BAADER

Annual Report 2010

Table of Contents

Group Management Report

1. Business and general conditions

The market

2010 was characterised by a period of strong economic growth of 3.6%, which pulled the German economy out of its most severe recession since World War Two. Nevertheless, economic output still lagged around 1.3% behind the level achieved in Germany before the economic and debt crisis broke out. The public sector in the Federal Republic of Germany posted a record financing deficit of EUR 88.6 billion in 2010, which is equivalent to 3.5% of the gross domestic product.

The measures taken by central banks and the European Union in 2010 to combat the debt crisis throughout Europe are unparalleled. The EU for example extended a massive safety net comprising funds of EUR 750 billion for eurozone countries mired in debt. The precautions taken against the debt crisis were accompanied by purchases of government bonds and money market operations by the European Central Bank (ECB).

Flooding the markets with capital in this manner contributed to making 2010 a good year on the whole, at least for German equities. The German equity index, the DAX, climbed 16.1% yoy to 6914. The MDAX ended the year at 10,128, which represents an increase of 34.9%. The SDAX soared an impressive 45.8% to 5,173, while the TecDAX rose 4.0% to 850. The REXP bond index ended 2010 at 390.7, a gain of 4.0%.

The European DJ Stoxx 50 index went in the opposite direction, falling 5.8% to 2,793. The DowJones index managed to rise 17.7% over the year compared to end-2009, while the Nasdaq 100 increased 26.6%. The S&P 500 posted an annual gain of 19.8%. Based on the Nikkei 225 the Tokyo stock exchange closed 2010 up by 18.6%. Taking a look at the BRIC countries, Brazil's BOVESPA index closed the year with an increase of 14.5%. The Russian equity index (RTS) climbed 18.5%, the Sensex index in India soared 32.7%, while the SSEB equity index in Shanghai, China registered an impressive gain of 29.1%. The Hang Seng index in Hong Kong rose 14.7%, while the Bolsa index in Mexico was up by 34.8% (all data in euro terms).

All told, while order-book turnover on all German stock exchanges rose 13% to EUR 1.48 trillion, volumes on intermediary-based exchanges in Germany contracted by 4% to EUR 240 billion.

The number of shareholders continues to fall, in spite of the rising equity indices. According to a study by German think tank and research group Deutsche Aktieninstitut (DAI), the number of shareholders and equity fund unit-holders in Germany fell marginally again in the first six months of 2010 from 8.8 to 8.6 million.

Market position of Baader Bank AG

Two transactions in 2010 confirmed that Baader Bank continues to play a proactive role in the consolidation of this market sector. Effective 1 June 2010 Baader Bank took over Joachim Grützner Börsenmakler GmbH in Frankfurt. The order books taken on from Grützner include a variety of international equities such as BNP Paribas, Goldfields, HSBC Holdings, Rio Tinto, Mediobanca, Newcrest Mining and Peugeot, which fit seamlessly into the portfolio managed by Baader Bank on the Frankfurt stock exchange.

In November 2010 Baader Bank also reached an agreement with Bid & Ask Financial Services mbH (Nuremberg), Hordoff GmbH (Frankfurt) and Mercurius Handelsbank GmbH (Frankfurt) regarding the takeover of the 120 order books of these three market makers immediately after the Xetra specialist model is adopted on 23 May 2011.

Baader Bank has played an active role in organising the forward-looking migration of Xontro-based trading on the Frankfurt stock exchange to the Xetra 2 trading platform. The specialist model combines the best of both worlds: the pricing of market makers and the electronic Xetra platform with its international connections.

In other respects, Baader Bank cemented its leading market-making position on the exchanges in Munich and Berlin, and was also successful in reinforcing its position on the Düsseldorf stock exchange, where

Baader Bank is the leading market maker for bond trading. On the Stuttgart stock exchange the Bank is a Quality Liquidity Provider and continues to enjoy success in trading international equities and participation certificates.

Although Baader Bank lost some market share in trading securitised derivatives on the Scoach certificates exchange in Frankfurt, it still maintained its leading position among the specialists on this platform. Encouragingly, the trauma of the Lehman bankruptcy seems to have been overcome since the autumn, resulting in growing turnover with certificates. Generally speaking the share of trading on stock exchanges is falling when compared to off-exchange trading.

Against a background of radical developments on the global finance markets, the resulting record highs on the bond futures market and the all-time low of current yields, bond trading at Baader Bank enjoyed a successful 2010. This applies both to market-making and institutional brokerage.

For the first time in its history the Bank supported the new issue of a bond by S.A.G. Solarstrom AG. The bond was fully placed on the market.

At the end of 2010, Baader Bank managed 15,337 equity order books (previous year: 14,256). Order books for securitised derivatives such as warrants, certificates and ETFs totalled 337,734 (260,741), order books for bonds and participation certificates 21,490 (18,496) and order books for actively managed funds 6,144 (5,697). In total, the Bank managed 380,705 (299,190) order books as at 31 December 2010, which corresponds to significant growth of 27.2% compared to the previous year.

In addition to market-making activities on exchanges, Baader Bank also expanded its OTC market-making operations, which resulted in the addition of a new partner, DAB bank, for the off-exchange trading of funds. In the partnership with maxblue, the online broker of Deutsche Bank, the range of assets managed was gradually increased to 2,500 equities and approximately 600 bonds. And the clients of S Broker, the central online broker in the association of the Sparkassen Financial Group, have also been able to trade directly with Baader Bank since 2010. This means the Bank provides quotes on S Broker for a total of 2,500 equities in off-exchange trading.

Baader Bank has entered into a strategic partnership with financial services provider Assenagon and ETF broker Crossflow, where the Bank takes on the role of market maker for exchange-traded funds (ETFs).

The areas of Capital Market Services and Equities & Derivatives were reinforced, and for the first time are now supported by a separate research department. This confirms Baader Bank's aspiration to assume a leading position in managing capital transactions of small and medium-sized German businesses as well as in the international brokerage of German stocks. To help achieve this goal Baader Bank has steadily increased the number of employees here and as at 1 January 2011 more than 30 experienced specialists were employed in this area.

The product portfolio for institutional clients was expanded with the Bank's own solution for professional currency trading. The Baader FX Trader enables clients to trade in cash market transactions with G10 currencies.

The 2010 financial year for Baader & Heins Capital Management AG was characterised by a difficult and highly volatile market climate alongside very subdued activity from institutional clients with regard to risky investment products. Nonetheless, the many years of solid customer service helped to keep capital market sales revenue at a high level.

Similarly, KA.DE.GE Kapital.Devisen.Geld Vermittlungsgesellschaft m.b.H succeeded in significantly raising its sales revenue on the money and capital markets thanks to its skilled personnel and many years of excellent customer service, holding its ground on the market and generating a substantial profit again.

The market climate for Conservative Concept Portfolio Management AG (CCPM) in 2010 was not kind for the absolute-return strategies pursued by the company, yet revenues from the brokerage and intermediation of funds remained stable.

Since 31 March 2010 the Baader share price has been determined in the m:access market segment of the regulated unofficial market on the Munich stock exchange. The shares continue to be traded on the open market on all German stock exchanges.

2. Earnings

The following overview comprises the main positions in the income statement for 2010 and 2009 together with respective changes.

	2010	2009	Change	
	€ thousand	€ thousand	€ thousand	%
Net interest income	5,393	2,968	2,425	81.7
Loan loss provisions	-534	-992	458	-46.2
Net fee and commission income	34,468	36,052	-1,584	-4.4
Net trading income	63,675	75,841	-12,166	-16.0
Net profit/loss from available-for-sale financial instruments and companies measured using equity method	1,460	-1,204	2,664	-
Administration expense	-87,173	-89,291	2,118	-2.4
Net operating income	**17,289**	**23,374**	**-6,085**	**-26.0**
Other income/expenses	1,209	345	864	> 100,0
Profit from ordinary activities	**18,498**	**23,719**	**-5,221**	**-22.0**
Tax result	-1,939	-5,120	3,181	-62.1
Net profit before minorities	**16,559**	**18,599**	**-2,040**	**-11.0**

The profit from ordinary activities consists of the various segment results as follows: Market Making and Own-Account Trading €20,086 thousand (previous year: €19,480 thousand), Brokerage €1,523 thousand (previous year: €5,794 thousand), Capital Market Services €-1,566 thousand (previous year: €-2,262 thousand) and Financial Portfolio Management €-1,184 thousand (previous year: €-92 thousand). €-361 thousand (previous year: €799 thousand) relates to the segments of non-attributable consolidation items.

Net interest income rose considerably in comparison to the previous year by €2,425 thousand to €5,393 thousand. This increase is attributable to investing more funds from customer deposits, especially from promissory note loans, into fixed-income securities.

Loan loss provisions comprise write-downs for unrecoverable receivables amounting to €41 thousand, impairments on loans and advances to customers totalling €504 thousand and income from the reversal of impairment amounting to €12 thousand. The impairment on loans and advances to customers mainly originates from the lending business.

Net fee and commission income dipped slightly by €1,584 thousand or 4.4% to €34,468 thousand. The continued decline reflects the ongoing slide in trading volumes as well as the continued changes in market models and settlement procedures on the stock exchanges. These negative factors on net fee and commission income were almost completely negated by the intensive development of the customer business in 2010.

One segment particularly affected was Market Making and Own-Account Trading, down €2,091 thousand to €17,135 thousand (previous year: €19,226 thousand). The Brokerage segment including customer trading transactions, by contrast, benefited from the market trends (€13,307 thousand after €11,049 thousand in the previous year). The restraint shown in the segment of Capital Market Services can still be felt (€541 thousand after €607 thousand in the previous year), while a decline was also registered in the Financial Portfolio Management segment on account of lower income from performance fees (€3,588 thousand after €5,170 thousand in the previous year).

Net trading income was also down in 2010, dropping by 16.0% to €63,675 thousand. This affected the Brokerage segment which posted a loss of 28.3%, and Market Making and Own-Account Trading, which was down by 10.5%. The latter can be attributed first and foremost to lower trading profits from bond trading. This decline is due not only to current interest rate trends and the credit ratings of many issuers, but also to a shift in liquidity to the banking book. For the Brokerage segment the 2010 financial year was above all a period of diminishing business volumes, but margins fared no better.

Net income from available-for-sale financial instruments and companies measured using the equity method totalled €1,460 thousand. This result mainly comprises net gains and losses from the sale of assets totalling €3,251 thousand and permanent reductions in value amounting to €1,113 thousand. Additionally, the loss on companies measured using the equity method totalled €-693 thousand.

Administrative expenses dropped in comparison to the previous year by €2,118 thousand or 2.4% to €87,173 thousand.

Breaking these expenses down, €52,054 thousand relates to staff costs (previous year: €51,687 thousand), €29,639 thousand to other administrative expenses (previous year: €30,924 thousand) and €5,479 thousand to amortisation and depreciation on intangible assets and property, plant and equipment (previous year: €6,681 thousand). The increase of €367 thousand in staff costs is derived overall from the lower variable salary components and the higher expense on account of the greater number of staff in the Group. Despite the sharp increase in employee numbers, other administrative expenses were reduced thanks to synergy effects. The amortisation of intangible assets and the depreciation of property, plant and equipment are scheduled, and primarily relate to intangible assets and the administrative building in Unterschleißheim.

Other net income is mainly income from the reversal of provisions (€835 thousand), income from the settlement of monetary benefits from the use of company cars for private purposes (€430 thousand) and out-of-period income (€833 thousand).

Other operating expenses relate in particular to out-of-period expenses (€469 thousand), other taxes (€325 thousand), expenses in connection with an investment in India (€237 thousand) and amortisation on the goodwill of direcct AG (€170 thousand).

Taxes reported for the 2010 financial year comprise income taxes for the past financial year amounting to €1,634 thousand, income from accrued interest on corporate tax credits totalling €491 thousand and deferred tax expenses of €796 thousand.

3. Net assets

The following overview displays the main items on the statement of financial position for the 2010 financial year compared to the previous year.

	2010	2009	Change	
Assets	**€ thousand**	**€ thousand**	**€ thousand**	**%**
Cash reserve	2,893	911	1,982	> 100,0
Loans and advances to banks	148,453	66,676	81,777	> 100,0
Loans and advances to customers	34,582	36,892	-2,310	-6.3
Loan loss provisions	-3,408	-3,768	360	-9.6
Assets held for trading	96,498	178,237	-81,739	-45.9
Available-for-sale financial instruments				
a) Equities and participations	12,094	7,086	5,008	70.7
b) Bonds and notes	268,498	39,916	228,582	> 100,0
Interests in companies measured using equity method	4,852	13,836	-8,984	-64.9
Land and buildings	16,865	17,712	-847	-4.8
Other tangible assets	2,254	1,393	861	61.8
Intangible assets and goodwill	49,653	47,132	2,521	5.3
Income tax claims	10,590	11,044	-454	-4.1
Other assets	2,620	3,751	-1,131	-30.2
Deferred tax assets	16,076	19,011	-2,935	-15.4
Total assets	**662,520**	**439,829**	**222,691**	**50.6**
Equity and liabilities				
Liabilities to banks	74,669	31,605	43,064	> 100,0
Liabilities to customers	379,611	194,617	184,994	95.1
Assets from trading activities	2,935	824	2,111	> 100,0
Provisions	10,711	11,757	-1,046	-8.9
Income tax liabilities	63	880	-817	-92.8
Other liabilities	16,257	16,289	-32	-0.2
Deferred tax liabilities	4,248	6,295	-2,047	-32.5
Equity	174,026	177,562	-3,536	-2.0
Total equity and liabilities	**662,520**	**439,829**	**222,691**	**50.6**

Total assets rose in the reporting year by €222,691 thousand or 50.6% to €662,520 thousand.

The cash reserve mainly comprises deposits with the Deutsche Bundesbank.

Loans and advances to banks principally contain the deposits required to execute stock market transactions. The increase here of €81,777 thousand to €148,453 thousand is largely attributable to the continuous increase in Group liquidity and margin payments for customer trading transactions.

The latter is closely related to the rise in liabilities to customers by €184,994 thousand, whereby €78,212 thousand pertains to customer deposits. This is caused by the increased demand for trading alternatives in derivative products.

Loans and advances to customers remained essentially unchanged on the previous year at €34,582 thousand, and Baader Bank AG also has no plans to expand its lending business in the future.

Assets held for trading largely comprise listed shares and bonds. The sharp decline in trading assets is mostly the result of sold treasury positions and the reinvestment of these funds in the banking book.

Available-for-sale financial instruments comprise shares and other variable-yield securities amounting to €10,520 thousand, participations totalling €1,573 thousand as well as bonds and notes amounting to €268,498 thousand. The increase in shares and other variable-yield securities is primarily due to the reallocation of assets to cover pension provisions.
The sharp rise in bonds and notes by €228,582 thousand was caused by the development and expansion of the treasury portfolio in the banking book, as previously outlined to some extent under trading assets. This is generally where liquidity is invested in instruments with residual terms of more than 15 months. Under equity and liabilities, accordingly, long-term liabilities to customers increased by €99,130 thousand in 2010 due to the inclusion of promissory note loans.
The decline in ownership interests is mostly attributable to measurements. The interest in Parsoli Corporation Ltd., Mumbai was completely written off.

The interests in companies measured using the equity method relate to the ownership interests in Gulf Baader Capital Markets S.A.O.C., Muscat, and in BAM Berlin Asset Management GmbH, Berlin. The fund units in Sherpa Absolute Return AMI were sold.

Land and buildings only consist of the administrative building in Unterschleißheim, which was occupied in 2002.

The change in intangible assets and property, plant and equipment by a total of €3,382 thousand to €51,907 thousand is largely attributable to the scheduled amortisation and depreciation in the financial year amounting to €4,621 thousand and unscheduled amortisation (goodwill) amounting to €170 thousand, as well as additions totalling €8,536 thousand. €4,275 thousand of the asset additions relates to payments on account for the new core banking system of Baader Bank AG, which is expected to be launched in 2011 Q2, while a further €774 thousand comprises the first advance payments for a significant extension to the administrative building in Unterschleißheim. The construction work begins in the first quarter of 2011.

Tax assets largely comprise the capitalisation of the present value of corporate tax credits in the Group amounting to €9,575 thousand.

Other assets mainly comprise receivables from brokerage fees and price differences totalling €1,341 thousand, as well as prepaid expenses and accrued income amounting to €553 thousand.

Liabilities to banks as at 31 December 2010 chiefly comprise margin payments for derivative customer transactions totalling €32,599 thousand, loans drawn to refinance the administrative building amounting to €10,657 thousand, and liquidity received as part of the Deutsche Bundesbank tender procedure totalling €20,000 thousand.

Liabilities to customers represent overnight customer deposits as well as promissory note loans issued.

Liabilities from trading activities only comprise trade payables from short sales of securities amounting to €2,935 thousand.

Provisions were mainly for pension liabilities amounting to €9,363 thousand.

Other liabilities predominantly comprise accrued liabilities from staff costs totalling €9,269 thousand as well as trade payables amounting to €5,491 thousand.

Equity capital fell by €3,536 thousand or 2.0% from €177,562 thousand to €174,026 thousand. The company has a competitive equity ratio of 26.3%, which paves the way for continued growth. The change in equity capital is largely the result of the dividend payment totalling €5,900 thousand, the profit after tax amounting to €16,245 thousand and the change in the revaluation reserve of €-14,717 thousand.

4. Financial position

Liquidity was ensured throughout the entire reporting period. As at the reporting date the Bank had cash reserves of €2,893 thousand, short-term loans and advances to banks amounting to €159,783 thousand and available-for-sale trading assets and available-for-sale financial instruments totalling €364,996 thousand offsetting current liabilities to banks and liabilities to customers amounting to €253,264 thousand. This result in a net liquidity surplus on the balance sheet of €274,408 thousand (previous year: €188,949 thousand).

On the reporting date the Group had committed but unutilised credit lines of €80,000 thousand.

The acquisition of Joachim Grützner Börsenmakler GmbH as at 1 June 2010 led to an outflow of liquidity in the 2010 financial year of €1,643 thousand. Significant advance payments were also made for intangible assets (banking software) and the new administrative building totalling €5,345 thousand.

Baader Bank accepted promissory note loans which led in the 2010 financial year to proceeds of €99,130 thousand.

Overall, the Group's earnings and financial positions and the results of operations all remain stable.

5. Subsequent events

In a contract dated 31 January 2011 Baader Bank AG took over the interest of Conservative Concept Portfolio Management AG in direcct AG, amounting to 25% of the share capital. This makes Baader Bank AG the sole shareholder of direcct AG. The acquisition of this interest was made with the aim of merging direcct AG with Baader Bank AG in the course of 2011.

6. Declaration in accordance with Section 312 AktG

In accordance with Section 312 AktG the Board of Managing Directors prepared a dependent company report, which concludes with the following declaration:

"According to the circumstances known to the Board of Managing Directors at the time when legal transactions or other measures listed in the dependent company report were carried out, Baader Bank AG received appropriate consideration for such transactions or measures. The Bank was not adversely affected by any measures taken or not taken. All reportable transactions were approved by the Board of Managing Directors, and approved by the Supervisory Board to the extent required by the Articles of Association or the Rules of Procedure of Baader Bank AG, and listed in this dependent company report."

7. Non-financial performance indicators

Employees

In the reporting year the number of staff employed by the Group increased from 343 to 389 as at the reporting date. There are 108 female staff and 281 male staff among the Group's employees, who come from 16 countries.

The Baader Group places particular emphasis on the high qualifications and further education of its staff. In this context, HR work in 2010 focused on furthering specialists and junior managers.

The range of additional social benefits for staff members enhances the appeal of Baader Bank as an employer. For example, the Baader Group grants all members of staff voluntary financial support of €10 thousand when they have a child, which resulted in the payment of €170 thousand in 2010.

With its own provident fund, Baader Unterstützungskasse e.V., the Group has an independent social institution that can guarantee post-employment benefits within the context of occupational pensions to all Group employees.

The management would like to thank all employees for their commitment and loyalty shown over the past financial year.

Environmental report

The services of Baader Bank and its subsidiaries have no material impact on the environment in any way. Within the Bank, great emphasis is placed on conserving production resources (copy machines, printers and other office equipment) and consumables. The new head office in Unterschleißheim was constructed in line with state-of-the-art ecological principles, especially with regard to water, heat and air-conditioning, and is managed accordingly.

8. Branch report

Baader Bank AG's administrative centre is located in Unterschleißheim. In addition the Bank also has branches in Düsseldorf, Frankfurt am Main and Stuttgart.

9. Risk report

1. Principles of risk management

The 2010 financial year was marked by the intensifying debt crisis in the PIIGS countries as well as ongoing concerns about credit ratings and growing uncertainty among market participants. After the downgrade of Greece’s credit rating to non-investment grade status, a bail-out package was eventually required to ensure the country remained solvent. The unrest on the markets seized other heavily-indebted eurozone countries, which put the single currency under immense pressure. Around the middle of the year, the spotlight fell on Spain and, to a lesser degree, on Portugal and Ireland, after some Spanish banks, especially savings banks, encountered obvious difficulties in refinancing. And at the end of November, Ireland was also forced to turn to the EU for financial assistance. Risk premiums for Greek, Irish, Portuguese and Spanish government bonds in particular rose sharply once more.

Under such challenging market conditions as were observed in 2010, the quality of a bank's risk management system takes on a renewed significance. In particular, procedures designed to recognise risks at an early stage help to identify borrowers in good time whose commitments are starting to display signs of increased risk. In the past financial year Baader succeeded in expanding its internal early warning system which put it in a position to introduce counter measures at the earliest possible stage. Consequently, the sharp increase in CDS spreads, especially for Irish, Portuguese and Greek banks and businesses, prompted a marked reduction in the limits for issuers. In this respect, Baader risk management focuses on ensuring Baader Bank is able to bear risks at all times so that even in historical and hypothetical stress scenarios the risk-bearing capacity is ensured at all times.

On 15 December 2010 the Federal Financial Supervisory Authority (BaFin) published the latest version of its Minimum Requirements for Risk Management (MaRisk). The main new features dealt with issues such as strategies, risk-bearing capacity, risk concentrations and stress tests as well as liquidity risks. All the changes must be implemented in full by the end of 2011.

2. Strategies and risk-bearing capacity

At the end of every financial year a strategy meeting is held with the Board of Managing Directors and the head of risk controlling to develop the business strategy and an aligned risk strategy for the coming financial year for the Baader Group. During this process the Board of Managing Directors defines the main external influencing factors and lays down assumptions regarding their development. This is then used as a basis for determining the business strategy, including the goals for the core business activities.

