

**Annual Report
2007**

Life means progression

It is in the very nature of things to continue progressing. This holds true as much for living beings as it does for corporations living within their own microcosms. Although they adhere to a fixed set of rules within their respective “sector habitats”, they are also exposed to constant change. Only by developing special skills and continuously adapting to this changing environment can a corporate entity successfully assert itself.

mwb Wertpapierhandelsbank AG has discovered its own individual success formula with which it is able to ensure its survival in the financial world. Being a highly specialized company, mwb has developed skills that are unique in this form: as a small unit we remain agile and are able to react swiftly to potential risks; our farsightedness also allows us to create sufficient reserves to ensure our survival even in difficult times. And of no less importance is clever networking, which keeps us a cut above the loner and strengthens solidarity through well-developed social skills. The sum total of these explains why our business model flourishes better all the time.



At a Glance

mwb Group	2007	2006	+/- in %
Commission result	TEUR 4,256	TEUR 3,272	+30
Trading result	TEUR 7,452	TEUR 6,914	+8
Personnel expenses	TEUR 3,095	TEUR 2,890	+7
Administrative expenses	TEUR 6,673	TEUR 5,689	+17
Profit from ordinary activities	TEUR 3,221	TEUR 2,138	+51
Net profit	TEUR 2,960	TEUR 2,889	+2
Balance sheet total	TEUR 22,548	TEUR 23,498	-4
Equity	TEUR 17,542	TEUR 18,753	-6
Earnings per share	€ 0.59	€ 0.57	+4
Number of employees	37	32	+16

The Company

mwb Wertpapierhandelsbank AG

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Registered with the local Court of Munich,

HRB 123 141, founded in 1993

mwb stock code: 665610

Admitted for trading on the following exchanges

- Munich Stock Exchange
- Berlin-Bremen Stock Exchange
- Frankfurt Stock Exchange
- Hanseatic Stock Exchange, Hamburg
- Rhineland-Westphalia Stock Exchange in Duesseldorf
- Baden-Wuerttemberg Stock Exchange

Member of the Bundesverband der Wertpapierfirmen
an den deutschen Börsen e.V.

(Federal Association of Securities Firms at German Stock Exchanges)



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„Survival of the Smartest“

Power and size are often far too overrated. Those who are able to react flexibly to changing situations are the most successful in the long run. They appear when it's needed – and draw back when the situation calls for it. They can even change their location if the environment changes. This kind of agility is the true strength behind successful niche players.



Letter to the shareholders



Dear Shareholders,

As unpredictable as nature itself, so inconsistent was life on the financial markets in 2007. On the one side were the excellent overall company results and a robust global economy, and on the other the US real estate crisis with its unforeseeable consequences. Record high crude-oil prices – combined with a weak dollar – were offset in Germany by the upswing in the domestic economy, which even the highest value-added tax increase of all times could not dampen. And despite clear price corrections in the autumn, the DAX still nearly managed to reach its all time high of 8,106 points by the end of the year. A rather incomprehensible course of events causing old, reliable rules to forfeit some of their significance. But there was one predictable constant in the face of all this uncertainty: for the fifth time in a row, mwb Wertpapierhandelsbank AG topped the business results of the preceding year. Although such an incredible increase of 51 % may seem surprising in light of the developments on the stock markets, it follows, when looked at more closely, the laws of the financial world. Because of the high degree of volatility, i.e. the large price fluctuations in the second half of 2007, trading activities, which were already very active, increased again. The increased number of buy and sell orders resulted in higher turnover for mwb in order-book management. Trading profits were not only higher than the previous year (EUR 7,503 thousand compared to EUR 6,914 thousand), but commission income also rose perceptibly by EUR 984 thousand to EUR 4,256 thousand. General administrative expenses, i.e. personnel and administration costs, rose only moderately in comparison to this, so that it was possible, in the final calculation, to record earnings from ordinary At the same time, net income increased from EUR 2,890 thousand to EUR 2,960 thousand. mwb has therefore proven that, even in an unstable environment, reliance can be placed on its skilful trading and professional risk management.

The mwb share rises by eleven percent

mwb's good annual result was unfortunately not reflected in the share price. The closing price on December 31, 2007 was € 5.49, approx. 11 % above the year before, which failed to meet our expectations in light of business growth as a whole and a DAX performance of 22 %. However, our company is not alone here – virtually all financial service providers have been struggling for months now against the dramatic loss of confidence that this sector has suffered from because of the subprime crisis. The commercial banks in particular have forfeited much of their credibility through their dishonest information practices. Unfortunately, however, this image loss extends to other market participants who have nothing whatsoever to do with real estate credit or high-risk financial products. They are all being thrown in one pot and held liable accordingly. This is especially bitter for mwb AG considering the healthy balance sheet it has to show – and in light of our long-standing endeavours to do justice to the trust placed in us by our shareholders through substance-oriented and transparent management policies. An important facet of this corporate policy is to allow the shareholders to share in the company's financial achievements. We will therefore propose again at this year's general shareholders' meeting a dividend disbursement for 2007 that is once again higher than that of the year before.

