	2,066.66	17.59%
NIKKEI 225	94.35	84.74	91.53	8.01%
BRAZIL BOVESPA	31,451.90	23,508.40	26,548.90	12.93%
MEXICO BOLSA	2,335.29	2,053.81	2,314.14	12.68%
RUSSIAN RTS	1,334.75	1,066.26	1,228.42	15.21%
HANG SENG	2,217.27	1,831.44	1,985.81	8.43%
Shanghai SEB	227.70	166.10	172.77	4.02%
SENSEX	343.23	224.56	256.25	14.11%

## Net assets

### Balance sheet as at 31 March 2012

ASSETS	31/03/2012	31/12/2011	Change
	€thousand	€thousand	%
1. Cash reserves	1,162	5,031	-76.9
2. Loans and advances to banks	97,401	85,028	14.6
3. Loans and advances to customers	23,918	21,104	13.3
4. Debt securities and other fixed-income securities	237,538	213,095	11.5
5. Equities/other non-fixed-income securities	500	500	0.0
6. Trading portfolio	117,303	117,652	-0.3
7. Equity investments	1,560	1,560	0.0
8. Interests in associates	4,399	4,479	-1.8
9. Intangible assets	40,686	42,068	-3.3
10. Property, plant and equipment	32,339	28,975	11.6
11. Other assets	12,832	11,933	7.5
12. Prepaid expenses	1,021	1,504	-32.1
13. Positive difference from offsetting	3,897	2,891	34.8
<b>Total assets</b>	<b>574,556</b>	<b>535,820</b>	<b>7.2</b>

EQUITY AND LIABILITIES		31/03/2012	31/12/2011	Change
		€thousand	€thousand	%
1.	Liabilities to banks	76,387	69,685	9.6
2.	Liabilities to customers	331,648	316,602	4.8
3.	Trading portfolio	6,983	1,909	>100,0
4.	Other liabilities	7,078	3,642	94.3
5.	Deferred income	7	0	-
6.	Provisions	8,817	8,851	-0.4
7.	Deferred tax liabilities	0	0	0.0
8.	Fund for general banking risks	30,100	30,100	0.0
9.	Shareholders' equity	113,536	105,031	8.1
	<b>Total equity and liabilities</b>	<b>574,556</b>	<b>535,820</b>	<b>7.2</b>

As of 31 March 2012, total assets increased by 7.2% compared to 31 December 2011 and now total €574.6 million. This development was primarily a result of the rise in customer deposits due on demand and of the increase in shareholders' equity due to the positive net result for the quarter. On the assets side, growth in total assets affects cash and cash equivalents and the debt securities item. Baader Bank took advantage of the recovery of bond markets in the first quarter of 2012 by optimising its bond portfolio further and reducing significantly its portfolio of bonds issued by the GIIPS nations.

BAM Berlin Asset Management GmbH left the group of associated companies in the first quarter of 2012. This was due to the sale of the shares held by Baader Bank to a former owner of the company.

Property, plant and equipment experienced constant growth thanks to the progress made in the expansion of Baader Bank's offices in Unterschleißheim. The new construction has been financed through loans and the Bank's own liquidity reserves.

As at 31 March 2012, the Group had shareholders' equity of €113.5 million (31 December 2011: €105.0 million). The fund for general banking risks in accordance with Section 340g of the German Commercial Code (HGB) totalling €30.1 million increases the Bank's equity accordingly. The equity ratio is 19.8%. The change in shareholders' equity mainly corresponds to the net balance from net profit for the first three months of the 2012 financial year in the amount of €8.9 million and the dividends distributed by subsidiaries to minority shareholders.

Overall, the net assets of the Group remain in order.