Based on the available capital for risk coverage and this business strategy, risk controlling elaborates a proposal for the risk capital required, which is submitted to the Board of Managing Directors. The Board then reaches a decision on the risk capital required in view of its own risk aversion policy, its allocation to the individual types of risk and hence the limits for the following financial year. These limits represent the maximum limits for losses in respect of the given type of risk. A decision is made by the Board of Managing Directors on the business and risk strategy and the risk capital provided, in consultation with the Supervisory Board.

The risk-bearing capacity of the Baader Group is determined by risk controlling on a quarterly basis at least – more frequently if necessary – and compared with the potential risk. The total risk potential from all material types of risk must never exceed the capital for risk coverage as provided by the Board of Managing Directors. The following types of risk are considered material by the Baader Group and are covered with risk capital: default risks, market price risks, operational risks and measurement risks. In view of the problems faced when quantifying the risk potential of liquidity risks, risk capital is currently only provided for market liquidity risk. Any excess losses from this type of risk are covered by the available risk capital reserve.

3. Internal control system

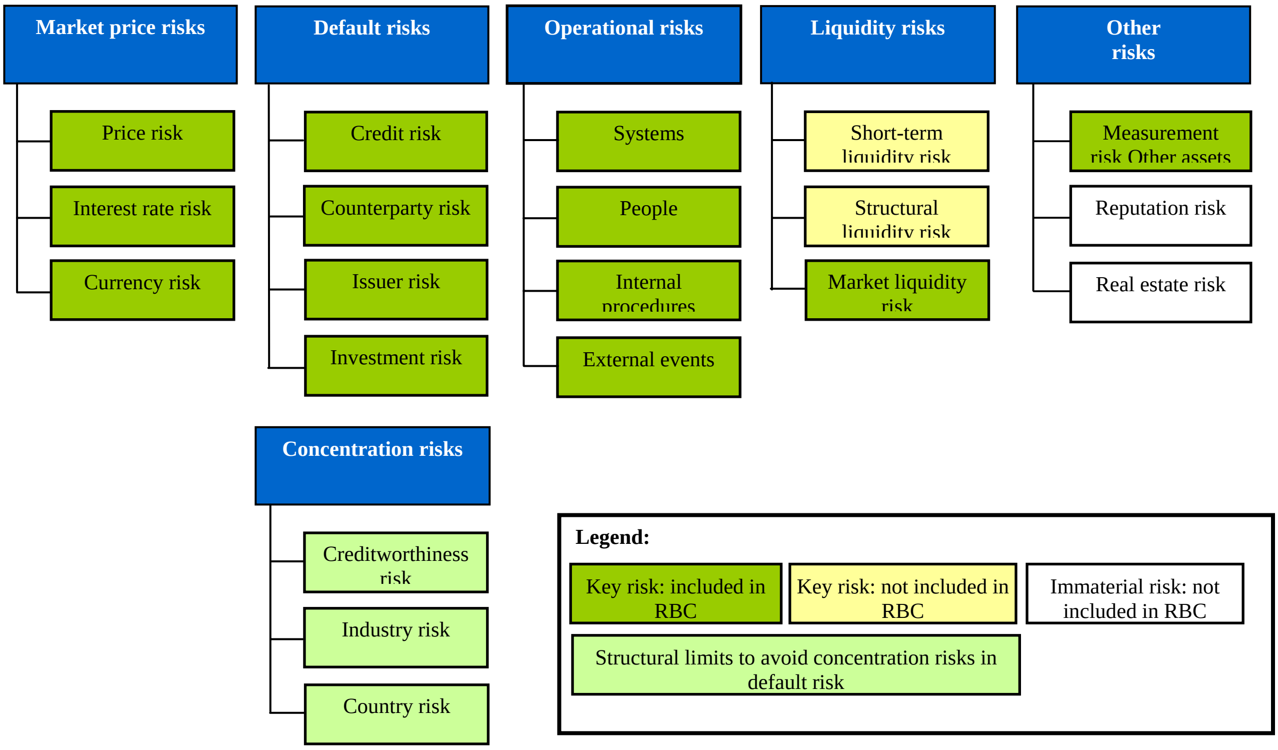
The internal control system set forth in accordance with MaRisk is divided into structural and process organisation, risk management and risk control processes as well as stress tests. An integral part of the structural and process organisation is the separation of functions. This ensures that incompatible activities are carried out by different employees. Moreover, the Baader Group has set up appropriate risk management and controlling processes which ensure the identification, assessment, management, monitoring and communication of the key risks in accordance with the requirements of MaRisk. These processes are as follows:

- The **identification** of new risks is taken into account as part of the risk strategy and, from an operational perspective, in the "Activities in new products and new markets" process. In so doing the business segments concerned examine the planned activities and identify the relevant risk content. Existing activities are reviewed on an ongoing basis.
- The **risk assessment** is carried out based on detailed analyses in the Risk Controlling department, which then develops a concept to manage and monitor these risks together with the Trading/Market division, before presenting it to the Board of Managing Directors. The identified risks are quantified using a value-at-risk concept and their unexpected losses are compared with the capital for risk coverage of the Baader Group. This also involves a regular examination of the Bank's risk-bearing capacity.
- The permanent addition of risks to the limit system enables the Trading division to **manage** these risks and Risk Controlling to **monitor** them.
- **Communication** takes on the form of daily reports and timely notifications of limit overruns to competent staff in the Trading/Market division and the Board of Managing Directors.

These processes ensure that material risks are identified early, fully captured and managed and monitored in an appropriate manner. Additionally, the processes are regularly reviewed and adapted to the changing conditions in good time.

Below is a brief description of the risk types considered material:

Overview of risk types (MaRisk AT 2.2 (1))



The following changes were made in 2010 regarding the assessment of the materiality of risks: concentration risks were included under default risks in accordance with MaRisk. These sub-divide into credit rating, sector and country risks. All of the transactions relevant for concentration risk are now taken into account for default risks and the risk capital provided in this respect; consequently, no additional risk capital is needed for concentration risks.

Default risks

With default risks a distinction is made between credit risks, counterparty risks, issuer risks and investment risks. Here, an overall limit per borrower unit is determined based on credit rating reviews for credit, counterparty and issuer risks. Credit rating checks at Baader Bank are carried out based on an internal rating procedure. The utilisation of limits is monitored daily per borrower unit and reported by Risk Controlling to the Board of Managing Directors. There is a special escalation procedure for limit overruns. The individual sub-categories of default risk are explained below:

As part of the lending business as defined in Section 1 (1) No. 2 KWG (German Banking Act), private and corporate customers are granted (non-genuine) Lombard loans against collateral. This collateral generally consists of listed securities whose lending value is set at an extremely conservative level or bank guarantees. The following table displays lending commitments as at 31 December 2010:

	Total lending commitments in € million	Drawdowns in € million	Overdrafts incl. SLLP in € million	Total drawdowns in overdrafts in € million	Unutilised lending commit-ments in € million	Valued collateral in € million	Loan loss provisions in € million
Private customers	12.29	10.49	3.68	14.17	1.80	9.97	**3.41**
Corporate customers	1.00	0.88	0.22	1.10	0.12	1.00	**0.00**
TOTAL	**13.29**	**11.37**	**3.90**	**15.27**	**1.92**	**10.97**	**3.41**

Furthermore, only money market investments at banks are made as part of the lending business.

When trades are settled a counterparty risk can arise if a trading partner fails to fulfil all of its obligations. A distinction must be made here between the replacement risk in the event of default by the counterparty and the resulting non-performance of the concluded transactions, on the one hand, and the advance payment risk that can arise from transactions not settled as delivery-versus-payment transactions, on the other.

Baader Bank only trades in derivatives on derivatives exchanges. However, because the Bank is not a clearing member of these exchanges, the transactions between Baader Bank and the given clearing member must be settled. A default risk arises from the settlement claim vis-à-vis the clearing member in the form of a replacement risk vis-à-vis the clearer.

By contrast, when settling/brokering promissory note loans where Baader Bank plays the role of counterparty as part of the purchase agreement, an advance payment risk arises given that the payment and the transfer of the instrument do not take place at the same time. For Baader Bank this risk only exists vis-à-vis the seller of the promissory note loan and lasts for the period between the payment and the transfer of the instrument.

Issuer risk is understood to mean the risk of a downgrade in creditworthiness or default of an issuer. A loss from an issuer risk results in the impairment of equities, bonds and certificates from this issuer. The credit rating of the given issuer thus results in a corresponding default risk.

In addition to the limitation per borrower unit, risk capital is also provided for the default risk. Risk exposures weighted with credit ratings are compared on a daily basis with the risk capital provided, and reported to the Board of Managing Directors as part of daily reporting. In the event of an overrun, an escalation procedure is launched that leads to individual measures decided upon by the Board of Managing Directors. In terms of the provision of risk capital, however, issuer risk is the exception. In this case a loss from the impairment of securities of the issuer is taken into account in the daily profit and loss calculation and hence reduces the corresponding market price limits as part of the market price and the risk capital provided.

Investment risk is subject to special monitoring. The risk of strategic investments is determined using market prices and specific analyses (discounted cash flow, peer group), regularly monitored and offset against the risk capital provided for this purpose.

The following default risks with unexpected losses were assessed as at 31 December 2010:

in € thousand	**Net Exposure**	**Unexpected losses (IRBA Exposure)**
Trading transactions		
Loans and advances to banks	122,331	1,674
Advance payment risk	25,996	663
Replacement risk	36,182	335
Issuer risk Treasury	302,274	9,436
Lending transactions		
Corporate customers	66	2
Private customers	1,143	12
of which: employees	554	4

Additionally, default risk comprises the monitoring of concentration risks regarding credit, sector and country risks to identify and oversee possible risk concentrations (concentration risks) at Baader.

Stress tests are carried out on a quarterly basis for default risks of the Baader Group, which include the examination of historical and hypothetical scenarios. The results of the stress tests are reported to the Board of Managing Directors and the Supervisory Board in the MaRisk Report and are also taken into consideration for risk-bearing capacity.

Market price risks

Market price risk is the risk of fluctuations in a given item due to changes in market prices, such as share prices, exchange rates, interest rates and volatility. At the end of the year the trading book contained the following risk positions with fair values in € million:

Cash market		**Forward market**	
Shares	31.21	Options	0.00
Bonds	42.15	Futures	-5.49
Funds, index and fund-linked certificates	10.11	Swaps	0.00
Securitised derivatives	0.57		

Market price risks are measured using a value-at-risk model based on Monte Carlo simulations (generally a one-day holding period with a confidence level of 99%). The input risk parameters are determined using a variance-covariance matrix based on the Bank's own historical data, which is exponentially weighted. Deviating from this, the interest-rate risk at Baader is determined with the help of historical simulations.

The following VaR figures were calculated in previous years in € million:

Value-at-Risk	**2010**	**2009**	**2008**	**2007**	**2006**
Year-end VaR	2.65	1.48	2.34	1.18	0.78
Minimum VaR	1.31	1.15	0.88	0.94	0.68
Maximum VaR	3.99	3.60	2.54	2.58	2.84
Average VaR	2.27	1.91	1.35	1.23	1.19

In accordance with MaRisk, the quality of the VAR model is constantly reviewed as part of a backtesting (clean backtesting) process using the ratio of VaR figures to changes in the position's fair value based on actual price changes. As at 31 December 2010 the number of "outliers" from the backtesting was below the critical limit. Consequently it can be assumed that the outliers were purely coincidental and the model is correct. Furthermore, the model is reviewed based on "dirty backtesting". This involves the actual daily earnings being compared with the value-at-risk figures in the trading segments.

Stress tests are also carried out for market price risk on a quarterly basis, which include the examination of historical and hypothetical scenarios. The results of the stress tests are reported to the Board of Managing Directors and the Supervisory Board in the MaRisk Report and are also taken into consideration for risk-bearing capacity.

Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This also includes legal risks, but strategic and reputational risks are excluded.

Risk Controlling evaluates risk potential for the Baader Group, i.e. operational risks are identified and assessed, by using questionnaires to be completed by Op Risk managers and special self-assessments. The findings from the information collected are first presented to the Security Committee of Baader Bank, which proposes measures to the Board of Managing Directors. Where necessary, the Board of Managing Directors orders the Security Committee to implement the measures. The findings are included in the quarterly MaRisk report to the Board of Managing Directors and the Supervisory Board.

In addition to completing the questionnaires, the operational risk managers are responsible for reporting any damage or losses sustained from operational risks. The causes of significant losses are immediately analysed. Any resultant measures are also reported on a quarterly basis in the MaRisk report. In the 2010 financial year losses totalling €1,683 thousand were reported. The highest individual loss amounted to €916 thousand and can be classified under the Basel II category of External Fraud.

Quarterly stress tests are carried out for operational risk, which include the examination of historical and hypothetical scenarios. The results of the stress tests are reported to the Board of Managing Directors and the Supervisory Board in the MaRisk Report and are also taken into consideration for risk-bearing capacity.

Measurement risks

Measurement risk is understood as the risk that the fair value of individual items on the statement of financial position could fall, thus necessitating impairment. Given that special assets such as capitalised order books are subject to the risk of impairment, this risk is considered material and thus backed by risk capital.

Liquidity risks

With liquidity risk it must be ensured that existing payment liabilities can be met at any time. In this context we have to distinguish between market liquidity risk, short-term liquidity risk and structural liquidity risk.

Market liquidity risk is the result of low market liquidity in individual trading products, which means that transactions in these products are impacted or impossible. Baader has a multi-level concept in place to manage market liquidity risk, which enables the Board of Managing Directors to identify risky positions and introduce measures to mitigate the risk. Market liquidity risk is quantified on the basis of expert estimates and is covered as required by risk capital.

Short-term liquidity risk on the other hand refers, for example, to the risk that credit commitments could be used unexpectedly, deposits could be withdrawn unexpectedly or capital commitment periods of lending transactions are extended without notice. This can have an effect on the ability of the Bank to meet its payment obligations. However, due to the unique nature of this risk it makes no sense to quantify and therefore allocate risk capital. Accordingly, emphasis here is placed on the quality of risk management processes. Short-term liquidity management at the Bank is carried out by the Treasury department. A liquidity status showing the current liquidity situation is generated on a daily basis and used to monitor potential bottlenecks. Short-term liquidity requirements are also secured by various credit lines and refinancing facilities at the German Bundesbank.

Structural liquidity risk refers to the risk that refinancing costs could increase on account of a possible negative rating migration. Following a deterioration in creditworthiness, deposit transactions can only be concluded under worse terms and conditions. In addition, market-driven changes can have a major influence: if the market interest rate increases, refinancing generally becomes more expensive. In managing structural liquidity risk the medium to long-term liquidity surplus of the Bank is calculated and reported on a regular basis, and used to manage excess liquidity and make corresponding investment decisions. In contrast to the short-term liquidity risk, here the refinancing risk can be quantified.

10. Forecast report

In 2010 Baader Bank defended its position as the leading specialist in securities trading in Germany. For some years now the Bank has successfully pursued a strategy of offering supplementary services around its core competence of securities trading, and thus generating new areas of revenue. This is seen particularly with the ongoing expansion of the fields of Capital Market Services and Equities & Derivatives

The Bank has set itself the goal of raising the number of order books and its market share on German stock exchanges. It is assumed that falling margins, high investment costs and requirements laid down by supervisory authorities will continue to increase competitive and consolidation pressure within the European financial services sector in 2011. In the coming years the concentration trend among stock exchanges will likely continue. Moreover, the emergence of new OTC trading platforms is also likely to drain available liquidity. In view of its broadly-based position Baader Bank is well prepared for both developments.

The migration of Xontro trading to the Xetra specialist model in May 2011 is set to be crucial for equities trading on the Frankfurt Stock Exchange. Just how much Baader Bank will be able to benefit from this will largely depend on how the pricing model on the stock exchange is shaped in the future. It is already conceivable that higher equity capital or credit costs will make business more expensive for specialists in the future. This is why the trading floor reform is expected to accelerate the consolidation process among traders in the near future – a process that Baader Bank can certainly profit from.

Just how the planned business combination between Deutsche Börse AG and NYSE/Euronext will impact the business of Baader Bank is an unknown factor at this time.

On the bond market there is likely to be a high number of new issues in 2011, particularly in the areas of government bonds and covered bonds. Yet higher refinancing requirements are also expected from the segments of corporate bonds and high-yield bonds. As in previous years the bond trading of Baader Bank will focus on the secondary market.

The high sales from previous years facilitated by the financial crisis are not likely to be repeated. The slow increase in inflation coupled with the positive outlooks on the equity market should make the bond market a more demanding place to be in 2011.

Baader Bank again expects solid sales figures in trading with securitised derivatives in 2011. This forecast is based on the assumption of rising volatility and the fact that acceptance of the certificates business has now risen again after the "Lehman shock". Trading in securitised derivatives should benefit from the growing prices of equities and commodities. Nonetheless, we do assume that the margins for specialists will continue to contract, while competition with off-exchange systems will intensify accordingly.

One of the main challenges for Baader Bank will be driving the areas of Capital Market Services and Equities & Derivatives forward in the short term. The objective here is to assume a leading position in supporting the capital transactions of German small and medium-sized businesses. The same applies to the brokerage business for German equities.

To help achieve this strategic goal Baader Bank had more than 30 experienced specialists employed in this field by January 2011. Since January 2011, the areas of Capital Market Services and Equities & Derivatives have been supported for the first time by a separate research department. The management expect positive business developments here on the back of the dynamic environment at present. Therefore it is assumed that after an initial period these business segments will generate rising profits and account for an increasing share of the Group's earnings.

Baader & Heins Capital Management AG believes the central banks breaking from their expansionary monetary policies will signal a return to higher interest rates. This will make yields more attractive and could break through the reserve of customers, which in turn is likely to have a beneficial impact on the business of Baader & Heins.

KA.DE.GE Kapital.Devisen.Geld Vermittlungsgesellschaft m.b.H is expecting positive earnings trends for 2011 and 2012.

Due to the strong recovery on the financial markets since 2009 alongside low sales, not to mention the extremely low interest rates, Conservative Concept Portfolio Management AG (CCPM) is in a situation that finds few parallels even in a long-term comparison, and thus makes forecasting difficult.

Additionally, the 2011 financial year is exposed to risks that result primarily from the implications of the ongoing financial and debt crisis. While the global economy is expected to grow moderately again, participants have to be prepared for the sudden arrival of uncertainties on the capital markets. Despite these assumptions the Board of Managing Directors at Baader Bank still expects similarly positive business trends and developments in 2011 as in the previous year.

The strategy pursued in previous years of adopting a position covering as many different securities-related services as possible will pay off, which is why Baader Bank expects to be able to generate positive earnings from 2011 onwards as well.

Unterschleißheim, 16 March 2011

Baader Bank AG
Board of Managing Directors

Uto Baader	Nico Baader
Dieter Brichmann	Dieter Silmen

Report of the Supervisory Board

In the past financial year the Supervisory Board fulfilled its responsibilities as set forth by law and in the Articles of Association. It was regularly informed by the Board of Managing Directors about the position of Baader Bank AG and the Group, whilst monitoring and supporting the work of the Board of Managing Directors. In so doing the Board of Managing Directors informed and consulted with the Supervisory Board verbally and in writing about business policy, fundamental issues of future management, the financial position and strategic developments, the risk position and risk management as well as key business transactions. This comprehensive information was provided in a timely manner. Deviations in the course of business and in earnings performance from plans and targets were explained individually and reviewed by the Supervisory Board. The Supervisory Board was included in decisions of major importance.

The Supervisory Board was also closely involved in determining the strategic focus aimed at generating additional revenues, the restructuring of existing business segments and the launching of new activities. In addition the Board of Managing Directors regularly informed the Supervisory Board in its monthly reports about key financial performance indicators and the risk position of Baader Bank AG and the Group. Regular consultations were held on corporate figures, changes in earnings and employee numbers of the Group, including the subsidiaries, as well as the performance of all business segments. Where required by law, the Articles of Association or the rules of procedure, the Supervisory Board approved individual transactions requiring its consent after thorough examination and discussion. The Supervisory Board also ensured it was informed of the developments and impacts of the economic crisis.

The Supervisory Board convened five times during the reporting year. The focal points of the discussions between the Board of Managing Directors and the Supervisory Board at the meetings on 30 April 2010 and 22 September 2010 included the new strategic direction for the areas of Capital Market Services and Institutional Brokerage Operations, as well as the implementation of the expansion project for the head office in Unterschleißheim. In a report delivered at the meeting held on 22 September 2010 the compliance officer informed the Supervisory Report about his activities within the framework of the new MaComp. At the meeting on 21 December 2010, detailed discussions were held regarding the impact of the German Accounting Law Modernisation Act (BilMoG) on accounting procedures at Baader Bank.
Additional topics included the return of the admission of Baader Bank AG shares to the regulated market of the Frankfurt Stock Exchange and the stock exchanges in Berlin, Munich and Stuttgart, which was completed by the end of March 2010. The Supervisory Board also consented to the listing on m:access, the regulated unofficial market of the Munich Stock Exchange. Further topics included the positioning of Baader Bank AG, its financial performance and that of its subsidiaries, key business events as well as the latest changes on the stock market, particularly on the Frankfurt Stock Exchange. Between meetings the Supervisory Board was also informed about important plans, and where necessary, circular resolutions were passed in writing.

The Chairman of the Supervisory Board was also informed about important decisions and key business events in regular discussions with the Board of Managing Directors, and the minutes of Board meetings were made available in a timely manner. Regular discussions with the compliance officer ensured the flow of information on individual topics.
The annual financial statements and management report of Baader Bank AG for the year ended 31 December 2010 together with the consolidated annual financial statements and the Group management report for the year then ended were audited in accordance with the German Commercial Code (HGB) by Clostermann & Jasper Partnerschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Bremen, as appointed by the General Meeting of Shareholders. An unqualified auditor's opinion was expressed. The consolidated financial statements and the Group management report were prepared in accordance with Section 315a HGB based on the IFRS international accounting standards, as applied in the EU. The auditor conducted the audit in line with the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW - Institute of Public Auditors in Germany) as well as in accordance with the International Standards on Auditing (ISA).

All members of the Supervisory Board were sent the annual financial statement documents and auditor's report along with the proposal of the Board of Managing Directors for the appropriation of net earnings in good time. In its meeting held today to discuss the annual results the Supervisory Board carefully examined the annual financial statements and management report of Baader Bank AG presented by the Board of Managing Directors as well as the consolidated financial statements, the Group management report and the dependent company report, including the audit report. The audit reports were available to all members of the Supervisory Board and were dealt with in detail in today's Supervisory Board meeting in the presence of the auditor. During the meeting the Board of Managing Directors explained the financial statements of Baader Bank AG and the Group as well as the risk management system. The auditor presented the scope and the focal points of the audit and reported on the main findings of the audit, stating that there were no significant weaknesses in the internal control and risk management system. The Supervisory Board concurred with the auditor's findings. Following the conclusion of its examination the Supervisory Board raised no objections.