Specialization as a secret to success

Whether or not a business is able to successfully assert itself in the throes of day-to-day competition depends on its extraordinary capabilities. Only these allow it to occupy lucrative niches and to expand these on a long term basis. The secret to mwb Wertpapierhandelsbank's successful assertiveness is its specialization in three business divisions, each complementing the other in an ideal way. The largest contribution to earnings was made as usual by order-book management for shares, fixed-interest securities, and open-ended investment funds. In total, the number of traded securities nearly doubled

in 2007 and now stands at 6,576 – the highest volume in the company’s history. The merger with the Hamburg-based FAIRTRADE FINANCE AG also promises further growth in this area. The Hanseatic securities trader is the market leader in the area of investment funds traded on the stock exchange and is the sole order-book manager in all other market segments on the Hamburg and Hanover Stock Exchanges. Through the merger, which is to take place in the first half of 2008 via an exchange of shares, the number of order books managed by us is being doubled. We consider the merger with FAIRTRADE FINANCE AG as an organic symbiosis, each partner complementing the other with its individual strengths (see page 27 as well). Despite these excellent perspectives in order-book management, we are not neglecting the two other business divisions, namely “Institutional Clients” and “Private Clients”. These are the economic niches that ensure our prosperity even in the face of an altered stock-market environment. In the past year, the Institutional Clients division contributed 13 % to earnings from ordinary activities, while Private Clients contributed 5 % to this. But for the “species diversity” of our earnings, all three divisions play an equally important role.

Thank you to our employees

If you were to regard the business model as the outward manifestation of a company, then the employees would have to be seen as its DNA. They determine the corporate organism’s success and its resilience. At mwb the composition seems to be ideal: every team member in 2007 contributed to outperforming – once again – the results of the previous year. As a result of this growth, the staff was increased from 32 to 37 persons. We extend our warmest appreciation to all of you for the work well done, as well as to the Supervisory Board of mwb AG, Dr. Ottheinz Jung-Senssfelder, Mr. Thomas Mayrhofer, and Mr. Michael Wilhelm. Last but certainly not least we would like to thank our shareholders, who have accompanied mwb on its evolutionary journey from a stock-market greenhorn to one of Germany’s leading specialist firm.

Yours sincerely,



Thomas Posovatz,
Spokesman for the Managing Board

Der Vorstand



Thomas Posovatz
Management Board Member in charge of
Investor Relations and Finance,
Speaker of the Management Board

Herbert Schuster
Management Board Member in
charge of Securities Trading



Solidarity

Social beings are much more likely to succeed in the day-to-day competition. And not only because of the support they give each other and the bundling of their various strengths. It also enables them to see their environment from different perspectives, which enhances their ability to recognize opportunities. In this way, every partner profits from the skills of the other.



Report of the Supervisory Board



Dear shareholders,

The following is the Supervisory Board's report on its activities in fiscal year 2007. In this year as well, the Supervisory Board performed all of the duties required of it by law and by the company's articles of association. It carefully and regularly supervised the Managing Board. The Managing Board reported regularly – both in writing and orally – to the Supervisory Board on corporate forecasting, business developments, strategic progress, risk management, and on important company matters. Decisions of fundamental importance were discussed with the Supervisory Board and presented to it for approval.

Four Supervisory Board meetings were held in fiscal year 2007 on February 27, April 25, July 26, and December 5, which were attended by all of the members of the Managing and Supervisory Boards. Two resolutions were passed by written circulation of the voting papers on October 25 and November 13, 2007. The Managing and Supervisory Boards are aware that good corporate governance in the interests of the shareholders and the capital market plays a vital role in the company's success. In the Supervisory Board's meeting on December 5, 2007, the Supervisory Board reviewed the efficiency of its activities and adopted the declaration of conformity for 2007.

In addition to the regular reporting on business developments, the meetings of the Supervisory Board focused primarily on the progress of the individual business divisions, especially the developments of the capital markets business and the merger with FAIRTRADE FINANCE AG in Hamburg. The merger of the two companies and the developments associated with it were discussed and reviewed in detail. In the Supervisory Board meeting of April 25, 2007, the terms of office and the employment contracts of both Managing Board members were extended to December 31, 2010.

In the case of any approval-contingent company transactions, the Supervisory Board was informed of such by the Managing Board in a timely manner, and once it had made its own review of the basis for the decision, it granted its approval. No Supervisory Board committees were formed.

2007 was a very successful year for the company. The group is reporting net income of around € 3 million as compared to € 2.9 million in the year before. mwb Wertpapierhandelsbank AG's net income stood at around € 2.8 million following € 2.9 million in the previous year. What must be taken into account here is that the previous year's results were influenced to a large degree by an exceptional sum stemming from the necessary capitalization of a corporate income-tax credit in the amount of € 1.1 million. With respect to the merger with FAIRTRADE FINANCE AG, € 1.9 million worth of the company's own shares were acquired. The Supervisory Board is of the opinion that the merger with FAIRTRADE FINANCE AG will create a more efficient corporate size.

The following documents prepared by the Managing Board were presented to the Supervisory Board: the financial statements, the consolidated financial statements, the group and company management reports, the Managing Board's proposal for the appropriation of net retained profits, and the corresponding opinions of the auditors. The Supervisory Board reviewed the documents presented.

KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Frankfurt and Berlin, was appointed as auditor and audited the annual financial statements, the consolidated financial statements and the group and single-entity management reports as per December 31, 2007 using accounting principles in compliance with statutory provisions, and issued an unqualified auditor's opinion. The auditors provided the Supervisory Board with a declaration of independence and disclosed the auditing and consulting fees incurred in the respective fiscal year. The auditors reported personally to the Supervisory Board in the Supervisory Board

meeting to discuss the financial statements on April 28, 2008. In this meeting, the Supervisory Board acknowledged the results of the audit and raised no objections to it. In accordance with Section 171 of the [German] Stock Corporation Act (AktG), the Supervisory Board reviewed the annual financial statements, the consolidated financial statements, the group and single-entity management reports, the proposal for the appropriation of net retained profits and approved the company's annual financial statements and the consolidated financial statements. The financial statements are thus adopted within the meaning of Section 172 AktG. The Supervisory Board endorsed the Managing Board's proposal for the appropriation of net retained profits.