## Results of operations

### Income statement from 1 January to 31 March 2012

INCOME STATEMENT	01/01 –	01/01 –	Change
	31/03/2012	31/03/2011	
	€ thousand	€ thousand	%
1. Net interest income	1,517	1,483	2.3
2. Current income from			
a) Shares	208	90	>100,0
b) Equity investments	0	0	-
	208	90	>100,0
3. Net fee and commission income	9,692	9,489	2.1
4. Net income of the trading portfolio	15,157	20,279	-25.3
5. Other operating income	181	215	-15.8
6. Administrative expense			
a) Personnel expenses	-13,919	-14,948	-6.9
b) Other administrative expense	-9,886	-9,468	4.4
	-23,805	-24,416	-2.5
7. Amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment	-1,988	-1,948	2.1
8. Other operating expenses	-54	-218	-75.2
9. Income from reversal of write-downs charged on loans and advances and certain securities and from the reversal of provisions in the lending business	9,255	147	>100,0
10. Net income from interests in associates	24	-88	-127.3
12. Net income from ordinary activities	<b>10,187</b>	<b>5,033</b>	>100,0
13. Extraordinary income	0	0	-
14. Income taxes	-1,258	-817	54.0
15. Other taxes if not reported under Item 8	-29	-28	3.6
16. Net profit for the year excluding minority interests	<b>8,900</b>	<b>4,188</b>	>100,0
17. Net income attributable to minority interests	-57	-60	-5.0
18. Net profit for the year	<b>8,843</b>	<b>4,128</b>	>100,0
19. Profit/loss brought forward from the previous year	2,388	7,386	-67.7
20. Consolidated income	<b>11,231</b>	<b>11,514</b>	-2.5

Net income from ordinary activities was €10.2 million for the first quarter of 2012, meaning that Baader Bank was able to double its pre-tax result compared to the same quarter of the previous year. The same applies to the €8.9 million net profit for the year after taxes. The recovery of bond market prices was a key factor in this big leap in profits.

As a result of the decline in trading activities, net trading income fell by 25.3% year-on-year. Net interest income and net fee and commission income remained around the same level as the previous year.

Personnel expenses declined again for the first time in a long while, even though the number of employees continued to rise. This was made possible primarily thanks to the Bank's flexible remuneration model geared towards the operating result of the Bank. Against the backdrop of increasing requirements in terms providing employees with the required equipment and making sure they have the necessary qualifications, the Bank endeavoured to ensure strict cost discipline. This is demonstrated by the fact that other administrative expenses only rose by a small amount.

Baader & Heins Capital Management AG and N.M. Fleischhacker AG remain subsidiaries of the Bank, generating very pleasing contributions to profits.

Tax expense represents the actual amount of tax charged to the Group after offsetting loss carryforwards.

As of 31 March 2012, 417 people were employed by the Group (31 March 2011: 400).

Earnings per share amounts to €0.20 (previous year: €0.09).

### **Financial position**

On 31 March 2012, the Bank had current receivables and available-for-sale marketable securities totalling €460,055 thousand compared to current liabilities amounting to €151,319 thousand. This results in a net liquidity surplus on the balance sheet of €308,736 thousand. The Group's liquidity was ensured through the entire reporting period.

### **Outlook**

At the end of the first quarter of 2012 and at the beginning of April, share markets began to lose ground again, driven by weaker US labour market data and the fear of a slowdown in the Asian economy. There is also growing uncertainty as to whether the EU debt crisis will worsen yet again. Investors are continuing to focus their attention on political signals.

In international terms, the two upcoming presidential elections in France and the USA as well as debate surrounding Iran as one of the largest exporters of oil in the world, and the possibility of military intervention in this region, are the defining issues on the capital and financial markets. Iran in particular is a potential source of conflict and could continue to affect the price of oil and therefore the rate at which prices increase. In view of these market conditions and political uncertainty, turnover on the stock markets is in danger of remaining at a low level.

The Bank is consistently pursuing its growth strategy in investment banking, focusing on the German and Austrian markets. As such, six additional analysts will join the team from April and May, covering the automotive, chemicals, steel and metal, software & IT services, technology hardware and small & mid-caps sectors. This will bring the number of senior analysts in research up to 12. In the medium term, around 150 stocks in Germany and Austria will be regularly analysed and monitored.

The aim is to gain additional market share in both the primary and secondary markets and to establish Baader Bank as a powerful investment bank in the Munich financial centre.

Unterschleissheim, 24 April 2012  
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