In accordance with Section 312 AktG the Board of Managing Directors prepared a dependent company report. The auditor, Clostermann & Jasper Partnerschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Bremen, audited the dependent company report of the Board of Managing Directors in accordance with legal regulations and expressed the following unqualified opinion: "Having conducted a proper audit and appraisal, we hereby confirm that 1. the facts set out in the report are correct, and 2. payments by the Bank in connection with the legal transactions referred to in the report were not unduly high, 3. there are no circumstances calling for an appraisal of the measures listed in the report that differs significantly from that given by the Board of Managing Directors."

The Supervisory Board approved the 2010 annual and consolidated annual financial statements in its meeting today. The 2010 annual financial statements are thus adopted. The Supervisory Board concurs with the proposal of the Board of Managing Directors to pay a dividend from net earnings of €0.12 per dividend-bearing share and carry the remaining amount forward to new account.
In December 2010 the Supervisory Board decided to extend the Board of Managing Directors' mandate for Mr Dieter Silmen for another five years. The Supervisory Board would like to thank the Board of Managing Directors and all employees for their conscientious and successful work in the past financial year.

Unterschleißheim, 29 March 2011

The Supervisory Board
Dr. Horst Schiessl
Chairman

2010 Consolidated Financial Statements: Overview of Contents

Notes to the income statement

Financial instruments: disclosures

Other disclosures

Consolidated statement of financial position
as at 31 December 2010

Assets	**Notes**	**31.12.2010 €**	**31.12.2009 € thousand**
1. Cash reserves	**(7, 25, 65)**	2,893,360.33	911
2. Loans and advances to banks	**(5, 8, 26, 64, 65)**	148,453,340.52	66,676
3. Loans and advances to customers	**(5, 8, 27, 64, 65)**	34,582,052.14	36,892
4. Loan loss provisions	**(9, 28, 65)**	-3,407,634.25	-3,768
5. Assets held for trading	**(5, 11, 29, 64, 65)**	96,497,982.54	178,237
6. Available-for-sale financial instruments	**(5, 12, 30, 64, 65)**	280,591,681.90	47,002
7. Interests in companies measured using equity method	**(3, 31, 64, 65)**	4,851,545.56	13,836
8. Property, plant and equipment	**(13, 32, 65)**	19,118,916.57	19,105
9. Intangible assets	**(14, 33, 65)**	25,038,264.18	22,347
10. Goodwill	**(15, 34, 64, 65)**	24,614,679.71	24,785
11. Income tax assets	**(21, 35, 65)**	10,589,605.72	11,044
12. Other assets	**(5, 36, 64, 65)**	2,619,807.32	3,751
13. Deferred tax assets	**(21, 37, 65)**	16,076,331.71	19,011
Total assets		**662,519,933.95**	**439,829**

Equity and liabilities	**Notes**	**31.12.2010 €**	**31.12.2009 € thousand**
1. Liabilities to banks	**(5, 17, 38, 64, 65)**	74,668,556.11	31,605
2. Liabilities to customers	**(5, 17, 39, 64, 65)**	379,611,140.79	194,618
3. Liabilities from trading activities	**(5, 18, 40, 64, 65)**	2,934,610.13	824
4. Provisions	**(19, 20, 41, 65)**	10,711,452.60	11,757
5. Income tax liabilities	**(21, 42, 65)**	62,530.47	880
6. Other liabilities	**(5, 43, 64, 65)**	16,257,086.11	16,289
7. Deferred tax liabilities	**(21, 44, 65)**	4,248,330.91	6,295
8. Shareholders' equity	**(23, 24, 45, 46, 47, 65)**	174,026,226.83	177,561
a) Subscribed capital	**(45)**	45,389,518.00	45,379
b) Capital reserves	**(45)**	61,985,715.34	61,427
c) Retained earnings	**(45)**	60,995,565.10	48,995
d) Revaluation reserve	**(12, 45)**	-13,524,175.75	1,193
e) Currency translation reserve	**(6, 45)**	85,433.52	66
f) Consolidated net profit	**(45)**	16,829,674.56	18,485
Total before minority interests		171,761,730.77	175,545
g) Minority interests		2,264,496.06	2,016
Total equity and liabilities		**662,519,933.95**	**439,829**

Consolidated income statement
for the period 1 January 2010 to 31 December 2010

Income Statement	Notes	€	2010 €	2009 € thousand
1. Interest income	(49)	12,627,920.21		7,248
2. Interest expense	(49)	-7,235,183.40		-4,280
3. Net interest income	(49)		5,392,736.81	2,968
4. Loan loss provisions	(9, 50)		-533,832.73	-992
5. Net interest income after loan loss provisions			4,858,904.08	1,976
6. Fee and commission income	(51)	49,834,596.33		49,383
7. Fee and commission expense	(51)	-15,366,323.04		-13,331
8. Net fee and commission income	(51)		34,468,273.29	36,052
9. Net trading income	(5, 52)		63,675,292.96	75,841
10. Net income/expense from available-for-sale financial instruments	(5, 53)		2,153,175.05	-658
11. Net income/expense from companies measured using equity method	(54)		-693,477.72	-546
12. Administrative expense	(24, 55)		-87,172,769.93	-89,291
13. Operating profit			17,289,397.73	23,374
14. Other operating income	(56)		2,568,669.67	5,563
15. Other operating expenses	(56)		-1,360,021.28	-5,218
16. Profit from ordinary activities			18,498,046.12	23,719
17. Income tax on profit from ordinary activities	(21, 57)		-1,939,330.21	-5,120
18. Net income before minority interests			16,558,715.91	18,599
19. Minority interest in net income			-313,414.47	-494
20. Net income for the year			16,245,301.44	18,105
21. Retained earnings brought forward			584,373.12	380
22. Consolidated net profit			16,829,674.56	18,485

			2010 €	2009 €
Basic earnings per share	(58)		0.36	0.40

Consolidated statement of comprehensive income
for the period 1 January 2010 to 31 December 2010

	Notes	€	2010 €	2009 € thousand
1. Consolidated net income before minority interests			16,558,715.91	18,599
<u>Other comprehensive income</u>				
2. Change in currency translation reserve	**(45e)**	19,116.98		13
3. Revaluation of financial assets classified as held-for-sale	**(45d)**	-14,627,383.28		904
4. Income taxes on other comprehensive income		-91,622.33		-66
5. Other comprehensive income			-14,699,888.63	851
6. Comprehensive income before minority interests			1,858,827.28	19,450
7. Comprehensive income for minority shareholders			-311,722.99	-497
8. Comprehensive income			1,547,104.29	18,953

Consolidated statement of changes in equity

	Subscribed capital	Capital reserve	Retained earnings	Revaluation reserve	Currency translation reserve	Consolidated net profit	Total before minority interests	Minority interests	Shareholders' equity
Shareholders' equity 31.12.2008	**45,435,187.00**	**60,837,559.54**	**43,495,565.10**	**359,436.41**	**52,776.13**	**8,601,347.03**	**158,781,871.21**	**1,434,815.26**	**160,216,686.47**
Consolidated net profit for the year						18,105,391.05	18,105,391.05		18,105,391.05
Transfer to retained earnings			5,500,000.00			-5,500,000.00	0.00		0.00
Gains/losses							0.00	493,338.41	493,338.41
Net change to revaluation reserve				833,701.97			833,701.97	4,108.98	837,810.95
Net change to currency reserve					13,540.41		13,540.41		13,540.41
Total net income 2009	**0.00**	**0.00**	**5,500,000.00**	**833,701.97**	**13,540.41**	**12,605,391.05**	**18,952,633.43**	**497,447.39**	**19,450,080.82**
Changes in own shares	-56,269.00	589,117.89					532,848.89		532,848.89
Dividend payment						-2,721,899.22	-2,721,899.22		-2,721,899.22
Changes in consolidated companies/other changes		0.00					0.00	83,700.00	83,700.00
Shareholders' equity 31.12.2009	**45,378,918.00**	**61,426,677.43**	**48,995,565.10**	**1,193,138.38**	**66,316.54**	**18,484,838.86**	**175,545,454.31**	**2,015,962.65**	**177,561,416.96**

Shareholders' equity 31.12.2009	**45,378,918.00**	**61,426,677.43**	**48,995,565.10**	**1,193,138.38**	**66,316.54**	**18,484,838.86**	**175,545,454.31**	**2,015,962.65**	**177,561,416.96**
Consolidated net profit for the year						16,245,301.44	16,245,301.44		16,245,301.44
Transfer to retained earnings			12,000,000.00			-12,000,000.00	0.00		0.00
Gains/losses							0.00	313,414.47	313,414.47
Net change to revaluation reserve				-14,717,314.13			-14,717,314.13	-1,691.49	-14,719,005.62
Net change to currency reserve					19,116.98		19,116.98		19,116.98
Total net income 2010	**0.00**	**0.00**	**12,000,000.00**	**-14,717,314.13**	**19,116.98**	**4,245,301.44**	**1,547,104.29**	**311,722.98**	**1,858,827.27**
Changes in own shares	10,600.00	559,037.91					569,637.91		569,637.91
Dividend payment						-5,900,465.74	-5,900,465.74		-5,900,465.74
Changes in consolidated companies/other changes		0.00					0.00	-63,189.57	-63,189.57
Shareholders' equity 31.12.2010	**45,389,518.00**	**61,985,715.34**	**60,995,565.10**	**-13,524,175.75**	**85,433.52**	**16,829,674.56**	**171,761,730.77**	**2,264,496.06**	**174,026,226.83**

As at 31 December 2010 the subscribed capital of Baader Bank AG amounted to €45,908,682 in accordance with the Articles of Association and was divided into 45,908,682 no-par value shares. After deducting the 519,164 shares held on 31 December 2010 the subscribed capital recognised amounted to €45,389,518.00. The authorisation granted by the General Meeting of Shareholders on 29 June 2010 for the acquisition of own shares for the purposes of securities trading in accordance with Section 71 (1) 7 AktG was not used in the financial year. The resolution by the General Meeting of Shareholders from 29 June 2010 authorising the acquisition of own shares in accordance with Section 71 (1) 8 AktG for purposes other than securities trading was used in the 2010 financial year.

Consolidated cash flow statement

			2010 € thousand	2009 € thousand
1.		**Net profit for the period (incl. minority interest in net profit)**	**16,559**	**18,599**
2.		Depreciation, write-downs and reversals of impairments on loans and advances, property, plant and equipment	5,810	8,001
3.		Changes in provisions	-1,287	-112
4.		Other non-cash income / expenses	-657	-624
5.		Gains / losses on the disposal of property, plant and equipment and non-current securities	-16	293
6.		Other adjustments (net)	-1,895	3,034
7.	=	**Sub-total**	**18,514**	**29,191**
8.		Loans and advances		
		Loans and advances to banks	-80,942	134,927
		Loans and advances to customers	2,310	-13,032
9.		Securities (excluding non-current securities)	-153,121	-199,252
10.		Other operating assets	5,062	7,491
11.		Liabilities		
		Liabilities to banks	43,092	-28,463
		Liabilities to customers	182,701	96,461
12.		Other operating liabilities	-3,161	-10,113
13.		Interest and dividends received	9,859	3,108
14.		Interest paid	-4,977	-2,453
15.		Income taxes paid	-2,942	-3,639
16.	=	**Cash flow from operating activities**	**16,395**	**14,226**
17.		Proceeds from disposals		
		Disposals from non-current securities	18	50
		Disposals from property, plant and equipment	32	13
18.		Payments for investments		
		Payments for non-current securities	0	-896
		Payments for property, plant and equipment	-1,275	-367
		Payments for intangible assets	-5,627	-1,957
19.		Payments for the acquisition of consolidated companies and other business units		
20.	=	**Cash flow from investment activities**	**-9,076**	**-11,893**
21.		Proceeds from additions to equity	0	0
22.		Dividend payments	-5,900	-2,722
23.		Other payments	-34	-79
24.	=	**Cash flow from financing activities**	**-5,934**	**-2,801**
25.		Net change in cash and cash equivalents (16, 20, 24)	1,385	-468
26.		Effect of changes in exchange rate and scope of consolidated companies on cash and cash equivalents	597	158
27.		Cash and cash equivalents at start of period	911	1,221
28.	=	Cash and cash equivalents at end of period	2,893	911
		Composition of cash and cash equivalents at 31 December		
		Cash reserves	2,893	911

The cash flow statement presents the composition of and changes to cash and cash equivalents in the financial year. It is split up into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. The objective of this breakdown is to illustrate how cash and cash equivalents are generated in the Group and used in the financial year.

Cash flows from operating activities relate to all transactions that cannot be attributed directly to investing and financing activities. The transactions presented here mainly result from the Group's operating business. Payments (inflows and outflows) from loans and advances to banks and to customers as well as securities held for trading and other assets are all reported here. Inflows and outflows from liabilities to banks and customers and other liabilities are also considered part of operating activities, as are all interest and dividend payments.

Cash flows from investing activities present the use of funds in the Group. They provide information on how cash and cash equivalents are used to drive future performance and generate additional future revenues. The transactions presented here relate to cash flows for non-current securities and participations as well as property, plant and equipment and payments to acquire subsidiaries.

Cash flows from financing activities consist of all payments related to equity and shareholders. Distributed dividends are also shown here.

Cash and cash equivalents solely comprise the cash reserve, which in turn consists of cash-in-hand and deposits with the Deutsche Bundesbank (cf. Note 25). Loans and advances to banks payable on demand are not included.

Cash flow statements are not considered to be overly informative for banks. The cash flow statement does not substitute for liquidity and financial planning at the Bank, nor is it employed as a management tool.

NOTES

INFORMATION ON THE BANK

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Germany

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www.baaderbank.de
info@baaderbank.de

The Bank is registered in the Munich commercial register under number HRB 121537.

Purpose of reporting entity

The purpose of the Bank is to provide securities services, in particular

- the acceptance of funds from others as deposits or of other repayable funds from the public unless the claim to repayment is securitised in the form of bearer or order debt certificates, irrespective of whether or not interest is paid (*deposit business* in accordance with Section 1 (1) Sentence 2 No. 1 KWG),
- the granting of money loans and acceptance credits (*lending business* in accordance with Section 1 (1) Sentence 2 No. 2 KWG)
- the purchase and sale of financial instruments in the credit institution's own name for the account of others (*principal broking services* in accordance with Section 1 (1) Sentence 2 No. 4 KWG)
- the safe custody and administration of securities for the account of others (*safe custody business* in accordance with Section 1 (1) Sentence 2 No. 5 KWG)
- the assumption of guarantees and other warranties on behalf of others (*guarantee business* in accordance with Section 1 (1) Sentence 2 No. 8 KWG)
- the execution of cashless payment and clearing operations (*giro business* in accordance with Section 1 (1) Sentence 2 No. 9 KWG)
- the purchase of financial instruments at the credit institution's own risk for placing in the market or the assumption of equivalent guarantees (*underwriting business* in accordance with Section 1 (1) Sentence 2 No. 10 KWG),
- the brokering of business involving the purchase and sale of financial instruments or their documentation (*investment broking* in accordance with Section 1 (1a) Sentence 2 No. 1 KWG),
- the provision of personal recommendations to customers or their representatives in relation to transactions with specific financial instruments, insofar as such recommendations are based on an assessment of the personal circumstances of the investor or are presented as suitable for the investor's purpose and not solely announced via channels for distributing information or for the public (*investment advice* in accordance with Section 1 (1a) Sentence 2 No. 1a KWG),
- the placement of financial instruments without a firm commitment (*placement business* in accordance with Section 1 (1a) Sentence 2 No. 1c KWG)
- the purchase and sale of financial instruments in the name of and for the account of others (*contract broking* in accordance with Section 1 (1a) Sentence 2 No. 2 KWG),
- the administration of individual portfolios of financial instruments for others on a discriminatory basis (*portfolio management* in accordance with Section 1 (1a) Sentence 2 No. 3 KWG)
- the purchase and sale of financial instruments on an own-account basis for others (*own-account trading* in accordance with Section 1 (1a) Sentence 2 No. 4 KWG)
- the purchase and sale of financial instruments on an own-account basis for others that is not a service for others as defined in Section 1 (1a) Sentence 2 No. 4 KWG (*proprietary business* in accordance with Section 1 (1a) Sentence 3 KWG)

The Bank is entitled to take all measures and execute all transactions that are designed to support its business purpose. This includes the establishment of branches and other companies as well as investments in such branches in Germany and other countries.

Baader Bank AG is majority-owned by Baader Beteiligungs GmbH, Unterschleißheim. This is the highest-level parent company within the Baader Group.

BASIS OF CONSOLIDATED ACCOUNTING

The consolidated financial statements of Baader Bank AG for the year ended 31 December 2010 were prepared in accordance with Directives 83/349/EEC (consolidated accounts) and 86/635/EEC (bank accounts), the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) issued and published by the International Accounting Standards Board (IASB) and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC)/Standing Interpretations Committee (SIC).

In accordance with Section 315a (1) HGB in conjunction with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, the IAS/IFRS have been mandatory since 1 January 2005 for all companies active on the capital markets in the European Union. Preparing consolidated financial statements for the year ended 31 December 2010 in accordance with the IFRS is voluntary under Section 315a (3) HGB as since the segment switch from the regulated market to the regulated unofficial market the Bank no longer has a capital market focus. The following pages contain an overview of the standards applied.

Compliance with the Bank Accounts Directive was satisfied by means of an appropriate breakdown of the items in the statement of financial position, the income statement and in the notes. The consolidated financial statements are also based on the standards issued by the Deutscher Standardisierungsrat (DSR - German Standardisation Committee) and published by the German Ministry of Justice in accordance with Section 342 (2) HGB, particularly those that contain special provisions for banks. The following pages also contain an overview of these standards applied.

In addition to the consolidated statement of financial position and the consolidated statement of comprehensive income, the consolidated financial statements also include a statement of changes in equity, a cash flow statement and notes. Segment reporting is presented in the notes.

The Group management report fulfils the requirements of Section 315 HGB.

All amounts in these financial statements are reported in euros, unless otherwise stated.

The reporting date is 31 December 2010 and the financial year is the calendar year.

ACCOUNTING POLICIES

(1) Principles

The consolidated financial statements for the year ended 31 December 2010 were prepared on a going-concern basis. Income and expenses are accrued on a pro rata basis and recognised through profit or loss in the period they relate to.

Accounting in the 2010 financial year – as in previous years – was based on IAS 39 and the various classification and measurement principles established thereby. To comply with the various provisions of this standard, financial assets and financial liabilities were divided into the following categories:

1. Loans and receivables
2. Financial assets held to maturity
3. Assets held for trading (financial assets held for trading)
4. Available-for-sale financial instruments (financial assets available for sale)
5. Other financial liabilities

The detailed provisions on the accounting of hedges are applied for derivative hedging instruments (for further explanation cf. note (5)).

To comply with the extended disclosures required under IFRS 7 for financial instruments, the Bank's financial instruments were broken down further:

1. Financial instruments measured at amortised cost
2. Financial instruments measured at fair value through profit or loss
3. Financial instruments measured at fair value through equity
4. Financial instruments that do not fall under IFRS 7.

Accounting procedures in the Baader Group are applied in accordance with IAS 27 and using uniform accounting policies. All of the fully-consolidated companies prepared their individual financial statements as at 31 December 2010.

In the event estimates or assessments are required for reporting and measurement under IAS/IFRS, these were carried out in conformance with the respective standards. They are based on past experience and other factors such as planning, as well as expectations or projections of future events that appear likely from the current perspective and therefore may involve some uncertainty. The estimates and assessments along with the underlying assessment factors and estimation procedures are checked on a regular basis and compared with the events that actually arise. In our opinion the parameters applied are objective and justifiable. Estimation uncertainties primarily arise in determining pension obligations and goodwill. Additional estimation uncertainties chiefly relate to deferred tax assets, loan loss provisions, determining fair values based on measurement models, and measuring financial instruments.

Generally speaking the same accounting policies were adopted as for the consolidated financial statements for the year ended 31 December 2009. The amendments to the standards listed below were applicable as at 31 December 2010, but had no impact on the consolidated financial statements of Baader Bank AG:

IFRS 1 First-time adoption of International Financial Reporting Standards
IFRS 2 Share-based Payment - intra-group share-based payments in cash
IFRS 3 Business Combinations (revised 2008)
IAS 27 Consolidated and Separate Financial Statements (revised 2008)
IAS 28 Investments in Associates (revised 2008)
IAS 31 Interests in Joint Ventures (revised 2008)
IAS 39 Financial instruments: Recognition and Measurement – Eligible Hedged Items
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Improvements to IFRS 2008
Improvements to IFRS 2009 (IFRS 8 and IAS 38)

Standards published but not yet in force and which could be applied voluntarily as at 31 December 2010 were not taken into account in the consolidated financial statements of Baader Bank AG.

The following published standards which were not in force as at 31 December 2010 were not taken into account with the listed amendments when preparing the consolidated financial statements:

IFRS 7 Financial Instruments: Disclosures - additional disclosures
IFRS 9 Financial Instruments - replacement of IAS 39
Improvements to IFRS 2010 (IFRS 1 and 3 and IAS 1, 21, 27, 28, 32 and 34 as well as IFRS 7)

These standards shall be applied when application becomes compulsory after they enter into force. The impacts are either unknown at present or cannot be reliably estimated.

(2) Standards applied

In its accounting procedures the Baader Group applies all of the standards applicable as at the reporting date. The consolidated financial statements for the year ended 31 December 2010 are based on the IASB framework and the following relevant IAS/IFRS standards:

IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 21	Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 32	Financial instruments: Presentation
IAS 33	Earnings Per Share
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments

Standards not taken into account are either not relevant for the consolidated financial statements or not applicable.

In the 2010 financial year none of the valid interpretations of the SIC or IRFIC were relevant and thus they were not observed.

The adoption of DRÄS 3 by the Deutscher Standardisierungsrat (DSR - German Standardisation Committee) and the related announcement in the Bundesanzeiger (German Federal Gazette) on 31 August 2005 meant that the German Accounting Standards (DRS) were amended in such a way that they are essentially no longer applicable if the consolidated financial statements are compiled in accordance with international accounting standards as per Section 315a HGB. Exceptions to this rule include DRS 15 (Management Reporting) and the supplementary DRS 5 (Risk Reporting) or 5-10 (Risk Reporting by Banks and Financial Service Institutions), which were taken into account in the consolidated financial statements.