The Supervisory Board would like to express its sincere appreciation to the Managing Board and to the entire staff for the work well done in the past fiscal year.

Graefelfing, April 28, 2008

On behalf of the Supervisory Board



Dr. Ottheinz Jung-Senssfelder
Chairman of the Supervisory Board



"The Supervisory Board is of the opinion that the merger with FAIRTRADE FINANCE AG will create a more efficient corporate size."



Thomas Mayrhofer
Vice Chairman

Dipl. Kfm. Michael Wilhelm

Dr. Ottheinz Jung-Senssfelder
Chairman





Symbiosis

When living in a closed system, it is vitally important that its members think along the same lines. Common values and interests make sure that the participants complement each other and can rely on each other at any given time. A closely knit unit is also much more stable in the face of outside forces. It creates a sense of well-being and security in an environment that can hardly be called predictable.



Corporate Governance



Transparency is in our genes

The more complex a social system is, the more important it becomes to agree on a common code of conduct. Such a code ensures an orderly co-existence and prevents individual actions that could harm the group as a whole. The introduction of the German Corporate Governance Code five years ago was a decisive step towards fostering faith in the players on the financial markets. mwb AG supports the code and views it primarily as an instrument for improving the attractiveness of the stock markets for private investors. Below you will find the joint report prepared by the Supervisory and Managing Boards of the mwb Wertpapierhandelsbank AG in compliance with Item 3.10 of the German Corporate Governance Code:

Corporate Governance Report of the mwb Wertpapierhandelsbank AG, Graefelfing

Cooperation between the Managing and Supervisory Boards

The Managing Board and the Supervisory Board of mwb Wertpapierhandelsbank AG cooperate openly and constructively for the benefit of the company. The Supervisory Board, as a controlling authority, is consulted in conjunction with all important steps and transactions. The direction and the strategic targets of mwb Wertpapierhandelsbank AG are based on a close collaboration between the Managing and Supervisory Boards. Information is being exchanged on a regular basis on all issues relevant to the company. All matters and legal transactions that require the Supervisory Board's approval are set out in the Managing Board's rules of internal procedure.

Efficiency review by the Supervisory Board

The Supervisory Board reviews efficiency once a year using a check list. Any suggestions for improvement are implemented accordingly.

Declaration of conformity

The Managing and Supervisory Boards issued an updated declaration of conformity in compliance with Section 161 of the [German] Stock Corporation Act (AktG) in December 2007. According to Item 3.10 of the German Corporate Governance

Code, any departures from the Code's recommendations must be elucidated.

In December 2007, the Managing and Supervisory Boards declared that the recommendations of the German Corporate Governance Code as amended on June 14, 2007 had been fundamentally complied with. The following points were not complied with:

- The German Corporate Governance Code recommends that, depending on the specific nature of the enterprise and the number of its members, the Supervisory Board is to form professionally qualified committees (Item 5.3.1). In conjunction with this, the Supervisory Board should also set up an audit committee (Item 5.3.2) and a nomination committee (Item 5.3.3). The Supervisory Board of mwb Wertpapierhandelsbank AG is comprised of three members. Since a committee must have at least two members, the forming of committees would not lead to the improved efficiency of the Supervisory Board.

- According to the recommendations of the German Corporate Governance Code, the company's consolidated financial statements must be publicly accessible within 90 days of the end of the fiscal year; interim reports must be publicly accessible within 45 days of the end of the respective reporting period (Item 7.1.2). The Rules of the Frankfurt Stock Exchange, which came into force on January 1, 2003, stipulate for "Prime Standard" companies that the consolidated financial statements must be publicized within four months and the interim reports each within two months. The company intends to adhere to the latter deadlines and therefore deviates from those stipulated in Item 7.1.2.

In their declaration of conformity from December 2007, the Managing and Supervisory Boards of mwb Wertpapierhandelsbank AG declared that they will continue in future to comply with the recommendations of the German Corporate Governance Code as amended on June 14, 2007 with the exceptions set out above.

You will find below the exact wording of the current declaration of conformity made by mwb Wertpapierhandelsbank AG pursuant to Section 161 AktG:

Declaration of conformity

The Managing Board and the Supervisory Board of mwb Wertpapierhandelsbank AG, Graefelfing, hereby make – pursuant to Section 161 AktG – the following declaration of conformity to the recommendations of the “Government Commission German Corporate Governance Code”:

1. mwb Wertpapierhandelsbank AG will comply with the recommendations of the German Corporate Governance Code as amended on June 14, 2007 with the following exceptions:

a) The German Corporate Governance Code recommends that, depending on the specific nature of the enterprise and the number of its members, the Supervisory Board is to form professionally qualified committees (Item 5.3.1). In conjunction with this, the Supervisory Board should also set up an audit committee (Item 5.3.2) and a nomination committee (Item 5.3.3). The Supervisory Board of mwb Wertpapierhandelsbank AG is comprised of three members. Since a committee must have at least two members, the forming of committees would not lead to the improved efficiency of the Supervisory Board.

b) According to the recommendations of the German Corporate Governance Code, the company's consolidated financial statements must be publicly accessible within 90 days of the end of the fiscal year; interim reports must be publicly accessible within 45 days of the end of the respective reporting period (Item 7.1.2). The Rules of the Frankfurt Stock Exchange, which came into force on January 1, 2003, stipulate for “Prime Standard” companies that the consolidated financial statements must be publicized within four months and the interim reports each within two months. The company intends to adhere to the latter deadlines and therefore deviates from those stipulated in Item 7.1.2.

2. Since its last declaration of conformity in December 2006, mwb Wertpapierhandelsbank AG has, with the exception of Items 5.3.1, 5.3.2, and 7.1.2, complied with the recommendations of the German Corporate Governance Code as amended on June 12, 2006.

mwb Wertpapierhandelsbank AG
Graefelfing / December 2007

Managing Board

Supervisory Board

Remuneration report of mwb Wertpapierhandelsbank AG

The remuneration report of mwb Wertpapierhandelsbank AG is a compilation of the principles, the amounts, and the structure of the remuneration paid to the company's Managing and Supervisory Board members. It is oriented along the lines of the recommendations of the Corporate Governance Code augmented by the [German] Act on the Disclosure of Management Board Remuneration (VorstOG).

Remuneration of the Managing Board

The Supervisory Board determines the amount and the structure of the remuneration paid to the members of the Managing Board. This decision is based on the size of the company and its economic and financial situation. The Managing Board's remuneration in 2007 was comprised of four components:

- a) A fixed, annual amount paid as a salary on a monthly basis.
- b) A variable amount of 5 % of consolidated earnings before taxes and management-board bonuses.
- c) The use of a company vehicle in the upper-middle class, which each Managing Board member may also use privately. The income tax (on salary) owing on the benefits in money's worth of the use of the vehicle must be paid by each Managing Board member himself. None of the members of the Managing Board made use of such a company vehicle in 2007, neither for business nor private purposes.
- d) A contribution to the retirement pension plan of Mr. Thomas Posovatz, Speaker of the Managing Board.

The company has no stock option programs or any similar incentive systems.

The following table shows the amount of remuneration paid in 2007 to the individual Managing Board members:

	Fixed remuneration in TEUR	Variable remuneration in TEUR
Thomas Posovatz	129	176
Herbert Schuster	120	176
	249	352

The variable remuneration in the amount of EUR 352 thousand is carried in the 2007 annual financial statements as a provision and will be paid in 2008. Thomas Posovatz also has claims from the pension plan totalling EUR 183 thousand. In addition to the aforementioned allowances to the Managing Board members, a former member of the Managing Board was paid EUR 52 thousand in 2007, EUR 31 thousand of which was covered by insurance reimbursements. Former Managing Board members also have claims from the pension plan in the amount of EUR 1,199 thousand.

The members of the Managing Board did not receive any loans from the company in 2007.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board was revised by way of an amendment to the articles of association at the general shareholders' meeting on June 25, 2003.

Each member of the Supervisory Board receives, in addition to reimbursement of their expenses, fixed remuneration in the amount of EUR 10 thousand for each full year of membership in the company's Supervisory Board, which is payable upon expiry of the fiscal year. Commencing January 1, 2003, each member of the Supervisory Board also receives for each full fiscal year of membership in the Supervisory Board variable remuneration in the amount of 0.3 % of the positive consolidated results from ordinary activities. The company grants to the members of the Supervisory Board appropriate insurance protection. In particular, the company undertakes to conclude liability insurance policies, so-called directors and officers insurance, for the benefit of the members of the Supervisory Board that adequately covers the statutory (third party) liability inherent in the duties performed by the Supervisory Board member.

The Chairman of the Supervisory Board receives twice the amount, the Deputy Chairman one and a half times the amount of the fixed and of the variable remuneration. The combined total of fixed and variable remuneration is limited

"The more complex a social system is, the more important it becomes to agree on a common code of conduct. Such a code ensures an orderly co-existence and prevents individual actions that could harm the group as a whole."



to EUR 15 thousand per year for ordinary members of the Supervisory Board, to EUR 22.5 thousand per year for the Deputy Chairman, and to EUR 30 thousand per year for the Chairman of the Supervisory Board. The statutory German VAT must be added to all amounts. The Supervisory Board's remuneration for fiscal year 2007 is therefore comprised of two components:

- a) A fixed component.
- b) A variable component in the amount of 0.3 % of the positive consolidated results from ordinary activities.

The following table shows the amount of remuneration paid in 2007 to each of the three individual members of the Supervisory Board, each amount inclusive of turnover tax (Umsatzsteuer) as per Section 8 (3) of the articles of association:

	Fixed remuneration in TEUR	Variable remuneration in TEUR
Dr. Ottheinz Jung-Senssfelder	24	12
Thomas Mayrhofer	18	9
Michael Wilhelm	12	6
	54	27

The variable remuneration in the amount of EUR 27 thousand is carried in the 2007 annual financial statements as a provision and will be paid in 2008. Fees totalling EUR 47 thousand were paid to the firm Mayrhofer & Partner in Munich for consulting services rendered; Mr. Mayrhofer is a partner in this firm.

Shareholdings of the members of the Managing and Supervisory Boards

As a member of the Managing Board, Mr. Thomas Posovatz holds the following shares in the company:

Members of the Managing Board	Number of Shares	Interest in Share Capital (%)
Thomas Posovatz	474,648	9.53

Mr. Posovatz also holds an indirect 7.44 % interest in mwb Wertpapierhandelsbank AG via the FMNP GmbH.

Mr. Schuster does not hold any shares in the company.

The members of the Supervisory Board hold no shares in mwb Wertpapierhandelsbank AG.