Additionally, the following German Accounting Standards (DRS) adopted by the German Standardisation Committee (DSR) and published by the Ministry of Justice in accordance with Section 342 (2) HGB were observed in the Group as they contain extensive provisions for banks and financial service institutions:

DRS 2-10	Cash Flow Statements of Banks
DRS 3-10	Segment Reporting of Banks

(3) Consolidated companies

In addition to Baader Bank AG as the parent company, the consolidated financial statements for the year ended 31 December 2010 comprise eight subsidiaries (previous year: eight subsidiaries), in which Baader Bank AG holds a direct or indirect interest of more than 50% or a controlling influence. Seven of these companies are based in Germany while one is headquartered abroad. There are no subsidiaries or associates that are immaterial from the perspective of the Group's net assets, financial position and the results of operations.

The following companies are fully consolidated in the consolidated financial statements:

Company	Registered office		Equity interest	Share capital	Equity capital	Total assets	Net profit for the year	First consolidated
Baader Management AG	Unterschleißheim	€ thousand	100.0%	50	46	46	-1	31.12.2003
Baader & Heins Capital Management AG	Unterschleißheim	€ thousand	75.0%	50	4,002	5,911	1,549	01.01.2005
Conservative Concept Portfolio Management AG	Bad Homburg	€ thousand	59.82%	140	1,967	2,664	70	01.10.2006
direcct AG	Unterschleißheim	€ thousand	100.0% [1])	266	172	203	-716	01.10.2006
Conservative Concept AG	Zug, Switzerland	€ thousand	100.0% [1])	63	1,372	1,584	13	01.10.2006
N.M. Fleischhacker AG	Frankfurt/M.	€ thousand	100.0%	5,000	4,583	8,745	2,222	01.01.2009
KA.DE.GE GmbH	Unterschleißheim	€ thousand	91.0%	300	774	1,454	344	01.07.2009
KDG Abwicklungs-gesellschaft mbH	Unterschleißheim	€ thousand	100.0%	70	72	85	-1	01.07.2009

The company information is based on the respective individual IFRS financial statements.

[1]) 75% of the shares in direcct AG, Unterschleißheim are held directly by Baader Bank AG. The remaining 25% is held by CCPM. The shares in Conservative Concept AG, Zug, Switzerland are held indirectly via the investment in CCPM AG. The figures for CC AG have been converted (€/CHF 1.2504).

As at 1 June 2010 Baader Bank AG acquired a 100% interest in Joachim Grützner Börsenmakler GmbH for €2,222 thousand. The reason for this transaction was the takeover of the order books managed by Grützner. The purchase price contained no goodwill and simply represented a fair market price for the order books. This acquisition was considered an asset deal in view of the fact that other notable assets were not taken over and that the company was immediately merged.

Two companies (previous year: 2) were included as associates in the consolidated financial statements as at 31 December 2010. The interests in the funds included in the previous year were sold in their entirety in the financial year in accordance with the Investment Act.

Baader Bank AG holds a 21.73% interest in Parsoli Corporation Ltd., India. The departure of the Baader Bank AG representative from the Managing Board of Parsoli Corporation Ltd. means that there is no longer any significant influence on the company. The interest is therefore recognised under available-for-sale financial instruments.

Company	Registered office	Share in equity	Carrying value of interest	Assets	Equity capital	Debts	Net profit for the year	Fair value of interest
		%	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
BAM Berlin Asset Management GmbH	Berlin	30.00%	91	418 2)	304 2)	114 2)	148 2)	6)
Gulf Baader Capital Markets S.A.O.C.	Muscat, Oman	30.00%	4,760	17,201 4)	14,495 4)	2,706 4)	-2,286 4)	6)

2) Figures are based on the unaudited financial statements as at 31 December 2010
4) Figures are based on the unaudited financial statements as at 31 December 2010; equity, assets, debts and net profit/loss were converted (€/OMR 0.51555)
6) No public market price available

(4) Consolidation methods

Capital consolidation is carried out based on the purchase method set forth in IFRS 3. At the date of acquisition the cost of the business combination is allocated to the identifiable assets and liabilities of the acquiree and recognised at the fair value as at the date of the acquisition. The difference between the cost and the re-measured assets and liabilities is the goodwill. The acquired goodwill represents a payment made by the acquirer in expectation of future economic benefits from assets which cannot be identified individually or recognised separately. Goodwill from a business combination may not be amortised. Instead it is subject to an annual impairment test in accordance with IAS 36 (impairment-only approach). Negative goodwill is recognised immediately through profit or loss.

Subsidiaries are consolidated from the date of acquisition. The purchase method is applied from the date of acquisition, i.e. the date on which the acquirer actually gains control of the acquired company. If this takes place based on a gradual purchase of shares, the cost and the information on the fair values of the identifiable assets and liabilities are used upon each transaction date to determine the amount of goodwill for each individual transaction.

If a company to be fully consolidated in the reporting year is consolidated for the first time as at the reporting date, the items in the income statement are consolidated for the full financial year; if the first-time consolidation does not take place on the reporting date, the income statement figures are taken into account in the consolidated financial statements on a pro rata basis from the date of the first-time consolidation.

Investments in subsidiaries that are not consolidated in the consolidated financial statements for reasons of materiality must be measured at cost under IAS 27.37 or in accordance with the provisions of IAS 39.

Receivables and liabilities as well as income and expenses derived from business relationships between consolidated companies are eliminated during the consolidation of debts and the consolidation of income and expenses; any interim results in the Group are eliminated to the extent they are not immaterial.

Associates are recognised using the equity method and carried separately in the statement of financial position under interests in companies measured using the equity method. The proportionate equity of the associate measured at fair value is offset against the carrying value of the corresponding investment upon the first-time consolidation. Any resulting difference (goodwill) is stated in the Notes and treated in accordance with the impairment-only approach under IFRS 3. The carrying amount of the investment is adjusted in subsequent periods. The adjustment of the carrying amount through profit or loss and equity is based on the financial statements prepared by the associate.

(5) Financial instruments: Recognition and Measurement (IAS 39)

As a rule, all financial assets and liabilities, which also include derivative financial instruments, must be documented in the statement of financial position in accordance with IAS 39. Such must be divided into various groups and measured according to the respective classification.

The explanations below provide an overview of how the rules in this standard are applied in the Baader Bank Group:

a) Categorisation of financial assets and liabilities and their measurement

aa) Financial instruments measured at amortised cost:

- Loans and receivables:
  Financial instruments with fixed or determinable payment claims for which no active market exists are assigned to this category. An active market exists if quoted prices are regularly made available, for example, by a stock exchange or broker, and these prices are representative for current transactions between third parties. Measurement is at amortised cost.

- Held-to-maturity financial assets:
  Non-derivative financial assets with fixed or determinable payments and also a fixed maturity may be included in this category if there is an active market for them and the entity both intends and is able to hold them to final maturity. They are measured at amortised cost. The Baader Group again made no use of this category in the 2010 financial year.

- Other financial liabilities
  This category includes liabilities to banks and customers. Measurement is at amortised cost.

ab) Financial instruments measured at fair value through profit or loss

- Assets held for trading and liabilities from trading activities
  Assets held for trading purposes include all financial assets that are held for trading purposes. This category includes original financial instruments (especially interest-bearing securities and equities) and derivative financial instruments with a positive fair value. Liabilities from trading activities, accordingly, comprise all financial liabilities held for trading purposes. This category includes, in particular, derivative financial instruments with a negative fair value and delivery commitments arising from the short-selling of securities.
  Under IAS 39, derivative financial instruments are only recognised as assets held for trading purposes or liabilities from trading activities insofar as they do not meet the conditions for hedging instruments under hedge accounting rules.
  Assets held for trading purposes and liabilities from trading activities are measured for the first time and on each reporting date at their fair value. Any gains and losses resulting from this measurement appear under net trading income in the income statement.

ac) Financial instruments measured at fair value through equity

- Available-for-sale financial instruments
  All non-derivative financial assets that cannot be allocated to one of the above categories are included in this category. These are mainly interest-bearing securities, equities and investments.
  They are initially and subsequently measured at their fair value. After deferred taxes have been taken into consideration, gains and losses from the measurement are recognised through equity in a separate equity item (revaluation reserve). If the financial asset is sold, the cumulative measurement result previously recognised in the revaluation reserve is released and recorded in the income statement. Should the asset’s value be permanently impaired, the revaluation reserve has to be adjusted for the impairment, and the amount has to be reflected in the income statement. Equity instruments for which there is no quoted price on an active market and the fair value cannot be reliably ascertained are measured at amortised cost.

ad) Financial instruments for which IFRS 7 does not apply:

- Investments in subsidiaries under IAS 27
- Investments under IAS 28
- Share-based Payments under IFRS 2

b) Embedded Derivatives

Financial instruments measured at fair value through profit and loss

IAS 39 also regulates the treatment of embedded derivatives. These include, for example, derivatives that are part of an originated financial instrument and inseparable therefrom. Such financial instruments are also referred to as hybrid financial instruments in accordance with IAS 39. Hybrid financial instruments include, for example, reverse convertible bonds (bonds that may be repaid in the form of equities) or convertible bonds. According to IAS 39, under certain conditions the embedded derivative must be shown separately from the host contract as a stand-alone derivative, and recognised and measured at fair value.

Such a separation must be made if the characteristics and risks of the embedded derivative are not closely related to those of the host contract. In this case, the embedded derivative is regarded as part of the trading portfolio and recognised at fair value. Measurement changes must be recognised through profit and loss in the income statement. The host contract is accounted for and measured applying the rules of the category to which the financial instrument is assigned.

However, if the characteristics and risks of the embedded derivative are closely related to those of the host contract, the embedded derivative is not shown separately and the hybrid financial instrument is measured as a whole in accordance with the general provisions of the category to which the financial instrument is assigned.

If a company is obliged under IAS 39 to recognise the embedded derivative separately from its host contract, but it is not possible to measure the embedded derivative separately upon acquisition or on subsequent reporting dates, then the whole composite contract must be treated as an asset held for trading purposes.

c) Hedge Accounting

Financial instruments measured at fair value through profit or loss

IAS 39 contains extensive hedge accounting regulations for the accounting of hedging instruments, which are superimposed on the general accounting rules for derivatives and hedged host contracts as outlined above. In line with general regulations, derivatives are classified as trading assets or trading liabilities and are measured at fair value. The net measurement gain/loss is recognised under net trading income in the income statement.

If it can be demonstrated that derivatives are used to hedge risks from non-trading transactions, IAS 39 permits the application of special hedge accounting rules under certain conditions. Two main types of hedge accounting are used, fair value hedge accounting and cash flow hedge accounting: In the Baader Group, cash flow hedge accounting is used in one case.

IAS 39 prescribes the use of cash flow hedge accounting for derivatives which serve to hedge the risk of a change in future cash flows (cash flow hedges). Risks regarding the size of future cash flows prevail mainly for floating-rate loans, securities and liabilities as well as expected transactions. IAS 39 also prescribes the application of cash flow hedge accounting to hedge future cash flows from pending transactions.

d) Amendments to IAS 39 and IFRS 7

In the consolidated financial statements for the year ended 31 December 2010 Baader Bank AG did not make use of the amendments to IAS 39 (Financial instruments: Recognition and Measurement) and the amendments to IFRS 7 (Financial instruments: Disclosures), which came into force on 1 July 2008, enabling companies to reclassify certain financial instruments from the category of financial instruments measured at fair value through profit or loss to other categories, where measurement is at amortised cost and impairment tests are carried out.

(6) Currency translations

Assets and liabilities denominated in foreign currencies are translated at the spot rate on the reporting date. Income and expenses are converted at rates in line with market conditions. Equity investments that are denominated in foreign currency are recognised at historical cost. The income and expenses resulting from the translation of balance sheet items are recognised under net trading income in the income statement.

In the consolidated financial statements the annual financial statements of the foreign subsidiary CC AG (Switzerland) were translated into euros in accordance with the functional currency concept in line with IAS 21. The functional currency of this company is the Swiss franc. When translating adjustments to the carrying amount of foreign companies included using the equity method, the same concept of the functional currency was applied. Assets and liabilities are translated at the mid-rate as at the reporting date, while the income statement is translated using average rates of the financial year and the remaining equity using original rates. Translation differences are recognised in equity.

The following exchange rates apply for the most important currencies in the Baader Group (amount in given currency equivalent to 1 euro):

	2010	2009
USD	1.3362	1.4406
CHF	1.2504	1.4836
OMR	0.51555	0.5515

(7) Cash reserves

The cash reserve comprises cash on hand and deposits at the Deutsche Bundesbank which are stated at their nominal value in accordance with IAS 39.

(8) Loans and advances

Loans and advances to banks and customers which are not held for trading and are not quoted on an active market are generally reported at their nominal amount. Loans and advances to banks consist only of transactions entered into in the course of ordinary banking operations. Loans and advances to banks not related to ordinary banking operations are recognised under other assets.

(9) Loan loss provisions

The loan loss provisions deducted from loans and advances to banks and customers for risks on the statement of financial position comprise all valuation allowances and other provisioning related to identifiable credit and country risks.

Valuation allowances are established for a loan if it is probable on the basis of observable criteria that not all the payments of interest and principal will be made as agreed.

Unrecoverable accounts are written off immediately. Amounts recovered on claims written-off are recognised in the income statement.

(10) Securities lending transactions

Securities lent as part of securities lending transactions remain in the securities portfolio and are measured according to the rules of IAS 39. If they remain in the portfolio, borrowed securities do not appear in the statement of financial position, nor are they measured. Cash collateral furnished by the Group for securities lending transactions is recognised as a claim, while collateral received is recognised as a liability.

(11) Assets held for trading

Securities held for trading purposes are carried in the statement of financial position at their fair value on the reporting date, in accordance with IAS 39. Also shown at fair value are all derivative financial instruments which are not used as hedging instruments in hedge accounting and have a positive fair value. Market prices are used for listed products; for unlisted products the measurement takes place based on suitable measurement models. All realised gains and losses and any unrealised measurement gains or losses are included in net trading income in the income statement. Securities transactions are recognised in the statement of financial position and the income statement in accordance with trade date accounting. This means that securities are recorded at the fair values on the day the transaction was concluded. The securities portfolio is actually adjusted during the night following the conclusion of the transaction.

(12) Available-for-sale financial instruments

Available-for-sale financial instruments comprise all bonds and debt securities, equities and other non-fixed-income securities, investments, non-consolidated subsidiaries and other equity investments that do not serve trading purposes. As a rule these are recognised and measured at fair value. For listed securities the closing price on the reporting date is considered to be the fair value. Equity instruments for which there is no quoted price on an active market and the fair value cannot be reliably ascertained are measured at amortised cost. Unconsolidated related companies are carried at cost.

Measurement gains and losses are taken directly to equity in the revaluation reserve after taking deferred taxes into consideration. Realised gains and losses are only recognised in the income statement if the holdings are sold. In the event of permanent impairment the recoverable amount is reported in the statement of financial position. Any depreciation is charged to the income statement. No impairment reversals through profit or loss may be recorded for instruments designated as available for sale.

For listed equity instruments, changes in the fair value in subsequent periods are recognised in the revaluation reserve. Accordingly, the income statement is only affected in the event of impairment or disposal. If the reasons for an impairment of debt instruments cease to apply, the impairment of the debt instruments is reversed through profit or loss, but to no more than the level of amortised cost. Any amount exceeding amortised cost is recognised in the revaluation reserve.

(13) Property, plant and equipment

The land and buildings as well as the office furniture and equipment shown under this item are recognised at cost, less depreciation. Where necessary the component approach in accordance with IAS 16.13 is taken into account. If impairment appears to be long term, unscheduled depreciation is recorded. Land is measured at cost.

In determining useful life, the likely useful economic life and legal and contractual restrictions are taken into consideration. All property, plant and equipment assets are depreciated over the following periods using the straight-line method:

	Expected useful life in years
IT/telecommunications	3-8
Vehicles	6
Other furniture and office equipment	5-13
Buildings	25
Fixtures and fittings	5-19

The depreciation charges on property, plant and equipment are reported under administrative expense. Gains or losses on the sale of items of property, plant and equipment are recorded under other operating income or other operating expenses.

In line with the materiality principle, purchases of low-value items of property, plant and equipment amounting to less than €150 are recorded in the income statement under administrative expense in the reporting year. For simplicity's sake, low-value assets with a cost of between €150.00 and €1,000.00 are placed in a compound item in accordance with German tax law, which is depreciated by one-fifth every year.

(14) Intangible assets

Intangible assets comprise exclusively purchased assets from the perspective of the Group. These primarily contain purchased software licences, purchased order books and purchased trading strategies. They are carried at cost net of straight-line amortisation. If impairment appears to be long term then unscheduled amortisation is recorded. Gains or losses on the sale of items of intangible assets are recorded under other operating income or other operating expenses. Intangible assets with indefinite useful lives are not recognised.

	Normal useful life in years
Acquired rights of use	5-10
Acquired order books	10
Trading strategies	10 *)
Software	3-5
Customer relationships	10 *)

*) The useful lives were calculated based on long-term corporate planning (10 years).

Depreciation charges are recognised under administrative expense.

(15) Goodwill

The expected future economic benefits of goodwill are tested on each reporting date (impairment test). If the conditions are such that the expected benefits can no longer be identified, unscheduled amortisation is charged based on the long-term corporate planning of the related Group companies. No such amortisation was necessary in the 2010 financial year.

(16) Leases

In accordance with IAS 17, a lease is classified as an operating lease if it does not substantially transfer to the lessee all the risks and rewards incidental to ownership. By contrast, leases where substantially all of the risks and rewards are transferred to the lessee are classified as finance leases.

The Baader Group only functions as a lessee. The lease instalments from operating leases are recorded under administrative expenses. Like a rental payment, expenses are calculated on a regular basis over the useful life of the given property.

As at the reporting date on 31 December 2010 there was also a contractual agreement which is classified as a finance lease, but is immaterial from a Group perspective. Disclosures in accordance with IAS 17.31 are ignored for reasons of materiality.
IFRIC 4 contains provisions and examples of how to apply them to determine whether agreements or contracts in a company should be classified as leases and recognised in accordance with IAS 17. On account of the regulations under IFRIC 4, agreements are included as leases which previously were not classified as leases. To classify existing agreements as lease agreements the following two requirements must be fulfilled (IFRIC 4.6):

- fulfilment of the arrangement is dependent on the use of a specific asset or assets, and

- the arrangement conveys a right to the buyer to use the asset or assets.

Baader Bank AG recognised no additional lease agreements in accordance with IAS 17 based on IFRIC 4.

(17) Liabilities to banks and customers

Financial liabilities are carried at amortised cost.

(18) Liabilities from trading activities

Derivative financial instruments that have a negative fair value as well as delivery commitments arising from the short-selling of securities are recognised as trading liabilities. Trading liabilities are measured at fair value.

(19) Provisions for pensions and similar commitments

Many employees at Baader Bank AG are covered by different forms of benefit schemes for their retirement pensions.

All employees acquire a pension entitlement based on a contribution-related commitment (defined contribution plan). To finance this, the Group, together with its employees, pays a fixed amount for pensions to external pension providers (provident fund). The level of future pension benefits is determined by contributions paid and – for the non-guaranteed portion of the benefits – the return earned on the assets. The classification of this pension as an indirect commitment means that the contributions paid to the external pension providers are recognised under current expenses, and so no provisions are recorded.

The Group also operates defined benefit plans based on a direct pension commitment for a few employees (Board members and contracts assumed from company mergers in previous years), where the level of the pension payment is fixed and dependent on factors such as age, salary level and length of service.

For pension commitments, the assets required to fulfil the pension obligations are largely accumulated within the company and a corresponding provision is recognised under equity and liabilities. The other assets are derived from reinsurance policies. With a few exceptions these reinsurance policies are qualified insurance policies (and therefore plan assets), which can only be used to pay benefits to employees from a defined benefit plan and are not available to the creditors of the reporting company (not even in the case of insolvency) and may not be paid to the reporting company.

Pension expense reported in the income statement for direct pension commitments consists of several components. First the service cost, then the interest cost on the present value of the pension obligations, as the time when the pension obligations will have to be met has moved forward by one period. Set against this, the net income from the assets in the scheme reduces pension expense. If repayment amounts arise for actuarial gains and losses due to the 10% corridor approach, the personnel expense increases or decreases.

The level of the provision is initially determined by the present value of the obligation. The portion covered by the scheme assets must be netted with the obligation. In view of the corridor approach the provision as at the year-end is as follows:

Present value of the defined-benefit obligation (DBO) for direct commitments
less plan assets
less/plus unrecognised actuarial gains/losses
= level of pension provision

The pension obligations are calculated annually by an independent actuary using the projected unit credit method. This calculation is based on biometric assumptions, in particular the current market interest rate for prime long-term bonds and on assumptions for future rates in salary and pension increases. Any actuarial gains and losses do not have to be recognised until the reporting period in which they exceed the corridor of 10% of the figure determined by the actuary. The 10% corridor was exceeded in the financial year. According to IAS 19, the amount exceeding the corridor is distributed over an average future activity period of 10 years.

The actuarial calculations were based on the following assumptions:

	31.12.2010	31.12.2009
Interest rate	4.75%	5.75%
Return on plan assets	3.8% / 4.5%	4.1% / 4.5%
Changes in salaries	2.0% / 3.0%	2.0% / 3.0%
Pension adjustments	2.0%	2.0%

The expected return on plan assets is based on historical capital market trends and therefore on the interest rate applied in accordance with the German Commercial Code (HGB).

(20) Other provisions

Other provisions are recorded for uncertain liabilities to third parties and anticipated losses from pending transactions in the amount of the claims expected. Provisions for expenses that do not relate to an external commitment may not be recognised in accordance with IAS/IFRS.

Provisions are recorded based on well-founded estimates of future events where there is some uncertainty regarding the amount or the maturities.

(21) Taxes on income

Current tax assets and liabilities are calculated on the basis of the expected payment to or rebate from respective fiscal authorities using the current tax rates applicable.

Deferred tax assets and deferred tax liabilities are recorded to reflect differences between the carrying amounts of assets or liabilities and their taxable value. These temporary differences are likely to increase or reduce future taxes on income. They were measured using the income tax rates in the given country of the consolidated company, and can be expected to apply for the period in which they are realised. Deferred tax assets on unused tax loss carry-forwards are only recognised if it is probable that the same taxable entity will generate tax gains in the future. In certain cases, haircuts are used to take account of uncertainties regarding the future use of tax benefits. Deferred tax assets and deferred tax liabilities have been netted. They are not discounted. Deferred tax assets and liabilities are recognised and carried – depending on the reason for the deferral – either under taxes on income in the income statement or directly in equity.

The income tax expense or income attributable to profit from ordinary activities is recognised in the consolidated income statement as income tax on profit from ordinary activities, while in the notes it is divided into current and deferred tax assets and liabilities in the financial year. Other taxes that are independent of income are recognised under other operating income/expense. Current and deferred income tax assets and liabilities are carried as separate asset and liability items in the balance sheet.