Other Information

The company indemnifies the members of the Managing and Supervisory Boards of the mwb Wertpapierhandelsbank AG from third-party claims to the extent permitted by law. To this end, the company has entered into pecuniary-loss (third party) liability insurance policies (directors and officers insurance) for the members of its executive bodies. This insurance covers the risk of personal liability should the executive bodies of the mwb Wertpapierhandelsbank AG, in the exercising of their duties for the company, be held liable for pecuniary loss. The liability coverage per insurance claim is € 1 million. A retention of EUR 5 thousand per insurance claim has been agreed.

Director's dealings

According to Section 15a of the [German] Securities Trading Act (WpHG), the members of the Managing and Supervisory Boards are under an obligation to disclose any acquisition or sale of company shares with a value of more than € 5,000 in the calendar year. The following transactions in mwb shares subject to the disclosure requirement were reported to mwb Wertpapierhandelsbank AG in fiscal year 2007:

Date	Party under the disclosure obligation	Person with management duties triggering disclosure obligation	Type and place of transaction	Price in €	Number of shares	Volume in €
04/11/2007	FMNP Beteiligungs GmbH	Thomas Posovatz, Managing Board member	Sale via Xetra	6.10	1,420	8662.00
04/13/2007	FMNP Beteiligungs GmbH	Thomas Posovatz, Managing Board member	Sale via Xetra	6.10	3,580	21,838.00
12/11/2007	FMNP Beteiligungs GmbH	Thomas Posovatz, Managing Board member	Sale via Xetra	5.5	82,460	453,530.00

All of the transactions were also publicized on the company's website.

Graefelfing, April 2007

On behalf of the Supervisory Board:
Dr. Ottheinz Jung-Senssfelder



On behalf of the Managing Board:
Thomas Posovatz





Specialization

Someone who is outstanding in a certain field asserts himself there where he can best make use of his abilities. The continuous utilization of these extraordinary skills hones them over time to absolute perfection. A completely natural course of development that inevitably leads one farther and farther away from the ordinary.



Business Divisions



Order-book management gains importance

The symbiosis between the three business divisions was once again the basis for mwb Wertpapierhandelsbank AG's success in 2007. Positive results were reached in all of these fields of activity. The dominating position was held however – as in the preceding year – by order-book management for shares, bonds, and open-ended investment funds. Its contribution to commission income and trading profits reached 47 % respectively 95 %, which was even higher than in the preceding reporting period. The Institutional Clients division, which is comprised of sales, order execution, designated sponsoring, and capital markets business, contributed 35 % to commission income and 1 % to trading profits, the Private Clients division contributing 14 % to total commission income. In order to maintain the natural balance within the company, we paid extra special attention in the last months to the Institutional Clients division, which also included increasing staff members (see next page).

Securities Trading Division

Two important events occurred especially in securities trading in 2007 that sustainably reinforced our market position. In the course of the new allocation of order books in official trading and the regulated market of the Frankfurt Stock Exchange, mwb was initially allocated 33 shares in March 2007; amongst these were top entities such as Hypo Real Estate, Lanxess, and K+S Group. The number of stocks being managed has in the meantime risen to over 70. mwb has thereby become a player to be taken seriously on the Frankfurt Stock Exchange – a position that we have occupied in Munich for years already and that we are now able to expand again: after the departure of two specialists, only two remain on the Munich Stock Exchange, which means a doubling of our market share in the MAX-ONE trading system. Commissions from order-book management rose significantly both in Frankfurt and in Munich in the reporting year, which resulted in order-book management for shares contributing around four-fifths to the company's total earnings. The picture presented by the segment "fixed-interest securities" is somewhat different: in the first regular fiscal year following the takeover of C.J.

Diederich Wertpapierhandelsgesellschaft we managed 1,098 bonds, thereby generating a 2 % contribution to earnings. The slight decline in comparison to 2006 is not, however, attributable to lower turnover but to the relative rise in importance of equity trading. We are also expecting the merger with FAIRTRADE FINANCE AG in the first half of 2008 to provide an impetus to trading in fixed-interest securities, FAIRTRADE being the sole order-book manager in this market segment on the Hamburg and Hanover Stock Exchanges.

Merger with FAIRTRADE FINANCE AG

The merger with FAIRTRADE is expected to be most useful (next to fortifying our core business as a whole) to our third order-book management "pillar", i.e. stock-exchange trading in open-ended investment funds. We currently manage 1,337 of such funds on the Munich Stock Exchange and, together with FAIRTRADE, would more than double this figure. This is a most interesting perspective considering that the market for this type of investment is still relatively undeveloped and bodes well for a very high growth rate. We expect private investors to become increasingly interested in this product, there being substantial cost benefits in comparison to the classic form of fund distribution.

FAIRTRADE FINANCE AG is the market leader in Germany in this segment and therefore firmly establishes us at the Hamburg Stock Exchange, where the company's registered office is located. This means that mwb Wertpapierhandelsbank AG is active on five of the seven German stock exchanges as an order-book manager – an important position to hold in light of the stock exchanges' increasing competition amongst themselves.

There are, however, other reasons speaking in favour of the merger. For one thing, the two partners complement each other in an ideal way since there is virtually no overlap in the business activities of mwb and FAIRTRADE. Secondly, the merger also brings mwb one large step closer to achieving the economically ideal company size. This means that the fixed costs, which exist in any case, are spread out amongst two parts of the company, which should have a positive

effect on earnings. The merger is to take place in the first half of 2008 in two steps: first the shareholders of FAIRTRADE FINANCE AG will contribute their shares to mwb Wertpapierhandelsbank AG. FAIRTRADE will then become a wholly owned subsidiary of mwb. In exchange, we will transfer around 3 million treasury shares to FAIRTRADE, approx. 2.5 million of this out of a capital increase from authorized capital and around 498,000 shares from a buy-back of shares in the company. Following the closing of the transaction, the mwb shareholders will hold approx. 60 % of the share capital of the joint company. This merger means that we are joining the “big fish” on the market and are expanding our territory considerably – a strategy that will pay off for our shareholders as well.

Institutional Clients Division

There is hard competition going on in the “stock market biotope”. Only four of over 100 initial public offerings closed in 2007 with a positive price performance. In light of this IPO-hostile background, mwb concentrated its capital market activities on so-called secondary market transactions. This term refers in particular to capital increases or listings on the open market. In total, mwb carried out transactions in the past year with a value of € 82 million, € 63 million of which as co-lead manager in conjunction with the Solon AG’s capital increase. From this volume, we attained commission income in the amount of EUR 873 thousand, which was the major contribution to the success of this division. There was little movement on the other hand with our designated sponsoring activities – we were able to offset three lost mandates with three new ones. This involves LS telcom AG, IC Immobilien Holding AG, and Flora EcoPower Holding AG. This neutral performance is in contrast to a further drop in turnover in the area of order execution/institutional sales. The main reasons for this were the banks’ continuing trend towards insourcing of order execution transactions and the uncertainty caused by the introduction of the MiFID in November 2007. We are nevertheless quite satisfied on the whole with the results of the Institutional Clients division. Commission income stood at EUR 1,473 thousand and was therefore only slightly below that of the previous year, as was the 13 % contribution to total earnings. This percentage decline is, however, attributa-

ble to the proportionately larger amount contributed to the results by securities trading. To improve the balance between the two divisions, we hired a new manager for capital markets business in May 2007. We are hoping here for organic growth at a higher level.

Private Clients Division

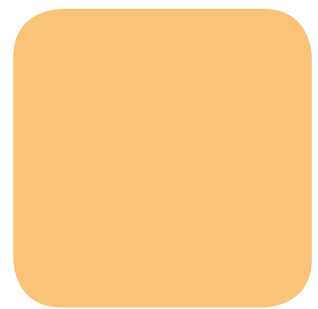
Extremely positive were the developments in the area of private asset management under the direction of our subsidiary, MWB Baden GmbH. The clients’ assets under management rose in 2007 from € 33 million to € 38 million, an increase of 15 %. Commission income increased at the same time from EUR 458 thousand to EUR 594 thousand. Considering the intense competition taking place in the area of private banking and wealth management, these are excellent results for MWB Baden. The large amount of interest being shown in asset management is not only in response to the introduction in Germany of the so-called “Abgeltungssteuer” (withholding tax on capital investment earnings) on January 1, 2009, since there are numerous investment models that, even after this date, have been exempted from this tax provided that the investment takes place before December 31, 2008. The demand for such tax-optimized products even led to MWB Baden setting up its own fund in which the clients’ money is being bundled. “1A Global Balanced Mischfonds” invests primarily in global bonds, commodity stocks, and bonus certificates. The diversification in several investment classes reduces risk just as much as the tracking of the equity segment via certificates with a high-risk buffer. Thanks to this well thought-out fund concept, we are anticipating dynamic growth in this business division in 2008.

Outlook

2008 will likely witness an imbalance between opportunities and risks. There is little hope that the financial sector will recuperate all that quickly from the loss of trust that it has suffered, especially in expectation of further subprime write-offs into the second quarter of 2008. In addition, loan-financed private equity deals are increasingly suffering from this situation, which is likely to further jeopardize the stability of the financial system. An additional risk is represented

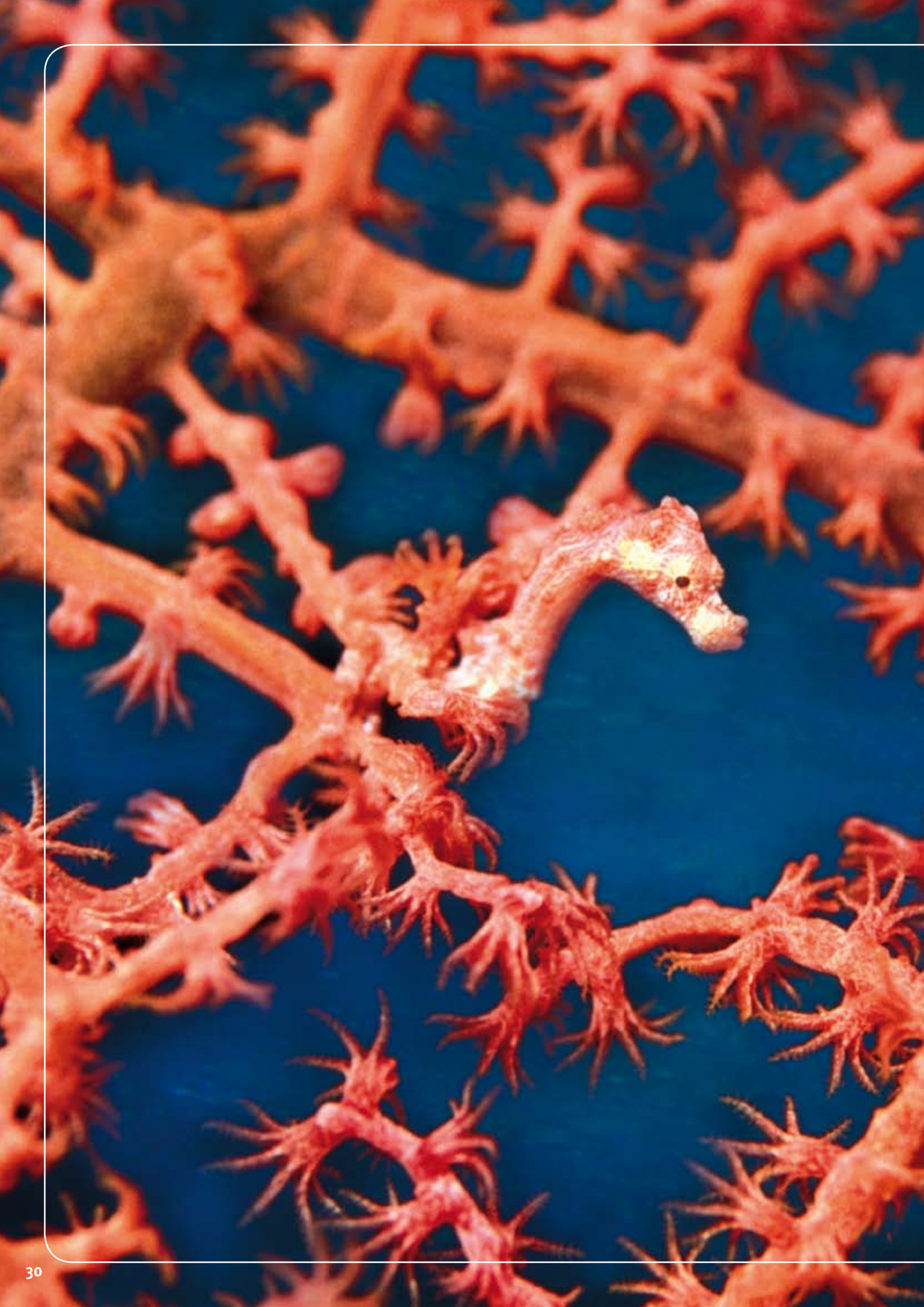
by the flagging US economy, which, combined with high oil prices, could considerably curb economic growth in all industrial countries. Although the year began on a positive note for mwb, we are keeping our forecasts moderate for the reasons set out above, and are projecting a more sideways trend on the stock markets in conjunction with continuing high volatility.