(22) Fiduciary transactions

Fiduciary business involving the management or placing of assets for the account of others is not shown in the statement of financial position. Commissions received from such business are included under net fee and commission income in the income statement.

(23) Treasury shares

Treasury shares held by the Group on the reporting date are deducted from equity at cost. The portion of the cost that pertains to the nominal amount is deducted from subscribed capital; the premium is offset against the capital reserve. Gains and losses from treasury shares have been netted against one another in equity.

(24) Share-based remuneration system for Board of Managing Directors and employees

Baader Bank AG provides members of the Board of Managing Directors and employees of the Group with performance-based remuneration in the form of stock options.

a) Stock Option Plan 2000

Under the Stock Option Plan 2000 a total of 1,789,782 stock options were issued to beneficiaries. The Stock Option Plan 2000 had a term of five years and expired on 17 June 2004. The last tranche was allocated on 2 June 2004.

The lock-up period of two years has expired for all of the stock options granted under this option plan, i.e. all of the options from the plan may be exercised. The stock options issued at €5.30 in the first tranche and not yet exercised expired in the 2008 financial year. The stock options issued at €2.14 in the second tranche and not yet exercised expired in the 2009 financial year.

The exercise price corresponds to the average closing price of Baader Bank AG's shares in floor trading on the Bavarian Stock Exchange during the five trading days prior to the issue date of the stock options, but no less than the proportion of share capital pertaining to one share of Baader Bank AG. The stock options may only be exercised if Baader Bank AG's shares outperform the Prime All Share index by at least 15% on five consecutive trading days after the issue date of the stock options. This percentage rate applies for the first year of the exercise period and rises by half a percentage point in each of the second and subsequent years of the exercise period. The closing price in floor trading on the Bavarian Stock Exchange is deemed to the price of Baader Bank AG shares.

b) Stock Option Plan 2004

Under the Stock Option Plan 2004 a total of 599,080 stock options were issued to beneficiaries. The Stock Option Plan 2004 had a term of two years and expired on 13 July 2006. The last tranche was allocated on 26 May 2006.

The lock-up period of two years has expired for all of the stock options granted under this option plan, i.e. all of the options from the plan may be exercised. The stock options may be exercised over a period of five years subject to certain blocking periods, or more specifically, only within a four-week period following publication of the Bank's quarterly results (exercise window). At the end of the term (no more than seven years from the issue date) the options will expire and not be replaced.

The options may only be exercised if (a) the closing price of Baader Bank AG's shares in floor trading on the Munich Stock Exchange (closing market price) is more than 30% above the issue price (absolute threshold) and (b) on the last 5 trading days prior to the options being exercised, the aggregate, percentage performance of the shares of Baader Bank AG since the option's issue date is at least 10% higher than the percentage gain of the Prime All Share Index (relative threshold) – the aggregate performance takes account of both the share price performance and the value of cash dividends, subscription rights from capital increases and other special rights between the issue of the option and its exercise date – and (c) they do not expire as a result of a condition attached to the options, prior to the exercise notice being submitted. The closing price in floor trading on the Munich Stock Exchange is deemed to the price of the Bank's shares (performance target). Once set, the performance targets may not be changed.

Depending on the decision of the Board of Managing Directors, each stock option entitles the holder to purchase one share or to receive a cash settlement amounting to the difference between the exercise price and the average closing price of Baader Bank AG's shares on the Munich Stock Exchange on the last five trading days prior to the Bank receiving the exercise notice from the beneficiary.

c) Stock Option Plan 2006

With the approval of the General Meeting of Shareholders from 19 July 2006 the Board of Managing Directors is authorised to issue up to 1,600,000 stock options from the end of the 2006 financial year to 18 July 2010, and to grant the beneficiaries options on up to a total of 1,600,000 shares.

The Stock Option Plan has a term of up to four years; this means that stock options from the stock option plan of the Bank may not be issued after 18 July 2010. The last tranche was allocated on 20 May 2009. No further stock option schemes are currently planned.

The stock options may only be issued by the Board of Managing Directors to the beneficiaries once a year and during a six-week period after the announcement of the results for the last financial year.

Each stock option entitles the holder to subscribe a registered share in the Bank accounting for an interest in the Bank's share capital of €1.00, upon payment of the exercise price. The new shares are entitled to profit shares from the start of the financial year in which they were issued. The subscription and acquisition conditions can stipulate that instead of new shares making use of contingent capital the Bank may grant the beneficiary own shares or some compensatory payment, in whole or in part.

The exercise price of a stock option corresponds to the average closing price of the Bank's shares in floor trading on the Munich Stock Exchange during the ten trading days leading up to the second day before the start of the issue period for the stock options in question, but no less than the proportion of share capital pertaining to one share of Baader Bank AG. The issue period starts on the date on which the beneficiaries were first informed of the specific offer to purchase stock options.

The options may only be exercised if (a) the closing price of Baader Bank AG's shares in floor trading on the Munich Stock Exchange (closing market price) is more than 30% above the issue price (absolute threshold) and (b) on the last 10 trading days prior to the options being exercised, the aggregate, percentage performance of the shares of Baader Bank AG since the option's issue date is at least 10% higher than the percentage gain of the Prime All Share Index (relative threshold) – the aggregate performance takes account of both the share price performance and the value of cash dividends, subscription rights from capital increases and other special rights between the issue of the option and its exercise date - and (c) they do not expire as a result of a condition attached to the options, prior to the exercise notice being submitted. Once set, the performance targets may not be changed.

The options may only be exercised after a lock-up period of two years from their respective issue date. The issue date is the last date on which the beneficiary can accept the specific offer to purchase stock options.

The stock options may be exercised in the five years following the expiry of the lock-up period, subject to the reasons set forth below, but in each case four weeks after the publication of the Bank's quarterly figures (Q1, Q2 and Q3) and – to the extent that the Bank publishes preliminary figures for the completed financial year – four weeks after the publication of such figures (exercise window). At the end of the term (no more than seven years from the issue date) the options will expire and not be replaced.

The details relating to the granting of stock options and additional exercise conditions are determined by the Supervisory Board if members of the Bank's Board of Managing Directors are affected. Otherwise the responsibility for setting forth these details rests with the Bank's Board of Managing Directors. Such details include, in particular, the selection of individual beneficiaries from the respective group of beneficiaries, the granting of options to individual beneficiaries, determining the execution and procedures for handling the exercise of options and the issue of shares, as well as the regulations for dealing with options in special cases.
The following table provides an overview of all options granted, lapsed and exercised.

	2008	2007	2006	2005	2004	2003	Total
Options granted	781,492	418,224	374,600	299,480	299,600	323,000	**2,496,396**
Exercise price	2.08	3.75	5.32	6.02	2.34	2.96	**-**
Options forfeited	155,600	118,687	94,979	68,250	32,780	24,900	**495,196**
Options exercised	0	0	0	0	130,790	193,800	**324,590**
Waived *)	0	0	0	0	0	0	**0**
Options outstanding	**625,892**	**299,537**	**279,621**	**231,230**	**136,030**	**104,300**	**1,676,610**
Exercisable options	**0**	**299,537**	**279,621**	**231,230**	**136,030**	**104,300**	**1,050,718**
Residual term (in months)	64	52	40	29	17	5	-

Stock options for the 2000 financial year at an exercise price of €5.30 lapsed in 2008. Stock options for the 2001 financial year at an exercise price of €2.14 lapsed in 2009. Stock options for the 2002 financial year at an exercise price of €1.12 lapsed in 2010.

In the 2010 financial year the portfolio of stock options changed as follows:

	31.12.2010		31.12.2009	
	Number of stock options	Average exercise price	Number of stock options	Average exercise price
As at 1 January	**1,906,499**	**3.49**	**1,326,260**	**4.21**
Commitment (options granted)	0	-	781,492	2.08
Options forfeited	185,289	3.60	130,043	2.98
Options exercised	10,600	2.34	24,410	2.31
Options lapsed	34,000	1.12	46,800	2.14
As at 31 December 2010/31 December 2009	**1,676,610**	**3.54**	**1,906,499**	**3.49**
Exercisable options as at 31 December 2010/31 December 2009	**1,050,718**	**4.41**	**864,701**	**4.55**

The exercise of the options resulted in an expense of €4,787.36, which was charged directly to equity. The average share price in the six exercise periods was as follows:

Potential average share prices in the exercise periods:

Period 1:	27.04.2010 - 24.05.2010	Share price:	3.338	Stock Option Plan: 2004
Period 2:	09.06.2010 - 06.07.2010	Share price:	3.538	Stock Option Plan: 2000
Period 3:	21.07.2010 - 03.08.2010	Share price:	3.304	Stock Option Plan: 2004
Period 4:	18.08.2010 - 14.09.2010	Share price:	3.166	Stock Option Plan: 2000
Period 5:	17.11.2010 - 14.12.2010	Share price:	3.124	Stock Option Plan: 2000

The stock options granted from the Stock Option Plan 2004 and all subsequent stock option plans are accounted for and measured under the provisions of IFRS 2 Share-Based Payments. The stock option plans are share-based payments of additional benefits to employees, which are settled by equity instruments. The benefits received must be carried at fair value whilst raising equity. Since this value cannot be reliably estimated, it and the corresponding increase in equity must be calculated indirectly by making reference to the fair value of the equity instruments granted.

	2008	2007	Total
Options granted	728,998	381,620	1,110,618
Option price	1.2916	1.1642	-
Total staff costs:	941,573.82	444,282.00	1,385,855.82
Staff costs in 2010 financial year	470,786.91	74,047.00	544,833.91

Staff costs are distributed over the two-year period they are incurred. Proportionate costs were recorded for four months for the stock options from 2007 and for 12 months for the stock options from 2008. No new stock options were granted for financial years from 2009.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(25) Cash reserves

The cash reserve breaks down as follows:

	31.12.2010	31.12.2009
Cash-in-hand	2,758.48	5,255.26
Deposits with Deutsche Bundesbank	2,890,601.85	905,879.12
Total	**2,893,360.33**	**911,134.38**

(26) Loans and advances to banks

	31.12.2010 Germany	31.12.2010 Other countries	31.12.2009 Germany	31.12.2009 Other countries
Payable on demand	27,248,904.95	109,209,642.89	36,329,403.70	27,897,678.55
Other loans and advances	11,421,091.93	573,700.75	1,944,269.44	504,976.65
Loans and advances to banks	**38,669,996.88**	**109,783,343.64**	**38,273,673.14**	**28,402,655.20**
Loan loss provisions	0.00	0.00	-40,690.79	0.00
Total	**38,669,996.88**	**109,783,343.64**	**38,232,982.35**	**28,402,655.20**

Loans and advances to banks include deferred interest of €269,804.87. The remaining maturities of the loans and advances to banks are presented in the residual maturity structure (cf. Note (65)).

The increase in loans and advances to banks is mainly due to the steady rise in liquidity within the Group and margin payments for customer trading transactions.

(27) Loans and advances to customers

	31.12.2010	31.12.2009
German customers	**7,526,724.60**	**5,572,452.50**
- Companies	3,380,834.17	2,458,831.36
- Private individuals	4,145,890.43	3,113,621.14
- Other	0.00	0.00
International customers	**27,055,327.54**	**31,319,785.18**
- Companies	9,850,098.51	11,190,522.53
- Private individuals	17,187,128.57	20,129,262.65
- Other	18,100.46	0.00
Loans and advances to customers	**34,582,052.14**	**36,892,237.68**
of which loan loss provisions	-3,407,634.25	-3,727,154.41
Total	**31,174,417.89**	**33,165,083.27**

The size and structure of loans and advances to customers changed only marginally compared to the previous year.

Loan loss provisions relate to loans and advances to customers of €3,827 thousand. These loans and advances have residual maturities of less than one year, and are backed by collateral of €492 thousand.

The remaining maturities are presented in the residual maturity structure (cf. Note(65)).

Baader Bank AG has no loans and advances from associates.

Loans and advances to customers contain loans and advances amounting to €3,429 thousand, for which no interest is paid.

The amounts reported under loans and advances to customers, less the loan loss provisions, corresponds to the fair value of loans and advances extended.

(28) Loan loss provisions

Loan loss provisions changed as follows:

	Loans and advances to banks		Loans and advances to customers		Total	
	2010	2009	2010	2009	2010	2009
As at 1 January	**40,690.79**	**40,690.79**	**-3,727,154.41**	**-3,053,920.27**	**-3,767,845.20**	**-3,094,611.06**
Additions	0.00	0.00	-504,379.98	-960,206.63	-504,379.98	-960,206.63
Disposals						
- Utilisation	39,137.19	0.00	813,410.77	273,592.17	852,547.96	273,592.17
- Reversal	1,553.60		10,489.37	13,380.32	12,042.97	13,380.32
Changes in consolidated companies					0.00	0.00
Write-downs	0.00	0.00			0.00	0.00
As at 31 December	**0.00**	**40,690.79**	**-3,407,634.25**	**-3,727,154.41**	**-3,407,634.25**	**-3,767,845.20**

These relate solely to loan loss provisions for credit rating risks.

The additions to loan loss provisions in the 2010 financial year are primarily the result of impairment on loans and advances to customers.

(29) Assets held for trading

Trading assets primarily consist of the following:

	31.12.2010	31.12.2009
Bonds and other fixed-income securities	42,545,873.09	148,497,168.71
including:		
marketable securities	41,835,600.97	148,497,168.71
listed securities	31,982,548.27	148,497,168.71
Shares and other non-fixed-income securities	53,867,900.95	29,739,686.65
including:		
marketable securities	48,043,991.15	29,193,706.44
listed securities	46,077,669.48	25,817,697.94
Positive fair values of derivative financial instruments	84,208.50	0.00
Total	**96,497,982.54**	**178,236,855.36**

The sharp decrease in bonds under trading assets is the result of shifting liquidity from the trading book to the banking book. Investments are made in bonds with residual terms of no more than 15 months.

(30) Available-for-sale financial instruments

Available-for-sale financial instruments include investments and other equities and bonds that are not allocated to trading assets.

The following overview shows the breakdown and changes to available-for-sale financial instruments:

	Equity investments		Shares and other non-fixed-income securities		Bonds and obligations	
	2010 €	**2009 € thousand**	**2010 €**	**2009 € thousand**	**2010 €**	**2009 € thousand**
Cost						
- As at 1 January	5,799,505.30	3,257	31,708,626.74	38,474	39,705,829.25	393
- Additions	0.00	354	8,111,762.76	1,250	243,735,858.17	40
- Reclassifications	0.00	2,215				
- Disposals	-146,940.00	-26	-12,758,824.03	-8,016	-1,153,349.24	-393
- As at 31 December	5,652,565.30	5,799	27,061,565.47	31,709	282,288,338.18	39,706
Revaluation reserve						
- As at 1 January	88,474.02	10	871,765.64	208	209,770.15	48
- Additions	61,855.74	78	98,321.16	731	-13,990,056.61	162
- Reclassifications				0		0
- Disposals	-12,896.11		-774,486.96	-67	-10,120.50	0
- As at 31 December	137,433.65	88	195,599.84	872	-13,790,406.96	210
Amortisation						
- As at 1 January	3,449,914.37	2,127	27,932,274.68	27,384	0.00	0
- Current amortisation	865,623.62	286	247,092.80	548	0.00	0
- Reclassifications	0.00	1,063			0.00	0
- Disposals	-98,836.11	-26	-11,442,655.78			0
- As at 31 December	4,216,701.88	3,450	16,736,711.70	27,932	0.00	0
Carrying amounts						
As at 31 December 2009		**2,438,064.91**		**4,648,117.70**		**39,915,599.40**
						47,001,782.01
As at 31 December 2010		**1,573,297.07**		**10,520,453.61**		**268,497,931.22**
						280,591,681.90
including						
marketable securities	1,570,616.45	2,435	9,533,394.55	3,621	268,497,931.22	39,916
listed securities	1,450,615.49	2,254	8,089,052.45	1,467	268,497,931.22	39,916

(31) Interests in companies measured using equity method

This item comprises all interests in associates and assets that are measured using the equity method.

	Interests in companies measured using equity method	
	2010 **€**	**2009** **€ thousand**
Cost		
- As at 1 January	14,445,336.22	17,765
- Adjustment of previous years	-609,632.94	108
- Additions	0.00	896
- Reclassifications	0.00	-1,881
- Disposals	-8,245,680.00	-2,443
- As at 31 December	5,590,023.28	14,445
Accumulated changes from measurement at equity	-738,477.72	-610
Amortisation		
- As at 1 January	0.00	1,240
- Current amortisation	0.00	0
- Disposals	0.00	-510
- Reversals of impairments	0.00	0
- Reclassifications	0.00	-729
- As at 31 December	0.00	0
Carrying amounts		
As at 31 December 2009		**13,835,703.28**
As at 31 December 2010		**4,851,545.56**
including		
marketable securities	4,760,366.28	13,745
listed securities	0.00	0

The proportionate interests in net profit of the previous year reduce the cost item by €609,632.94.

The fund units in Sherpa Absolute Return DWS were all sold during the past financial year.

The interests in companies measured using the equity method relate to the participations in Gulf Baader Capital Markets S.A.O.C., Muscat, and in BAM Berlin Asset Management GmbH, Berlin.

(32) Property, plant and equipment

Changes in property, plant and equipment in the financial year:

	Furniture, fixtures and office equipment		Land and buildings	
	2010 €	**2009 € thousand**	**2010 €**	**2009 € thousand**
Cost				
- As at 1 January	4,830,863.52	5,645	23,861,439.83	23,759
- Additions	490,074.17	264	11,453.34	103
- Disposals	-243,797.73	-1,139	0.00	0
- Changes in scope of consolidation	0.00	60	0.00	0
- As at 31 December	5,077,139.96	4,831	23,872,893.17	23,861
Depreciation				
- As at 1 January	3,437,701.21	4,134	6,149,661.42	5,290
- Current depreciation	385,751.77	380	858,668.61	860
- Disposals	-214,275.73	-1,129	0.00	0
- Changes in scope of consolidation	-1,699.92	53	0.00	0
- As at 31 December	3,607,477.33	3,438	7,008,330.03	6,150
Carrying amounts				
As at 31 December 2009		**1,393,162.31**		**17,711,778.41**
As at 31 December 2010		**1,469,662.63**		**16,864,563.14**

There were no reasons to record unscheduled depreciation. No earlier impairment losses were reversed in the reporting year.

The land of Baader Bank AG in Unterschleißheim included under property, plant and equipment carries a land charge of €15,000 in favour of the Kreissparkasse München-Starnberg.

(33) Intangible assets

The following overview shows the changes to intangible assets:

	Software		Trading strategies		Order books		Customer relationships	
	2010 €	2009 € thousand	2010 €	2009 € thousand	2010 €	2009 € thousand	2010 €	2009 € thousand
Cost								
- As at 1 January	12,715,122.62	13,018	2,286,287.79	2,286	31,803,653.52	27,536	500,000.00	0
- Additions	5,961,116.06	1,957	0.00	0	1,300,000.00	4,500	0.00	500
- Disposals	-3,425,937.14	-3,185	0.00	0	0.00	-232	0.00	0
- Changes in consolidated companies	0.00	925	0.00	0	0.00	0	0.00	0
- As at 31 December	15,250,301.54	12,715	2,286,287.79	2,286	33,103,653.52	31,804	500,000.00	500
Amortisation								
- As at 1 January	8,398,342.22	8,362	782,151.08	541	15,752,729.52	13,103	25,000.00	0
- Current amortisation	1,204,031.12	2,293	240,661.87	241	2,740,324.00	2,882	50,000.00	25
- Disposals	-3,091,261.14	-2,981	0.00	0	0.00	-232	0.00	0
- Changes in consolidated companies	0.00	725	0.00	0	0.00	0	0.00	0
- As at 31 December	6,511,112.20	8,398	1,022,812.95	782	18,493,053.52	15,753	75,000.00	25
Carrying amounts								
As at 31 December 2009		**4,316,780.40**		**1,504,136.71**		**16,050,924.00**		**475,000.00**
As at 31 December 2010		**8,739,189.34**		**1,263,474.84**		**14,610,600.00**		**425,000.00**

As part of the acquisition of the interest in Conservative Concept Portfolio Management AG, two trading strategies were identified as intangible assets in 2006 which, as internally generated assets, had to be recognised separately from goodwill in the course of the acquisition. The remaining amortisation period totals five years.

In the 2010 financial year the order books of Joachim Grützner Börsenmakler GmbH were acquired as part of an asset deal. The purchase price for the order books was €1,300 thousand. The carrying value as at 31 December 2010 amounted to €1,224 thousand. The remaining amortisation period totals nine years.

During the first-time consolidation of N.M. Fleischhacker AG in 2009, order books amounting to €4,500 thousand were capitalised, which were recognised under intangible assets at €3,600 thousand as at the reporting date. The remaining amortisation period totals eight years.

In addition, the order books position contains order books acquired through the acquisition of DBM in the 2008 financial year with a carrying value of €7,950 thousand as at 31 December 2010. Here the residual amortisation period is seven years.

Customer relationships were identified as recognisable intangible assets during the first-time consolidation of KA.DE.GE KG. These were recognised at €500 thousand during the purchase price allocation and recognised as at the reporting date at €425 thousand.

In the 2011 financial year Baader Bank AG will roll out new banking software. For licence charges and initial implementation support, advance payments of €4,275 thousand have already been made. These are also the main items under the software category. The overall contract volume comes to €7,900 thousand.

In the 2010 financial year no unscheduled amortisation was recorded on intangible assets.

(34) Goodwill

	Goodwill	
	2010 €	**2009 € thousand**
Cost		
- As at 1 January	25,748,019.84	25,748
- Additions	0.00	0
- Disposals	0.00	0
- Changes in scope of consolidation	0.00	0
- As at 31 December	25,748,019.84	25,748
Amortisation		
- As at 1 January	962,964.40	963
- Current amortisation	170,375.73	0
- Disposals	0.00	0
- Changes in scope of consolidation	0.00	0
- As at 31 December	1,133,340.13	963
Carrying amounts		
- As at 31 December 2009		**24,785,055.44**
- As at 31 December 2010		**24,614,679.71**

As at the 2010 reporting date the Bank recognised the following goodwill figures in the IFRS consolidated financial statements:

Subsidiaries	Goodwill € thousand	Initial recognition Financial year
Baader & Heins Capital Management AG	1,618	2005
Conservative Concept Portfolio Management AG	1,849	2006
DBM Deutsche Börsenmakler GmbH (merged)	21,148	2008
Total	**24,615**	

The impairment tests required for goodwill were carried out using a recognised measurement procedure, the discounted cash flow method, by discounting the surplus cash flows after taxes expected for the subsidiaries based on long-term corporate planning with the help of a capitalisation rate with a matching maturity and commensurate with risk totalling 10% or 15% (previous year: between 10% and 15%).