The central event in the ongoing fiscal year will be the merger of mwb AG and FAIRTRADE FINANCE AG. The biggest challenge facing us here will be integrating the new company into mwb. This is to be done as quickly – but also as carefully – as possible. We are expecting from the larger corporate unit not only a surge in growth but also more cost efficiency, which in turn will have a positive impact on earnings. Although the main focus is on order-book management, we also want to forge ahead in this new corporate constellation with the expansion of capital markets business. We will continue to concentrate here on secondary market transactions, since we do not anticipate an ideal environment for initial public offerings considering the uncertainty on the market. We expect the Private Client division to make a healthy contribution – the imminent “Abgeltungssteuer” being an ideal opportunity to win-over private investors for innovative asset-management ideas. Speaking generally, generating new ideas is the most important thing today – the Darwinian theory of “survival of the fittest” having been replaced in the economic world as well with the “survival of the smartest”. We too are following this approach through creative and well thought-out niche strategies, and are optimistic that it will lead to positive results again in 2008.



"The symbiosis between the three business divisions was once again the basis for mwb Wertpapierhandelsbank AG's success in 2007.

We too are following this approach through creative and well thought-out niche strategies, and are optimistic that it will lead to positive results again in 2008."



Networking

Complex living systems thrive on ongoing exchange. It is the absolute condition for reacting quickly and sets the stage for making connections and reinforcing good relationships. Through an ever-flowing exchange of information, certainty and stability are able to grow step by step – creating an organism far superior to any isolated solution.



Investor Relations

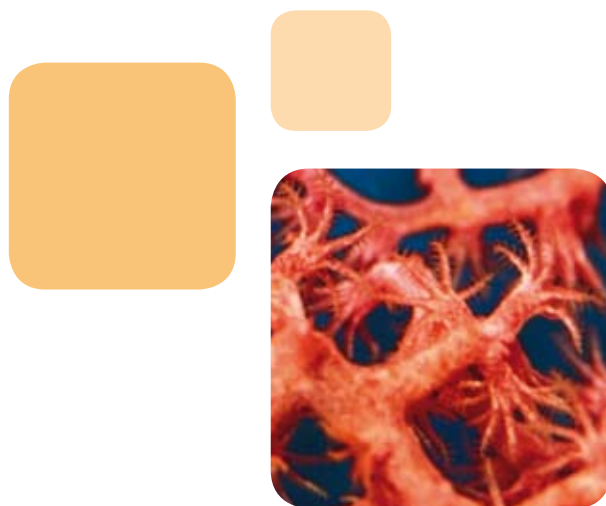


Moderate price performance of mwb's share

While the price of our shares outperformed all indices in 2006, its performance in 2007 was somewhat more restrained, but still resulted in a plus of 11 %. Starting at around five euros in January, the price rose significantly in February and stood at around six euros in summer. In the second and third quarters of 2007, the volatility on the stock markets affected mbw's share, which suffered acutely at first but which recuperated by the end of the year and closed at 5,49 euros. Disappointingly even the announcement of the merger with FAIRTRADE FINANCE AG failed to provide any impetus to the mwb share – a rather unusual reaction considering the importance of the deal. The public buy-back offer for up to 380,000 no-par value shares in November, which was required for the share exchange, was therefore also oversubscribed several times. The progress of our share is a perfect example of the difficult conditions currently being faced by small caps. Both private and institutional investors are insecure and are relying more on securities that are listed on an index. In light of the continuing volatility on the stock markets, we are not expecting this situation to change in any fundamental way in 2008 and are anticipating a moderate price increase.