Using the corporate planning available for the 2011 to 2013 planning period the closer stage (detailed planning stage) was identified. Based on the findings from the first stage, a constant value was identified for the purposes of capitalising the perpetual annuity regarding the surplus annual cash flow. A risk-free base interest rate taking taxes into account and a market risk premium determined according to the tax CAPM model were recognised as the capitalisation rate.

The value of goodwill of the merged DBM Deutsche Börsenmakler GmbH is derived from the earnings capacity of the acquired business segments. To this end, the earnings were projected and distributed over the expected residual term of the capitalised order books based on the actual gross income / contribution margin accounting for the 2010 financial year in the individual segments (groups of order books). Future growth in earnings was not assumed. The future cash flows determined in this way were discounted with an interest rate of 10%. The sum of the discounted earnings of the order books exceeding the residual carrying amounts (recoverable amount) less the equity of DBM is offset against the goodwill.

The impairment test carried out as part of the process of preparing the annual financial statements revealed a need for impairment only in respect of the goodwill of direcct AG (recognised above in the goodwill of Conservative Concept Portfolio Management AG) amounting to €170 thousand. The main reason for this is the planned merger of the company into Baader Bank AG. In the other cases the recoverable amount was significantly higher than the recognised goodwill.

(35) Income tax assets

Income tax assets relate to claims of the Group against the tax authorities from actual tax overpayments amounting to €10,589,605.72. As a result of the Act on Tax Features for the Introduction of the European Company and Amendment of Other Tax Rules (SEStEG) the existing system for lowering corporate tax was replaced by a proportional payment of corporate tax credits. This resulted in the capitalisation of the present value of corporate tax credits in the Group totalling €9,575 thousand.

(36) Other assets

Other assets comprise the following:

	31.12.2010	31.12.2009
Other assets	2,066,620.86	2,792,961.77
Prepaid expenses and accrued income	553,186.46	958,102.31
Total	**2,619,807.32**	**3,751,064.08**

(37) Deferred tax assets

Deferred taxes represent the potential income-tax relief arising from temporary differences between the values assigned to assets and liabilities in the consolidated statement of financial position in accordance with IAS/IFRS and their values for tax-accounting purposes in accordance with the local tax regulations for consolidated companies. They are recognised to the extent it is probable that the future tax benefit can be used.

Deferred tax assets are recognised in connection with the following:

	31.12.2010	31.12.2009
Losses carried forward	13,961,388.43	16,859,699.50
Goodwill for tax purposes	1,255,190.83	1,361,733.33
Pension provisions/asset values	859,752.45	789,426.12
Total	**16,076,331.71**	**19,010,858.95**

In the consolidated financial statements of Baader Bank AG, deferred tax assets are accounted for in unused tax loss carry-forwards. In accordance with IAS 12 these must be accounted to the extent that it is probable that future taxable income will be available, against which the as yet unused tax losses can be offset.

Deferred tax assets from loss carry-forwards arose as follows:

	Baader Bank AG	Direcct AG	Total
Loss carry-forward as at 31 December 2009 in € thousand	56,427	1,236	57,663
- Use / Increase of loss carry-forward in 2010	-7,968	319	-7,649
= Loss carry-forward as at 31 December 2010 in € thousand	48,459	1,555	50,014
x tax rate in %	28.81%	27.03%	-
= tax claims as at 31 December 2010 in € thousand	13,961	420	14,381
- Write-down in € thousand	0	-420	0
= Deferred tax assets as at 31 December 2010 in € thousand	**13,961**	**0**	**13,961**
- Deferred tax assets as at 31 December 2009 in € thousand	-16,465	-395	-16,860
Reversal/Addition of deferred tax assets / tax expense in 2010 in € thousand	**-2,504**	**-395**	**-2,899**

In accordance with IAS 12.48 current and deferred tax assets and liabilities are generally measured using the tax rates and tax laws currently in force. However, in tax jurisdictions where the announcements of new tax rates and tax laws by the government have the substantive effect of actual enactment, current and deferred tax assets and liabilities are generally measured using the new tax rates and tax laws from the date of the announcement.

As at 31 December 2009 the tax loss carry-forwards of Baader Bank AG expected to be used amount to €56,251 thousand.

The loss carry-forwards of direcct AG amounting to €1,236 thousand were also considered in the last financial year. These rose to €1,555 thousand on account of the net profit for the year. The plan is to merge direcct AG into Baader Bank AG in the course of the 2011 financial year. As at 31 December 2010 the approvals for the business activity had been returned to BaFin and the business activity of the company was suspended. This eliminated the prospect of using the loss carry-forwards in the future and the value of the tax assets totalling €420 thousand is no longer relevant. Consequently they were written off in full, which generated a tax expense of €394 thousand from the reversal of deferred taxes capitalised in previous years.

Additionally, the changes in the tax asset arising from utilising the remaining tax loss carry-forwards as a result of the profit in the 2010 financial year generated a tax expense of €2,504 thousand. The use and reversal lowered the deferred tax refund claims from loss carry-forwards by a total of €2,898 thousand compared to the previous year.

According to the long-term corporate plans there are more reasons in favour of than against there being a sufficient amount of taxable income in the next five years – also taking into account the minimum tax rule – in order to utilise the tax loss carry-forwards taken into account in the recognition of the deferred tax assets at 31 December 2010.

The change in deferred tax assets from measurement differences in provisions for pensions and asset values as well as securities is recognised under income taxes as a deferred tax expense through profit and loss.

(38) Liabilities to banks

Liabilities to banks comprise only liabilities to German banks and break down as follows:

	31.12.2010	31.12.2009
Payable on demand	43,695,683.60	4,967,807.54
With agreed term or period of notice	30,972,872.51	26,637,343.78
Total	**74,668,556.11**	**31,605,151.32**

The 'With agreed term or period of notice' item contains a loan to refinance the business premises amounting to €10,657,358.62 as well as liquidity received as part of the tendering procedure of Deutsche Bundesbank totalling €20,000,000. The remaining maturities of the liabilities to banks are presented in the residual maturity structure (cf. Note (65)).

(39) Liabilities to customers

Liabilities to customers consist of the following:

	31.12.2010	31.12.2009
German customers	**234,053,480.42**	**111,854,687.02**
- Companies	102,400,519.48	37,742,855.09
- Private individuals	2,706,459.89	5,467,723.71
- Other	128,946,501.05	68,644,108.22
International customers	**145,557,660.37**	**82,762,715.28**
- Companies	122,712,244.78	61,057,866.29
- Private individuals	22,845,415.59	21,704,848.99
- Other	0.00	0.00
Total	**379,611,140.79**	**194,617,402.30**

Liabilities to customers mainly comprise customer deposits payable on demand amounting to €177,184 as well as promissory note loans and term deposits totalling €202,427. Liabilities to customers include deferred interest amounting to €4,297 thousand. The remaining maturities of the liabilities to customers are presented in the residual maturity structure (cf. Note (65)).

(40) Liabilities from trading activities

Trading liabilities comprise delivery commitments from the short sale of securities and derivative financial instruments with negative fair values.

	31.12.2010	31.12.2009
Delivery commitments from short sales of securities	2,934,610.13	736,370.62
Negative fair values of derivative financial instruments	0.00	87,250.00
Total	**2,934,610.13**	**823,620.62**

Disclosures in accordance with IAS 7.10 are not made for reasons of materiality.

(41) Provisions

Provisions break down as follows:

	31.12.2010	31.12.2009
Pension provisions	9,363,027.00	9,057,921.00
Other provisions	1,348,425.60	2,699,474.26
Total	**10,711,452.60**	**11,757,395.26**

Pension provisions comprise exclusively provisions for obligations to provide occupational retirement pensions based on direct pension commitments. The type and size of the retirement pensions for eligible employees are determined by the terms of the pension commitments agreed upon on an individual basis. Pensions are paid to employees after they reach retirement age, or earlier in the case of invalidity or death (cf. Note (19)).

Pension obligations are determined on an annual basis by independent actuaries using the projected unit credit method. The defined benefit obligation of the pension commitments as at 31 December 2010 totalled €8,725 thousand (previous year: €7,086 thousand). The difference between the pension provisions is the result of the actuarial gains and losses not yet recognised in the statement of financial position and totalling €-1,004 thousand (previous year: €-2,331 thousand), past service cost of €0 (previous year: T€ 0) and the fair value of plan assets amounting to €367 thousand (previous year: €359 thousand).

	2010	2009
Defined benefit obligations (DBO) as at 31 December	**8,725,955.00**	**7,085,942.00**
Fair value of plan assets	-366,967.00	-359,431.00
Actuarial gains and losses not yet recognised in the statement of financial position	1,004,039.00	2,331,410.00
Defined benefit liability (DBL) as at 31 December	**9,363,027.00**	**9,057,921.00**

Pension obligations changed as follows:

	2010	2009
Defined benefit obligations (DBO) as at 1 January	**7,085,942.00**	**9,523,760.00**
Service cost	83,921	85,845.00
Interest expense	407,424	590,473.00
Plan changes	0.00	-1,942,461.00
Pension payments	-2,443.00	0.00
Actuarial gains/losses	1,151,111.00	-1,171,675.00
Defined benefit obligations (DBO) as at 31 December	**8,725,955.00**	**7,085,942.00**

All pension obligations are partly financed through plan assets. Plan assets exclusively available in the form of reinsurance policies changed as follows:

	2010	2009
Plan assets as at 1 January	**359,431.00**	**1,432,149.00**
Employer contributions	-11,687.00	3,957
Repayments	0.00	-1,101,138.00
Expected return on plan assets	16,022	39,535.00
Actuarial gains/losses	3,201.00	-15,072.00
Fair value as at 31 December	**366,967.00**	**359,431.00**

The actual return on plan assets amounted to €19,223 (previous year: €24,463).

In addition to the reinsurance policies, assets are also invested internally in the form of securities whose sole purpose is to cover the pension obligations. However, these do not meet the requirements for plan assets as set forth in IAS 19 and are therefore not taken into account under provisions as plan assets.

As part of accounting for pension provisions the following amounts were taken into account in the income statement:

	2010	2009
Current service cost	83,921.00	85,845.00
Interest expense	407,424.00	590,473.00
Expected return on plan assets	-16,022.00	-39,535.00
Actuarial gains/losses	-179,461.00	-1,965,652.00
Past service cost	0.00	0.00
Settlements	0.00	0.00
Total	**295,862.00**	**-1,328,869.00**

The full amount of the pension expense is included under administrative expense.

Pension obligations changed as follows in a five-year comparison:

	2010	2009	2008	2007	2006
Present value of defined benefit obligation (DBO)	8,725,955.00	7,085,942.00	9,523,760.00	9,824,478.00	8,625,434.00
Fair value of plan assets	-366,967.00	-359,431.00	-1,432,149.00	-942,027.00	-806,033.00
Plan deficit	**8,358,988.00**	**6,726,511.00**	**8,091,611.00**	**8,882,451.00**	**7,819,401.00**

The best estimate of the expected employer's contributions paid into the plan in the 2010 financial year is roughly €7,000.

Other provisions changed as follows in the financial year:

	As at 1 January 2010 € thousand	Use € thousand	Reversal € thousand	Addition € thousand	As at 1 January 2010 € thousand
Staff	384	384	0	264	264
Cost allocations	1,149	672	476	25	26
Miscellaneous	1,166	709	245	846	1,058
Total	**2,699**	**1,765**	**721**	**1,135**	**1,348**

Staff provisions are attributable to compensation while the provisions for cost allocations relate mainly to the cost allocations of the supervisory authorities.

(42) Income tax liabilities

The income tax liabilities amounting to €62,530.47 are the current tax liabilities of the Group companies for which no valid tax assessment notice has yet been received.

(43) Other liabilities

Other liabilities amounting to €16,257,086.11 (previous year: €16,289 thousand) mainly comprise outstanding invoices and accrued liabilities (€13,905 thousand) as well as salary deductions (€1,565 thousand).

(44) Deferred tax liabilities

Deferred tax liabilities represent the potential income-tax relief arising from temporary differences between the values assigned to assets and liabilities in the consolidated statement of financial position in accordance with IAS/IFRS and their values for tax-accounting purposes in accordance with the local tax regulations for consolidated companies.

Deferred tax assets were recognised in connection with the following:

	31.12.2010	31.12.2009
Securities	213,341.37	2,024,575.09
Intangible assets	4,034,989.54	4,270,668.65
Total	**4,248,330.91**	**6,295,243.74**

The change in deferred tax liabilities from measurement differences on securities and amounting to €91,622.34 was recognised in equity in the revaluation reserve. All other changes are recognised through profit and loss as income tax income or income tax expense.

Deferred tax liabilities in connection with intangible assets arose in connection with the acquisitions and purchase price allocations of CCPM, DBM and N.M. Fleischhacker. They relate to the trading strategies and order books identified as intangible assets and are reversed in line with the useful lives of the assets to the benefit of income taxes.

(45) Shareholders' equity

	31.12.2010 €	31.12.2009 €
a) Subscribed capital	45,389,518.00	45,378,918.00
b) Capital reserves	61,985,715.34	61,426,677.43
c) Retained earnings	60,995,565.10	48,995,565.10
d) Revaluation reserve	-13,524,175.75	1,193,138.38
e) Currency translation reserve	85,433.52	66,316.54
f) Consolidated net profit	16,829,674.56	18,484,838.86
Total before minority interests	**171,761,730.77**	**175,545,454.31**
Minority interests	2,264,496.06	2,015,962.65
Shareholders' equity	**174,026,226.83**	**177,561,416.96**

a) Subscribed capital

The subscribed capital (share capital) as at 31 December 2010 amounted to €45,908,682.00, comprising 45,908,682 no-par value bearer shares.

	Shares
Number of shares in circulation on 31 December 2009	**45,378,918**
Plus: treasury shares as at 31.12 in previous year	529,764
Issue of free shares	0
Number of issued shares as at 31 December 2009	**45,908,682**
Less: treasury shares as at reporting date	519,164
Number of shares in circulation on 31 December 2010	**45,389,518**

Before taking treasury shares into consideration the subscribed capital amounted to €45,908,682.00. There are no preference rights or restrictions with regard to the distribution of dividends at Baader Bank AG. All issued shares are paid up.
The value of shares issued, in circulation and authorised is as follows:

	31.12.2010		31.12.2009	
	€ thousand	Shares	€ thousand	Shares
Issued shares	45,909	45,908,682	45,909	45,908,682
./. Treasury shares	519	519,164	530	529,764
= shares in circulation (Subscribed capital)	45,390	45,389,518	45,379	45,378,918
+ shares not yet issued from authorised capital	22,954	22,954,341	22,954	22,954,341
Total	**68,344**	**68,343,859**	**68,333**	**68,333,259**

No treasury shares were acquired in the 2010 financial year.

A resolution of the General Meeting of Shareholders on 29 June 2010 revoked the resolutions from 3 July 2009 to acquire treasury shares in accordance with Section 71 (1) Nos. 7 and 8 AktG, and issued authorisations until 28 June 2015 in accordance with Section 71 (1) Nos. 7 and 8 AktG as follows:

- To buy and sell own shares for the purposes of securities trading at prices that do not exceed or fall short of the average closing price for the shares in floor trading on the Frankfurt Stock Exchange by more than 10% on the three preceding trading days. The stock of shares acquired for such purposes may not exceed 5% of the Bank's share capital.

- In accordance with Section 71 (1) No. 8 AktG the Bank is authorised to acquire its own shares, in particular to be able to offer such to third parties as part of the acquisition of companies, parts of companies or equity interests or assets – including by means of stock swaps.
- To offer shares for subscription to beneficiaries from the Stock Option Plans 1999, 2004 and 2006 of Baader Bank AG in accordance with the authorisations of the General Meetings of Shareholders held on 18 June 1999, 14 July 2004 and 19 July 2006, or to withdraw said shares.

This authorisation is limited to the acquisition of own shares up to a maximum of ten percent of the share capital. The authorisation may be exercised in full or in part, once or on more than one occasion, and in order to pursue one or more of the stated goals. The authorisation is valid until 28 June 2015 and the shares will be acquired on the stock exchange. The price paid by Baader Bank AG per share may not exceed the average closing price for the no-par value shares of Baader Bank AG in floor trading on the Frankfurt Stock Exchange during the last five trading days prior to the purchase of the shares (excluding ancillary acquisition costs) by more than 5%. With the approval of the Supervisory Board the Board of Managing Directors is authorised to offer shares of Baader Bank AG – that were acquired as a result of this authorisation – to third parties when companies, parts of companies, equity interests or assets are acquired – including by means of share swaps – and in the event of business combinations. Subject to the agreement of the Supervisory Board the Board of Managing Directors is authorised to offer the Bank's own shares acquired based on this authorisation for acquisition to holders of options under the 1999, 2004 and 2006 Stock Option Plans resolved by the General Meeting of Shareholders. The subscription right of shareholders to these own shares is excluded to the extent that such shares are used in accordance with the authorisations referred to above. With the approval of the Supervisory Board the Board of Managing Directors is also authorised to withdraw own shares of Baader Bank AG that were acquired as a result of this authorisation, without such withdrawal or the execution thereof being subject to another resolution of the General Meeting of Shareholders. The authorisation to withdraw shares may be exercised in full or in part.

b) Capital reserve

The capital reserve comprises the premium generated on the issue of shares. When buying own shares back the difference between the cost and the nominal amount is offset with the capital reserve. If retained earnings have been used up, the capital reserve absorbs all the consolidation measures recognised through profit or loss.

c) Retained earnings

Retained earnings comprise other retained earnings amounting to €60,996 thousand (previous year: €48,996 thousand). The addition is derived from the resolution of the General Meeting of Shareholders held on 29 June 2010.

d) Revaluation reserve

After taking deferred taxes into account, the revaluation reserve comprises, at fair value, the gains or losses from the measurement of available-for-sale financial instruments which consist of instruments bearing interest and dividends. The gains and losses are not recognised through profit or loss until the assets are disposed of or written off.

	2010 **€ thousand**	**2009** **€ thousand**
Measurement of available-for-sale financial instruments	-13,461	1,164
Deferred taxes from measurement of available-for-sale financial instruments	-231	-139
Capital consolidation of gradual acquisition	168	168
Total	**-13,524**	**1,193**

The decline in the revaluation reserve is primarily attributable to temporary reductions in the value of the treasury portfolio.

e) Currency translation reserve

The currency translation reserve includes foreign exchange gains and losses that arose during the consolidation of capital. Exchange-rate differences from the consolidation of foreign subsidiaries that do not report in the reporting currency were included here.

For materiality reasons there was no reconciliation in accordance with IAS 21.52 b).

f) Consolidated net profit

The consolidated net profit comprises the net profit after minority interests and the retained earnings carried forward from previous financial years. Some of the consolidated net profit is also intended for distribution to shareholders for the 2010 financial year. As before, the dividend distribution is calculated from the profit after tax of Baader Bank AG in the separate financial statements under HGB. On 30 June 2011 the General Meeting of Shareholders is expected to propose a dividend per share of €0.12. There are 45,389,518 shares currently in circulation, which will put the total distribution at €5,447 thousand. In the previous year a dividend of €0.13 per share was paid. The remaining retained profit for the year is carried forward to new account.

(46) Contingent capital

The contingent capital is intended for the issuance of new shares to support stock option plans and for the issue of convertible bonds or warrants from partial bonds.

Changes in contingent capital:

€ thousand	Contingent capital 01.01.2010	Additions	Expiry/ utilisation	Contingent capital 31.12.2010
Issuance of shares	3,400			3,400
Convertible bonds/warrants from partial bonds	10,000			10,000
Total	**13,400**	**0**	**0**	**13,400**

The General Meeting of Shareholders held on 19 July 2006 resolved to raise contingent capital by up to a nominal amount of €1,200,000.00. This contingent capital increase will only be implemented by issuing up to 1,200,000 new no-par value bearer shares with dividend rights from the beginning of the financial year of their issue, insofar as the holders of options granted under the 1999 Stock Option Plan of Baader Bank AG based on authorisation given on 18 June 1999 exercise their options (Contingent Capital 1999).

The General Meeting of Shareholders held on 19 July 2006 resolved to raise contingent capital again by up to €600,000. This contingent capital increase will only be implemented by issuing up to 600,000 new no-par value bearer shares with dividend rights from the beginning of the financial year of their issue, insofar as the holders of options granted under the 2004 Stock Option Plan of Baader Bank AG based on authorisation given on 14 July 2004 exercise their options (Contingent Capital 2004).

The share capital is also raised on a contingent basis by up to a nominal amount of €1,600,000 by a resolution of the General Meeting of Shareholders on 26 June 2007. This contingent capital increase will only be implemented by issuing up to 1,600,000 new no-par value bearer shares with dividend rights from the beginning of the financial year of their issue, insofar as the holders of options granted under the 2006 Stock Option Plan of Baader Bank AG based on authorisation given on 19 July 2006 exercise their options (Contingent Capital 2007).

A resolution of the General Meeting of Shareholders held on 26 June 2007 raised the share capital of the Bank up to €10,000,000 on a contingent basis via the issue of up to 10,000,000 new no-par value bearer shares (Contingent Capital 2005). The contingent capital is designed to grant rights to holders or creditors of convertible bonds and/or warrants from partial bonds, issued on the basis of the resolutions from the General Meeting of Shareholders on 29 June 2005 and from 26 June 2007 to 25 June 2012 by Baader Bank AG or by a company in which Baader Bank AG holds a direct or indirect majority interest. The new shares are issued at the conversion or option price determined each time. The conditional capital increase will only take place to the extent these rights are used. The new shares carry dividend rights from the beginning of the financial year in which they are created from the exercise of conversion rights or options. The Board of Managing Directors is authorised to determine the details of the contingent capital increase and its execution.

The Supervisory Board is authorised to adjust the respective utilisation of the contingent capital in accordance with Article 4 of the Articles of Association.

(47) Authorised capital

Date of resolution	Original amount	Used for capital increases in previous years	Restriction expired	Remaining amount	Restriction
26.06.2007	22,954	0	0	22,954	25
Total	**22,954**	**0**	**0**	**22,954**	

The resolutions from 10 July 2002 regarding authorised capital I and authorised capital II were revoked by the General Meeting of Shareholders on 26 June 2007. New authorised capital 2007 was created. With the consent of the Supervisory Board the Board of Managing Directors was authorised accordingly to raise the share capital by up to €22,954,341 by 25 June 2012 via the issue of new bearer shares on one or more occasion in return for cash and/or non-cash contributions. As a rule the shareholders should be granted a subscription right. However, with the approval of the Supervisory Board the Board of Managing Directors may a) exclude fractional amounts from the subscription right; b) rule out the subscription right of shareholders in order to issue new shares for cash contributions at an issue price that is not significantly lower than the quoted market price of shares already listed at the time the issue price is finalised (Section 186 (3) 4 AktG), whereby this exclusion of subscription rights may only affect shares whose imputed value does not exceed 10% of the share capital; c) rule out the subscription right of shareholders in order to issue shares for non-cash contributions to acquire companies or equity interests in companies or parts of companies or assets – including by means of share swaps – and in the event of business combinations (Authorised Capital 2007).

(48) Foreign currency

The following assets and liabilities were reported in foreign currency in the Group on the reporting date:

	2010 €	2009 €
Loans and advances to banks	49,741,977	2,101,071
Loans and advances to customers	22,443,775	25,035,375
Assets held for trading	10,052	11,772
Available-for-sale financial instruments	1	673,829
Other items	4,787,010	11,610
Foreign currency assets	**76,982,815**	**27,833,658**
Liabilities to banks	32,599,738	49
Liabilities to customers	53,331,672	25,951,043
Liabilities from trading activities	0	0
Other items	616,239	408,154
Foreign currency liabilities	**86,547,650**	**26,359,246**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(49) Net interest income

Net interest income breaks down as follows:

	31.12.2010	31.12.2009
Interest income from	**12,627,920.21**	**7,248,214.80**
- lending and money market transactions	1,048,385.20	1,460,271.73
- fixed-income securities	11,579,535.01	5,787,943.07
Interest expense	**-7,235,183.40**	**-4,279,725.91**
Total	**5,392,736.81**	**2,968,488.89**

Interest expenses comprise interest expenses on customer funds amounting to €127,024.96, interest expenses on own promissory note loans and money market transactions totalling €6,302,749.47, interest expenses on current liabilities amounting to €262,269.13 and interest expenses on loans totalling €543,139.84.

(50) Loan loss provisions

Loan loss provisions are as follows in the income statement:

	31.12.2010	31.12.2009
Additions to loan loss provisions	504,379.98	960,206.63
Reversals	-12,042.97	-13,380.32
Write-downs	41,495.72	45,712.46
Total	**533,832.73**	**992,538.77**

(51) Net fee and commission income

	31.12.2010	31.12.2009
Fee and commission income	**49,834,596.33**	**49,382,947.75**
- Brokerage income/transaction fees	26,889,037.47	27,065,612.79
- Order routing	6,298,597.04	4,072,276.18
- Capital market services	992,057.51	616,759.59
- Brokerage of promissory note loans	5,922,462.98	8,152,278.32
- Brokerage commissions	3,740,281.57	1,520,465.11
- Management and performance fees	5,836,563.82	7,463,604.98
- Other fee and commission income	155,595.94	491,950.78
Fee and commission expense	**-15,366,323.04**	**-13,330,877.59**
- Brokerage expenses	-1,284,705.22	-1,039,687.06
- Order routing	-598,707.24	-681,734.44
- Capital market services	0.00	0.00
- Brokerage of promissory note loans	-195,351.02	-74,226.07
- Brokerage commissions	-3,073,909.30	-2,520,232.46
- Management and performance fees	-1,247,333.80	-1,615,794.43
- Settlement fees	-8,526,506.08	-6,631,100.66
- Other fee and commission expenses	-439,810.38	-768,102.47
Total	**34,468,273.29**	**36,052,070.16**

(52) Net trading income

Net trading income reflects the profit from trading in securities and derivative financial instruments. All of the financial instruments in the trading portfolio are measured at fair value. Market prices are used to measure listed products, while for non-listed trading transactions the fair value measurement is based on internal pricing models. Net trading income includes realised and unrealised earnings from trading activities.

	31.12.2010	31.12.2009
Securities trading	**62,838,254.22**	**75,862,785.74**
- Interest and dividends	331,267.91	406,444.44
- Securities	50,078,537.60	57,953,387.23
- Options and futures	-2,897,221.08	-424,877.22
- Price differences	15,325,669.79	17,927,831.29
Foreign currencies	**837,038.74**	**-21,424.89**
- Net income from trading business	865,818.66	-24,788.46
- Currency differences	-28,779.92	3,363.57
Total	**63,675,292.96**	**75,841,360.85**

(53) Net income/expense from available-for-sale financial instruments

	31.12.2010	31.12.2009
Dividend income	**14,941.73**	**85,057.61**
- Equities / other non-fixed-income securities	0.00	85,057.61
- Equity investments	14,941.73	0.00
Gains / losses on disposal of available-for-sale financial instruments	**3,250,949.70**	**91,126.73**
- Equities / other non-fixed-income securities	556,050.47	-5,497.68
- Bonds and notes	2,676,003.12	187,992.36
- Equity investments	18,896.11	-91,367.95
Impairment losses	**-1,112,716.38**	**-834,184.12**
- Write-downs	-1,112,716.38	-834,184.12
- Reversals of impairments	0.00	0.00
Total	**2,153,175.05**	**-657,999.78**

The impairment losses comprise, in particular, amortisation on the interests of Baader Bank AG in Stillking Film Holdings Ltd. (€247 thousand) and amortisation on Parsoli Corporation Ltd. (€866 thousand), recorded as an expense on account of a sustained loss in value.

(54) Net income/expense from companies measured using equity method

	31.12.2010	31.12.2009
Share in net income	-693,477.72	-545,982.96
Goodwill amortisation	0.00	0.00
Total	**-693,477.72**	**-545,982.96**

The share of net income comprises the proportionate interest in the results of Gulf Baader Capital Markets (€-739 thousand) and Berlin Asset Management AG (€45 thousand).

In segment reporting, net income from companies measured using the equity method is recognised in the consolidation column.

(55) Administrative expense

	31.12.2010	31.12.2009
Personnel expense	**-52,054,466.76**	**-51,686,811.44**
- Wages and salaries	-47,353,810.91	-49,053,245.27
- Social security contributions	-3,852,831.89	-3,446,784.18
- Expenses for pension provisions and other employee benefits	-847,823.96	813,218.01
Other administrative expense	**-29,638,865.80**	**-30,923,628.34**
Amortisation and depreciation on intangible assets and property, plant and equipment	**-5,479,437.37**	**-6,680,810.24**
- Furniture, fixtures and office equipment	-385,751.77	-380,033.84
- Real estate	-858,668.61	-859,802.00
- Intangible assets	-4,235,016.99	-5,440,974.40
Total	**-87,172,769.93**	**-89,291,250.02**

Wages and salaries include variable salary components amounting to €22,386 thousand (previous year: €25,591 thousand). Expenses associated with allocations to provisions (€296 thousand) as well as expenses from contribution-based commitments (€125 thousand) are contained in the expenses for provisions and other benefits.

Administrative expenses include expenses for minimum lease payments from operating leases amounting to €2,613 thousand.

(56) Other income/expenses

	31.12.2010	31.12.2009
Other operating income	2,568,669.67	5,562,929.72
Other operating expenses	-1,360,021.28	-5,218,140.31
Total	**1,208,648.39**	**344,789.41**

Other operating income comprises items which cannot be allocated to other positions in the consolidated income statement. This is mainly income from the reversal of provisions (€721 thousand), income from the settlement of monetary benefits from the use of company cars for private purposes (€430 thousand) and out-of-period income (€947 thousand).

Other operating expenses also comprise items which cannot be allocated to other positions in the consolidated income statement. Other operating expenses relate in particular to out-of-period expenses (€469 thousand), other taxes (€325 thousand), expenses in connection with an investment in India (€237 thousand) and amortisation on the goodwill of direcct AG (€170 thousand).

(57) Income tax on profits from ordinary activities

Income taxes break down as follows for the past financial year:

	31.12.2010	31.12.2009
Current income taxes	-1,634,592.03	-2,799,056.48
Accrued interest on corporate tax credits	491,253.89	328,760.73
Deferred taxes	-795,992.07	-2,649,912.57
Total	**-1,939,330.21**	**-5,120,208.32**

The deferred taxes under deferred tax assets include tax expenses from the reversal of capitalised benefits from tax loss carry-forwards amounting to €2,504 thousand, which were used in the financial year (cf. Note 37).

	31.12.2010	31.12.2009
Deferred tax assets	-2,941,284.74	-2,010,408.27
Deferred tax liabilities	2,145,292.67	-639,504.30
Total	**-795,992.07**	**-2,649,912.57**

Deferred taxes in the 2010 financial year are calculated with tax rates specific to the company.

The following reconciliation of amounts displays the correlation between profit from ordinary activities and the taxes on income in the financial year. The corporate income tax rate to be applied as the basis for the reconciliation of the amounts corresponds to the income tax rate of the parent group.

	31.12.2010 € thousand	31.12.2009 € thousand
Net profit before income taxes under IAS/IFRS	**18,498**	**23,719**
Group income tax rate (%)	28.81%	29.18%
Theoretical income tax expense in financial year	**5,329**	**6,921**
Effects of non-deductible operating expenses and tax-free income	-2,836	311
Effects of deferred taxes on loss carry-forwards	394	-122
Tax effects from deviation from measurement principles under tax law	-98	-1,464
Effects of non-recognised deferred taxes	88	208
Accrued interest on corporate tax credits	-491	-329
Effects of previous year's taxes recorded in financial year	-374	-83
Effects of different tax rates on deferred taxes recognised through profit and loss	-72	-94
Other effects	-1	-19
Taxes on income	**1,939**	**5,120**

The decrease in the Group income tax rate in comparison to the previous reporting period is the result of a changed weighting in the trade tax assessment rate.

(58) Earnings per share

The basic earnings per share is calculated according to IAS 33 by taking the net profit after tax less the minority interest in the net profit (numerator) divided by the weighted number of common shares in circulation on average in the reporting year (denominator).

	2010	2009
Net profit after tax	16,245,301.44	18,105,391.05
Weighted average number of shares in circulation	45,387,028	45,376,229
Earnings per share	**0.36**	**0.40**

The diluted earnings per share amounts to €0.35 (previous year: €0.39) and is essentially influenced by the exercisable stock options "in the money" (cf. Note (24)), which are accounted for in the calculation of the weighted average number of shares in circulation for the diluted earnings per share.

There is authorised capital totalling €22,954,341.00 for which the subscription right of shareholders can be excluded in accordance with Section 203 (2) AktG (cf. Note (47)). This authorised capital is not included in the calculation of diluted earnings as it has no diluting effect in the current period.

Since the Bank can choose to grant treasury shares to support the fulfilment of stock option plans, the contingent capital increases (cf. Note (46)) have no diluting effects. This also applies to the contingent capital increase through the issue of convertible bonds as the authorisation has not yet been exercised.

The net profit is not subject to any dilution.

(59) Segment reporting

The segment reporting in the consolidated financial statements of Baader Bank AG for the year ended 31 December 2010 is presented by business segment. The primary business segments of the Group can be sub-divided into four activities: Market Making and Own-Account Trading, Brokerage and Commission Business, Capital Market Services and Financial Portfolio Management. The "Other / Consolidation" column contains Group income and expenses that must be consolidated, in addition to changes that are not directly related to the four primary segments or that are not attributable to their operating activities.

The Market Making and Own-Account Trading segment presents itself as follows: as at 31 December 2010 the Group as a broker managed 15,337 equity order books, 21,490 bond and participation certificate order books, 337,734 order books related to warrants, certificates and ETFs as well as 6,144 fund order books. A broker is responsible for establishing market prices for the managed securities and, if necessary, ensuring additional liquidity by means of own-account trading.

In the Brokerage business the Group functions as a broker between German and foreign banks and financial service institutions for all securities listed on a German stock exchange. Furthermore, institutional and private investors are also given access to domestic and foreign stock exchanges by means of electronic systems. The focal point in this respect is the trading of exchange-traded derivatives. Baader & Heins Capital Management AG brokers promissory note loans between institutional investors. The given company receives commissions for its brokerage activities or services. Business is only conducted via banks. KA.DE.GE Kapital.Devisen.Geld Vermittlungsgesellschaft mbH brokers money, capital and foreign currency transactions in Germany and abroad as well as acting as a consultant for financing matters of all kinds.

Within the context of capital market services the Group places securities with banks in its own name and on its own account, sometimes involving an underwriting syndicate. Baader Bank AG also offers services and consulting in all fields of the capital market and in connection with the implementation of corporate actions. The investment business previously carried out in the Baader Group is no longer pursued. Existing commitments in companies both on and off the stock exchange, in Germany and abroad, will continue to be managed profitably in the Capital Market Services segment until sold.

Financial portfolio management comprises the administration of individual portfolios of financial instruments for others on a discriminatory basis. As an investment manager, Baader Bank AG offers alternative investment services. This business segment also includes the operations of Conservative Concept Portfolio Management AG and Conservative Concept AG, which focus on designing and implementing alternative investment strategies and on deploying futures and options in the form of single hedge funds, managed accounts and certificates.

There is no segment reporting based on geographical areas because the profits and net assets of foreign subsidiaries account for less than 10% of total profits and assets respectively.

In accordance with the reporting to the Bank's main decision maker, interest income and interest expenses are allocated to the segments as net amounts. For the same reason, there is no allocation of income taxes to segments. The interests recognised according to the equity method in Gulf Baader Capital Markets S.A.O.C. and BAM Berlin Asset Management GmbH amounting to €4,852 thousand are allocated to the Capital Market Services segment.

The accounting procedures for all business events between segments subject to reporting correspond to IFRS. There is no asymmetric allocation to segments subject to reporting.

Breakdown by business segment

2010 financial year in € thousand	Market Making and Own-Account Trading	Brokerage Business	Capital Market Services	Financial Portfolio Management	Other/ Consolidation	Group
Net interest income	3,290	2,091	0	11	0	5,392
Loan loss provisions	0	458	76	0	0	534
Net interest income after loan loss provisions	**3,290**	**1,633**	**-76**	**11**	**0**	**4,858**
Net fee and commission income	**17,135**	**13,307**	**541**	**3,588**	**-103**	**34,468**
Net trading income	46,550	16,800	475	0	-150	63,675
Net income from available-for-salefinancial instruments	225	168	623	-107	1,244	2,153
Net income from companies measured using equity method	0	0	0	0	-693	-693
Net income from financial transactions	**46,775**	**16,968**	**1,098**	**-107**	**401**	**65,135**
Directly attributable administrative expense	**31,659**	**20,230**	**1,548**	**3,978**	**-157**	**57,258**
Other net operating income	**1,785**	**93**	**11**	**83**	**-816**	**1,156**
Profit/loss from directly attributable income/expenses	**37,326**	**11,771**	**26**	**-403**	**-361**	**48,359**
Indirectly attributable administrative expense	**17,240**	**10,248**	**1,592**	**781**	**0**	**29,861**
Profit from ordinary activities	**20,086**	**1,523**	**-1,566**	**-1,184**	**-361**	**18,498**
Segment assets in € thousand	330,969	252,088	41,288	11,509		635,854
Segment liabilities in € thousand	241,002	236,848	3,681	2,652		484,183
Risk assets in € thousands	296,220	97,934	16,422	13,771		424,347
Allocated capital in € thousand	94,004	62,808	9,310	7,904		174,026
Return on allocated capital relative to profit before tax	21.4%	2.4%	-16.8%	-15.0%		10.6%
Investments in property, plant and equipment and intangible assets in reporting period in € thousand	5,136	2,705	494	212		8,547
Impairment expense in € thousand	0	680	1,149	0		1,829
Scheduled write-downs on segment assets in € thousand	4,040	1,169	132	309		5,650
Average annual headcount	112	77	12	13	151	365

Breakdown by business segment (previous year)

2009 financial year in € thousand	Market Making and Own-Account Trading	Brokerage Business	Capital Market Services	Financial Portfolio Management	Other / Consolidation	Group
Net interest income	1,788	1,161	1	19	0	2,969
Loan loss provisions	-498	-480	-10	-5	0	-993
Net interest income after loan loss provisions	**1,290**	**681**	**-9**	**14**	**0**	**1,976**
Net fee and commission income	**19,226**	**11,049**	**607**	**5,170**	**0**	**36,052**
Net trading income	52,248	23,652	72	156	-287	75,841
Net income from available-for-sale financial instruments	-972	1	-557	-244	1,114	-658
Net income from companies measured using equity method	0	0	0	0	-546	-546
Net income from financial transactions	**51,276**	**23,653**	**-485**	**-88**	**281**	**74,637**
Directly attributable administrative expense	**-35,113**	**-19,952**	**-1,089**	**-4,599**	**-135**	**-60,888**
Other net operating income	**-669**	**109**	**20**	**232**	**653**	**345**
Profit/loss from directly attributable income/expenses	**36,010**	**15,540**	**-956**	**729**	**799**	**52,122**
Indirectly attributable administrative expense	**-16,530**	**-9,746**	**-1,306**	**-821**	**0**	**-28,403**
Profit from ordinary activities	**19,480**	**5,794**	**-2,262**	**-92**	**799**	**23,719**
Segment assets in € thousand	238,605	129,902	32,202	9,065		409,774
Segment liabilities in € thousand	32,847	215,997	3,239	3,009		255,092
Risk assets in € thousands	262,694	49,307	8,783	10,754		331,538
Allocated capital in € thousand	96,333	63,666	8,871	8,691		177,561
Return on allocated capital relative to profit before tax	20.2%	9.1%	-25.5%	-1.1%		13.4%
Investments in property, plant and equipment and intangible assets in reporting period in € thousand	5,880	1,313	75	56		7,324
Impairment expense in € thousand	4,105	493	527	35		5,160
Scheduled write-downs on segment assets in € thousand	5,006	1,194	137	344		6,681
Average annual headcount	124	65	10	16	134	349

The allocated capital recognised in the segment reporting corresponds to the consolidated equity reporting in the statement of financial position.

FINANCIAL INSTRUMENTS: DISCLOSURES

(60) Risk reporting

In accordance with the Minimum Requirements for Risk Management (MaRisk) issued by the BaFin as at 15 December 2010 the Bank must deploy appropriate measures to ensure that default risks, market price risks, liquidity risks and operational risks in particular along with related risk concentrations are limited, taking risk-bearing capacity into account. When taking risk concentrations into account the focus must be on qualitative and, where possible, quantitative processes. Risk concentrations must be managed and monitored by means of suitable procedures. Monitoring has taken place since 1 July 2010. All of the changes from 15 December 2010 must be implemented by the end of 2011.

For further details on default risks, market price risks and credit risks as well as key figures for own funds under banking supervisory provisions, please refer to the Risk Report, which forms part of the Consolidated Management Report.

(61) Derivative transactions

Derivative financial transactions were conducted solely for trading purposes; these are exchange-traded futures.

	Fair value 31.12.2010		Fair value 31.12.2009	
	positive	**negative**	**positive**	**negative**
Derivative financial instruments used for trading purposes	84,208.50	0.00	0.00	87,250.00
Derivatives used as hedging instruments for cash flow hedge accounting	0.00	0.00	0.00	96,353.79
Total	**84,208.50**	**0.00**	**0.00**	**183,603.79**

(62) Collateral

As at the reporting date the following financial assets were deposited or pledged as collateral for liabilities in the Group:

	31.12.2010	31.12.2009
Loans and advances to banks	94,822,386.84	34,891,923.98
Trading assets/Available-for-sale financial instruments/interests measured using equity method	94,652,901.01	46,724,292.88
Other assets	2,012.48	2,012.48
Total	**189,477,300.33**	**81,618,229.34**

The collateral was primarily used for securities trading, for refinancing purposes, securities lending transactions and to cover pension obligations.

Lombard loans were granted to buy securities or to cover collateral payments (margin requirements) for futures transactions conducted through the Bank. They are generally made available for a period of six months. Lombard loans are backed by collateral, normally with pledged securities and bank guarantees. The fair value of the pledged securities totalled €762 thousand as at 31 December 2010, while bank guarantees amounted to €10,724 thousand.

(63) Fair value of financial instruments

The individual assets and liabilities are measured at fair value. The fair value is the amount at which financial instruments can be bought or sold under fair market conditions on the reporting date. Where available, market prices (such as for securities) were used for this measurement. Internal measurement models with current market parameters were applied where no market price was available. For simplicity's sake, the fair value was taken to be the value recorded in the statement of financial position for loans and advances as well as liabilities to banks and customers with a remaining maturity of less than one year. As at 31 December 2010 there were no hidden reserves or hidden charges recognisable in the statement of financial position.

(64) Disclosures on financial assets and financial liabilities

The carrying values of each category of financial instrument in accordance with IAS 39 as well as the impairment expense recognised in income for each class of financial instrument according to IFRS 7 is as follows:

Class as per IFRS 7	Recognised in income at fair value		Recognised in equity at fair value		At amortised cost		Financial instruments that do not fall under IFRS 7	
Category as per IAS 39	Held for trading purposes		Available for sale		Loans and receivables			
	Carrying amounts	Impairment expense	Carrying amounts	Impairment expense	Carrying amounts	Impairment expense	Carrying amounts	Impairment expense
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Financial assets								
Loans and advances to banks					148,453	0		
Loans and advances to customers					31,174	546		
Assets held for trading	96,498	0						
Available-for-sale financial instruments			280,592	1,113				
Interests in companies measured using equity method							4,852	0
Other assets					1,444	0		
Subsidiaries							0	170
Total	**96,498**	**0**	**280,592**	**1,113**	**181,071**	**546**	**4,852**	**170**

Class as per IFRS	Recognised in income at fair value		At amortised cost	
Category as per IAS 39	Held for trading purposes		Other financial liabilities	
	Carrying amounts	Impairment expense	Carrying amounts	Impairment expense
	€ thousand	€ thousand	€ thousand	€ thousand
Financial liabilities				
Liabilities to banks			74,669	0
Liabilities to customers			379,611	0
Liabilities from trading activities	2,935	0		
Other liabilities			15,996	0
Total	**2,935**	**0**	**470,276**	**0**

The following table presents the financial instruments for which subsequent measurement is at fair value. In line with IFRS 7.27A and IFRS 7.27B these are divided into three levels depending on the extent to which the fair value can be determined:

- Level 1 - Measurements at fair value are based on listed prices (unadjusted) on active markets for identical financial assets or liabilities.
- Level 2 - Measurements at fair value are based on parameters that do not correspond to listed prices for assets and liabilities as in Level 1 (data), but are derived either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Measurements at fair value result from models which utilise parameters to measure assets or liabilities that are not based on observable market data (non-observable parameters, assumptions).

The financial instruments recognised in the statement of financial position at fair value are grouped according to categories in the following tables and broken down by the basis for measurement. A distinction is made here depending on whether the measurement is based on listed market prices (Level 1), or whether the measurement models are based on observable market data (Level 2) or on parameters which are not observable on the market (Level 3).

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
	31.12.2010				**31.12.2009**
	€ thousand	**€ thousand**	**€ thousand**	**€ thousand**	**€ thousand**
Assets held for trading	96,498	-	-	96,498	178,237
Available-for-sale financial instruments	279,542	1,050	-	280,592	47,002
Total	**376,040**	**1,050**	**-**	**377,090**	**225,239**

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
	31.12.2010				**31.12.2009**
	€ thousand	**€ thousand**	**€ thousand**	**€ thousand**	**€ thousand**
Liabilities from trading activities	2,935	-	-	2,935	824
Total	**2,935**	**-**	**-**	**2,935**	**824**

There were no transfers between the individual levels during the reporting period.

Other disclosures

(65) Maturity structure

The consolidated statement of financial position as at 31 December 2010 is presented below, broken down by remaining maturity:

	Up to 3 months € thousand	More than 3 months to 1 year € thousand	More than 1 year to 5 years € thousand	More than 5 years € thousand	No maturity € thousand	Total € thousand
Assets						
Cash reserves	2,893	0	0	0	0	2,893
Loans and advances to banks	138,134	2,292	27	8,000	0	148,453
Loans and advances to customers	25,056	4,615	4,892	18	0	34,581
Loan loss provisions	-3,408	0	0	0	0	-3,408
Assets held for trading	96,498	0	0	0	0	96,498
Available-for-sale financial instruments	2,941	0	166,787	110,864	0	280,592
Interests in companies measured using equity method	0	0	0	0	4,852	4,852
Property, plant and equipment	0	0	0	0	19,119	19,119
Intangible assets	0	0	0	0	25,038	25,038
Goodwill	0	0	0	0	24,615	24,615
Income tax assets	488	2,352	5,548	2,203	0	10,591
Other assets	1,714	293	591	22	0	2,620
Deferred tax assets	0	0	16,076	0	0	16,076
Total assets	**264,316**	**9,552**	**193,921**	**121,107**	**73,624**	**662,520**
Equity and liabilities						
Liabilities to banks	64,177	510	3,057	6,925	0	74,669
Liabilities to customers	177,184	19,297	93,130	90,000	0	379,611
Liabilities from trading activities	2,935	0	0	0	0	2,935
Provisions	0	1,348	6,647	2,716	0	10,711
Income tax liabilities	0	63	0	0	0	63
Other liabilities	3,793	12,464	0	0	0	16,257
Deferred tax liabilities	4,248	0	0	0	0	4,248
Shareholders' equity	0	0	0	0	174,026	174,026
Total equity and liabilities	**252,337**	**33,682**	**102,834**	**99,641**	**174,026**	**662,520**

The consolidated statement of financial position as at 31 December 2009 is presented below, broken down by remaining maturity:

	Less than 3 months € thousand	More than 3 months to 1 year € thousand	More than 1 year to 5 years € thousand	More than 5 years € thousand	No maturity € thousand	Total € thousand
Assets						
Cash reserves	911	0	0	0	0	911
Loans and advances to banks	66,676	0	0	0	0	66,676
Loans and advances to customers	24,352	12,181	341	18	0	36,892
Loan loss provisions	-3,768	0	0	0	0	-3,768
Assets held for trading	178,237	0	0	0	0	178,237
Available-for-sale financial instruments	3,322	1,152	31,398	11,130	0	47,002
Interests in companies measured using equity method	0	0	0	0	13,836	13,836
Property, plant and equipment	0	0	0	0	19,105	19,105
Intangible assets	0	0	0	0	22,347	22,347
Goodwill	0	0	0	0	24,785	24,785
Income tax assets	487	1,824	5,450	3,283	0	11,044
Other assets	1,145	264	2,340	2	0	3,751
Deferred tax assets	0	0	19,011	0	0	19,011
Total assets	**271,362**	**15,421**	**58,540**	**14,433**	**80,073**	**439,829**
Equity and liabilities						
Liabilities to banks	5,264	15,040	11,301	0	0	31,605
Liabilities to customers	98,613	0	43,917	52,087	0	194,617
Liabilities from trading activities	824	0	0	0	0	824
Provisions	0	2,699	6,702	2,356	0	11,757
Income tax liabilities	0	880	0	0	0	880
Other liabilities	3,151	13,089	49	0	0	16,289
Deferred tax liabilities	6,295	0	0	0	0	6,295
Shareholders' equity	0	0	0	0	177,562	177,562
Total equity and liabilities	**114,147**	**31,708**	**61,969**	**54,443**	**177,562**	**439,829**

(66) Borrowing costs

Borrowing costs are recognised as expense in the period incurred.

(67) Off-balance sheet liabilities

Off-balance sheet liabilities comprise possible future liabilities of the Group, which have been granted to customers but not yet utilised. As demonstrated by their accounting treatment, the utilisation of these liabilities is not ruled out.

	31.12.2010	31.12.2009
Contingent liabilities		
- Liabilities from guarantees	0.00	120,000.00
- Liabilities from the provision of collateral for third-party liabilities	0.00	0.00
Irrevocable loan commitments		
- Loans to customers	1,914,118.22	3,138,181.97

(68) Securities lending transactions

Securities lending transactions are conducted with banks in order to fulfil delivery obligations. Securities that have been lent are disclosed in the statement of financial position under trading assets or under available-for-sale financial instruments, while borrowed securities are not recognised. Expenses and income derived from securities lending transactions are taken into account under net fee and commission income in the income statement in line with their term, insofar as they affect the past financial year.

	31.12.2010	31.12.2009
Lent securities	0.00	0.00
Borrowed securities	1,841,950.00	0.00

(69) Fiduciary transactions

There were no fiduciary transactions as at the reporting date.

(70) Other financial obligations

Financial obligations derived from rental contracts for office space and car parking spaces amount to €8,527 thousand with remaining terms of between 1 and 121 months. €937 thousand of this falls into the 'less than one year' category, €3,604 thousand into the '1 to 5 years' category and €3,985 thousand into the 'more than 5 years' category.

In addition there are obligations from vehicle leases and lease contracts for operating and office equipment amounting to €3,604 thousand, with remaining terms of between 1 and 53 months. €921 thousand of this falls into the 'less than one year' category and €2,683 thousand into the '1 to 5 years' category.

As in the previous year, the lease contracts comprise no agreements on contingent lease payments.

Additionally there are financial obligations from consulting contracts with remaining terms of up to eight months.

(71) Disclosures on capital management and ratios stipulated by supervisory authorities

As part of implementing Pillar 1 in accordance with Basel II, the Baader Group equity as required by the supervisory authorities is determined in accordance with Sections 10 and 10a KWG. Consequently, to meet its obligations to creditors the Baader Group must retain equity at an appropriate level. In accordance with Section 10a (3) sentence 4, Baader Bank AG is the parent company of the Group.

Furthermore, in line with the German Solvency Regulation (SolvV), banks are obliged to quantify their default risks, market risks and operational risks and retain the appropriate equity for such risks.

Capital management has been based on the regulations set forth in the SolvV since the 2008 financial year.

In accordance with the SolvV, the equity of the Baader Bank Group as required by the supervisory authorities breaks down as follows on the reporting date of 31 December 2010:

	31.12.2010 € thousand	31.12.2009 € thousand
Tier 1 capital	**115,000**	**103,000**
Tier 2 capital	**0**	**0**
Deductions pursuant to Section 10 (6) KWG	-1,302	-1,238
Equity	**113,698**	**101,762**

The following capital requirements and ratios were recorded on the reporting date:

	31.12.2010 € thousand	31.12.2009 € thousand
Capital requirements		
Default risks	22,000	10,000
Market risks	12,000	13,000
Operational risks	15,000	15,000
Total	**49,000**	**38,000**
Tier 1 ratio	18.78%	21.68%
Total ratio	18.61%	21.43%

The tier 1 and equity ratios were achieved as part of Group planning. Throughout the 2010 financial year the overall ratio in accordance with SolvV was always above the minimum requirement of 8%, which means the supervisory authority provisions were complied with.

Equity and risk management implement the review procedures set forth by the supervisory authorities in accordance with Pillar 2 under Basel II. The equity management of the Baader Group comprises the allocation of equity, monitoring of the changes in risk positions and adherence to the stipulated limits. By regularly identifying risks it is ensured that all material risks are covered by the Group's risk-taking potential at all times, thus ensuring the risk-bearing capacity required. This means that particular attention is paid to risk-bearing capacity as part of setting the business and risk strategy, whilst at the same time bearing in mind adherence to the provisions set forth by the supervisory authorities on capital adequacy.

(72) Audit fee

In contrast to the previous year, no additional disclosure is required in the annual financial statements in accordance with Section 285 No. 17 HGB, if the disclosure is contained in consolidated financial statements which include the company.

	2010 €	2009 €
Annual audit	536,480.67	427,340.87
Other certification and valuation services	68,083.87	367,177.41
Tax advisory services	104,493.57	116,413.18
Other services	129,019.66	55,791.44
Total	**838,077.77**	**966,722.90**

(73) Employees

In the reporting year the Baader Bank Group employed an average of 365 staff (previous year: 349). As at the reporting date, there were 389 employees, 203 employed in trading-related areas and 186 in administrative departments. There are 108 female employees and 281 male employees within the Group from a total of 16 countries.

(74) Basic elements of remuneration systems at Baader Bank AG

The remuneration systems of Baader Bank AG mainly distinguish between the following models: (a) remuneration of the Board of Managing Directors, (b) remuneration for administrative staff and (c) remuneration for profit centre staff.

In the organisational structure the individual organisational units are defined either as administrative units or profit centres. All the employees in an organisational unit so defined are allocated to one of the aforementioned remuneration models.

a) Remuneration of the Board of Managing Directors

The Supervisory Board is responsible for determining the remuneration of the Board of Managing Directors at Baader Bank AG. The remuneration is based on the size and activity of the company, its financial and economic position as well as the level and structure of Board remuneration at comparable companies. Additionally, the responsibilities and the contribution of the given member of the Board of Managing Directors are taken into account.

The remuneration of the Board of Managing Directors is performance-based and comprises three components: fixed remuneration (salary), performance-based remuneration (bonus) and pension benefits (for two of the Board members).

The level of the bonus is based on the profit from ordinary activities of the Group. The payment is made after the annual net profit is approved by the General Meeting of Shareholders. In addition to the bonuses it is possible for individual members of the Board of Managing Directors to be granted special bonuses for particular performances.

In the event of a premature end to employment relationships, the contracts of the Board members do not contain any specific severance payments. In the event of a "change of control", the individual members of the Board do not have a right to a termination of their employment contract, and therefore there is no severance payment entitlement either.

For the 2010 financial year the members of the Board of Managing Directors received the following remuneration:

	2010 **€**	**2009** **€**
Board of Managing Directors		
- fixed remuneration (not performance-related) [1]	1,710,789.07	1,684,685.55
- variable remuneration (performance-related)	909,200.00	1,272,000.00
Total	**2,619,989.07**	**2,956,685.55**

1) This includes other benefits such as monetary benefits from the availability of a company car, contributions to insurance policies and subsidised lunches at the bank canteen amounting to €100,789.07.

The Bank also provides for pensions for two of the Board members. The pension obligations (DBO) for active members of the Board as at 31 December 2010 in accordance with IAS amounted to €7,211,936.00 (previous year: €5,890 thousand).

No stock options were granted to the Board of Managing Directors in the 2010 financial year.

In accordance with Section 15a of the German Securities Trading Act (WpHG), purchases and sales of Baader shares by members of the Board of Managing Directors must be disclosed and published. The Bank publishes these transactions on its website. In the financial year there were no such purchases or sales.

The Bank has D&O insurance. It is taken out for a year and extended annually. The insurance policy covers the personal liability risk in the event that claims are made against members of the Board of Managing Directors for losses sustained when exercising their management functions. As at 1 January 2010 and in accordance with the provisions of the Appropriateness of Management Board Compensation Act, as set forth in Section 93 (2) AktG, a deductible was agreed for the members of the Managing Board.

b) Remuneration model for administrative employees

In addition to the monthly fixed remuneration, Baader Bank AG provides for a contractually guaranteed bonus as a variable remuneration component for all contracts of indeterminate duration in this group of employees, which is based on the consolidated profit from ordinary activities.

Furthermore, additional special payments to administrative staff can be made on the basis of decisions made by the Board of Managing Directors. The level of the special payment for individual employees is determined as part of a performance appraisal with superiors.

Non-operational employees (administrative staff) at subsidiaries do not receive any contractually agreed bonuses. Contracts only provide for the possibility of a performance-based bonus.

c) Remuneration model for profit centre employees

The operative areas of the Baader Group function as profit centres for which a separate profit is determined for the given period.

In addition to an appropriate basic salary the profit centre employees regularly receive a performance-based bonus as a share in the given profit of the profit centre for the period.

The basis for calculating the bonus is the gross profit net of directly attributable expenses.

Only realised income is included in this calculation base. However, the unrealised losses of the given profit centre are included for reasons of loss provisioning. Where applicable, loss carry-forwards are offset against the operating profit.

A percentage of the positive contribution margin as defined by the Board of Managing Directors is distributed to the employees of the given profit centre as variable remuneration.

For the 2010 financial year the administrative and profit centre employees received the following remuneration:

	2010 €
Administrative employees	
- fixed remuneration (not performance-related)	9,565,749.53
- variable remuneration (performance related)	1,102,514.13
Total	**10,668,263.66**

	2010 €
Profit centre employees	
- fixed remuneration (not performance-related)	12,711,622.77
- variable remuneration (performance-related)	16,978,232.45
Total	**29,689,855.22**

Baader Bank AG is majority-owned by Baader Beteiligungs GmbH, Unterschleißheim. In the past financial year there were no transactions between the two companies. The shares of Uto Baader in Baader Bank AG were held via Baader Immobilienverwaltungs GmbH & Co. KG (2,492,788 shares) and Baader Beteiligungs GmbH (28,104,000 shares). In addition, Uto Baader privately holds 137,512 shares. All told, the shares of Uto Baader account for 66.95% of the subscribed capital of Baader Bank AG. Moreover, no member of the Board of Managing Directors held more than 1% of the share capital of Baader Bank AG as at 31 December 2010. Members of the Board of Managing Directors held a total of 31,026,218 shares in Baader Bank AG as at 31 December 2010.

<u>Remuneration of the Supervisory Board</u>

The remuneration of the Supervisory Board is governed by Article 13 of the Articles of Association of Baader Bank AG. Accordingly, in addition to the reimbursement of their expenses, the members of the Supervisory Board receive compensation which comprises a fixed and a variable component. The level of the variable component is based on the profit from ordinary activities of the Group. For individual members of the Supervisory Board it amounts to between 0.09% and 0.18%. Such remuneration of individual Supervisory Board members may not exceed three times their basic remuneration.

For the 2010 financial year the members of the Supervisory Board received the following remuneration:

	2010 €	2009 €
Supervisory Board (without reimbursement of expenses)		
- fixed remuneration (no sales tax)	178,500.00	140,739.72
- variable remuneration (no sales tax)	171,790.05	130,192.47
Total	**350,290.05**	**270,932.19**

The employee representatives in the Supervisory Board received no stock options in the 2010 financial year as employees of the Bank.

In accordance with Section 15a of the German Securities Trading Act (WpHG), purchases and sales of Baader shares by members of the Supervisory Board must be disclosed and published. The Bank publishes these transactions on its website. In the financial year there were no such purchases or sales.

Moreover, no member of the Supervisory Board held more than 1% of the share capital of Baader Bank AG as at 31 December 2010. Members of the Supervisory Board held a total of 10,589 shares in Baader Bank AG as at 31 December 2010.

The Bank has D&O insurance. It is taken out for a year and extended annually. The insurance policy covers the personal liability risk in the event that claims are made against members of the Supervisory Board for losses sustained when exercising their functions.

(75) Related party disclosures

As at the reporting date the total amount of credit granted to members of executive bodies was as follows:

	2010 €	2009 €
Board of Managing Directors	300,000.00	300,000.00
Supervisory Board	0.00	0.00

The credit commitments to members of the Board of Managing Directors were not used as at the reporting date.

Credit commitments were granted to members of the Board of Managing Directors in the 2010 financial year with remaining maturities as at 31 December 2010 of six months and an interest rate of 5%. Credit commitments were not granted to members of the Supervisory Board in the 2010 financial year.

One member of the Supervisory Board acts an intermediary for a subsidiary. In this context there is an advisory contract with a monthly compensation of €6,000. The contract also provides for commission payments dependent on the volume of mediated business. These amounted to €71,000 in the 2010 financial year. The transactions were concluded under normal market conditions.

The expansion project for the administrative building of Baader Bank AG in Unterschleißheim was supported by architect Andrea Baader. For this Ms Baader received a fee of €369 thousand in the past financial year.

There were no further transactions involving related parties.

(76) Executive bodies at Baader Bank AG

Board of Managing Directors

Uto Baader, Munich (Chairman)

- Chairman of the Board of Managing Directors of Baader Bank AG, Unterschleißheim
- Managing Director at Baader Beteiligungs GmbH, Unterschleißheim
- Member of Supervisory Board at Baader Management AG, Unterschleißheim (until 7 July 2010)
- Member of Supervisory Board at Bayerischen Börse AG, Munich
- Chairman of Stock Exchange Council at Munich Stock Exchange, Munich
- Member of Managing Board at Parsoli Motor Works PVT Ltd., Ahmedabad, India (until 31 December 2010)
- Member of Managing Board at Parsoli Infrastructure PVT Ltd., Ahmedabad, India
- Chairman of Supervisory Board at STEICO AG, Munich
- Deputy Chairman of Managing Board at Gulf Baader Capital Markets S.A.O.C., Muscat, Oman
- Member of Supervisory Board at Corona Equity Partner AG, Munich (since 11 January 2010)

Dieter Brichmann, Penzberg

- Member of Board of Managing Directors at Baader Bank AG, Unterschleißheim
- Chairman of Supervisory Board at Baader Management AG, Unterschleißheim

- Chairman of Supervisory Board at Baader & Heins Capital Management AG, Unterschleißheim
- Chairman of Supervisory Board at Conservative Concept Portfolio Management AG, Bad Homburg
- Chairman of Supervisory Board at direcct AG, Unterschleißheim
- Chairman of Supervisory Board at N.M. Fleischhacker AG, Frankfurt a.M.

Stefan Hock, Munich

- Member of Board of Managing Directors at Baader Bank AG, Unterschleißheim
- (until 30 April 2010)
- Member of Supervisory Board at Baader Management AG, Unterschleißheim
- (until 7 July 2010)

Dieter Silmen, Baldham

- Member of Board of Managing Directors at Baader Bank AG, Unterschleißheim
- Member of Stock Exchange Council at Baden-Württemberg Stock Exchange, Stuttgart
- Member of Stock Exchange Council at Berlin Stock Exchange, Berlin
- Member of Market Making Committee at Munich Stock Exchange, Munich
- Member of Supervisory Board at N.M. Fleischhacker AG, Frankfurt a.M.
- Member of Supervisory Board at Baader Management AG, Unterschleißheim
- (since 7 July 2010)

Nico Baader, Gräfelfing

- Member of Board of Managing Directors at Baader Bank AG, Unterschleißheim
- Deputy Chairman of Supervisory Board at direcct AG, Unterschleißheim
- Deputy Chairman of Supervisory Board at Baader & Heins Capital Management AG, Unterschleißheim
- Member of Supervisory Board at Conservative Concept Portfolio Management AG, Bad Homburg
- Member of Managing Board at Parsoli Motor Works PVT Ltd., Ahmedabad, India (until 31 December 2010)
- Member of Managing Board at Parsoli Infrastructure PVT Ltd., Ahmedabad, India (until 31 December 2010)
- Member of Managing Board at Gulf Baader Capital Markets S.A.O.C., Muscat, Oman

<u>**Supervisory Board**</u>

Dr. Horst Schiessl, Munich (Chairman)

Age: 68
Occupation: Lawyer
Member of Supervisory Board since: 26 February 1999

Dr. Christoph Niemann, Meerbusch (Deputy Chairman)

Age: 73
Occupation: Banker
Member of Supervisory Board since: 10 July 2002

Karl-Ludwig Kamprath, Munich

Age: 67
Occupation: Chairman of the Board of Managing Directors at Kreissparkasse München-Starnberg, retired.
Member of Supervisory Board since: 3 July 2009

Helmut Schreyer, Munich

Age: 68
Occupation: Banker
Member of Supervisory Board since: 14 July 2004

Theresia Weber, Emmering
Age: 58
Occupation: Bank employee
Member of Supervisory Board since: 26 June 2008 (employee representative)

Jan Vrbsky, Frankfurt
Age: 41
Occupation: Bank employee
Member of Supervisory Board since: 26 June 2008 (employee representative)

(77) Group shareholdings

The Group holds shares of more than 5% in the following companies, which have not been included in the consolidated financial statements either as subsidiaries or as associates:

Name / Registered office	% share in equity	Most recent annual financial statements	Equity (total)	Net income in previous financial year
Parsoli Corporation Ltd., Mumbai, India	21.93	No current data available		
U.C.A. AG, Munich	13.81	31.12.2009	€13,598,411.35	€-4,559,388.58
Conquest Investment Advisory AG, Feldkirchen	13.33	31.12.2009	€123,924.13	€16,246.05
Fonds Direkt AG, Bad Homburg	9.76	31.12.2010	€1,561,279.90	€239,976.61
Stillking Film Holdings Ltd., St. Helier, Jersey 1)	6.50	31.12.2009	€6,303 thousand	€1,810 thousand

1) The equity and net profit of the financial year ended 31 December 2010 were translated (€/USD 1.3362)

Unterschleißheim, 16 March 2011
Baader Bank AG
Board of Managing Directors

Uto Baader | Nico Baader

Dieter Brichmann | Dieter Silmen

Auditor's Report

We have audited the consolidated financial statements of **Baader Bank AG, Unterschleißheim** – comprising the statement of financial position, income statement, statement of changes in equity, cash flow statement and the notes – as well as the Group management report for the financial year from 1 January to 31 December 2010. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as applied in the EU, and the additional requirements of Section 315a (3) of the German Commercial Code (HGB), are the responsibility of the Bank's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit in accordance with Section 317 of the German Commercial Code using generally accepted standards for the audit of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW) in Germany. These standards require that we plan and perform the audit in such a way that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements compiled in accordance with generally accepted accounting standards and in the Group management report are detected with reasonable assurance. Knowledge of the Group's business activities and its economic and legal environment, together with an evaluation of possible misstatements are taken into account when determining the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the scope of consolidated companies, the accounting and consolidation principles applied and the significant estimates made by legal representatives as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a sufficiently reliable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit the consolidated financial statements comply with the IFRS as adopted by the EU, the additional requirements of the German Commercial Code pursuant to Section 315a (3) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, overall provides an accurate view of the Group's position, and accurately presents the opportunities and risks of future development.

Bremen, 17 March 2011

Clostermann & Jasper Partnerschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Jasper)	(Clostermann)
Auditor	Auditor

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