Keeping in touch

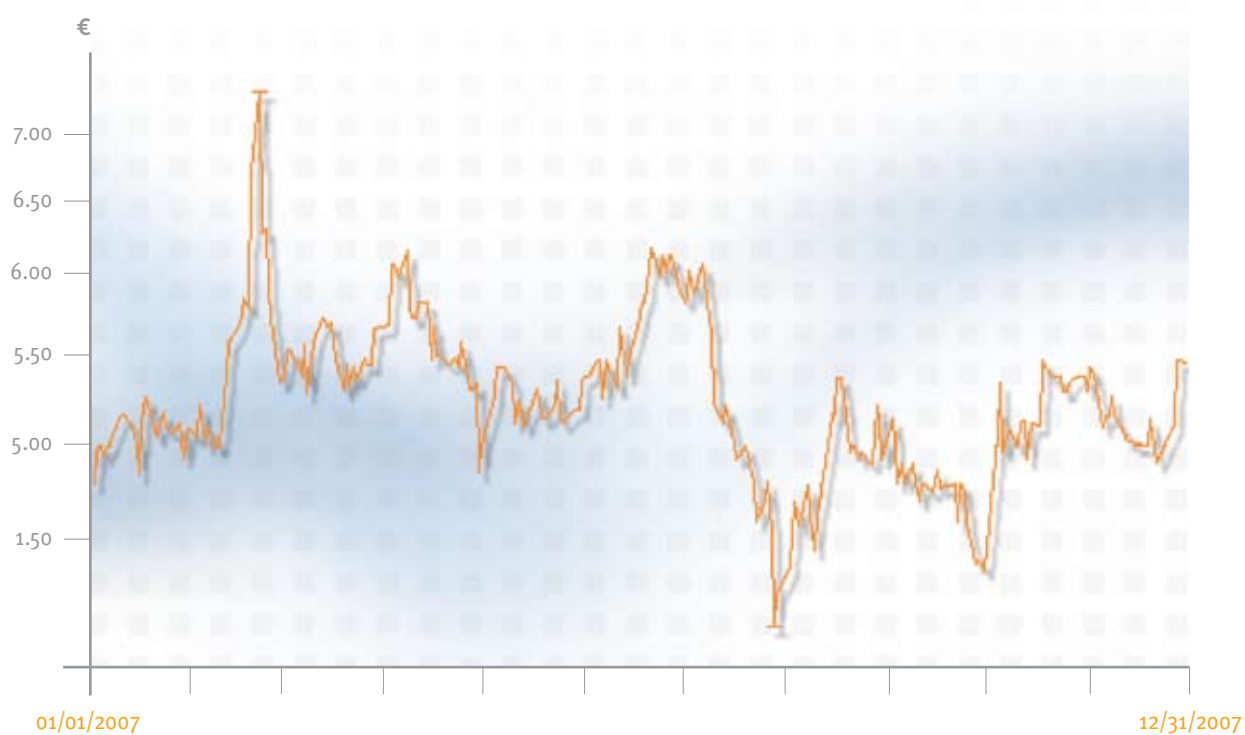
Taking good care of a relationship is indispensable to a healthy co-existence. This is why we continued this year to keep our shareholders and the public regularly and thoroughly informed on the developments taking place in our company. With respect to press coverage, we are expecting to receive significantly higher attention in the media particularly because of the merger with FAIRTRADE FINANCE AG. We will also be personally represented at the financial trade fair "Invest 2008" in Stuttgart. Together with our subsidiary, MWB Baden GmbH, we will present the full range of mwb's products and services at our own stand. Please refer to the events plan for the exact dates of the trade fair.



"Taking good care of a relationship is indispensable to a healthy co-existence. This is why we continued this year to keep our shareholders and the public regularly and thoroughly informed on the developments taking place in our company."

Performance of mwb's share price (€), Xetra

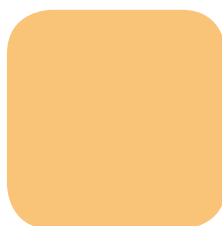
12/31/2007 (Close)	02/26/2007 (High)	08/17/2007 (Low)
€ 4.49	€ 7.98	€ 3.92



Price of mwb's shares from January 1, 2007 to December 31, 2007
Stock code: 665610

2008 Schedule

Date	Topic	Place
02/25/2008	Publication of interim figures 2007	
04/11–04/13/2008	Invest	Stuttgart
04/24/2008	Publication of first quarter figures 2008	
07/24/2008	Publication of semiannual figures 2008	
July 2008	Annual Shareholder's meeting	München
08/25–08/27/2008	Analysts conference; Participation at Smart Equities Conference of DVFA	Frankfurt
10/23/2008	Publication of third quarter figures 2008	



Contact:

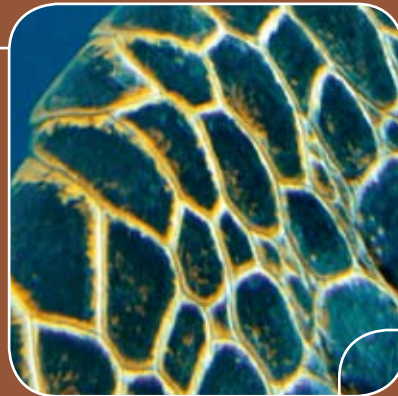
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Constancy

Sustainable thinking is the surest way to success when the road is long. Because thinking in long terms means that tomorrow is just as important as today. The result: keeping the future in mind in all of one's actions and building a foundation that is made to last provide the serenity needed to stay on course even in times of unexpected trends.



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Group Management Report

The economic environment in fiscal year 2007

Generally speaking, the German economy can look back on a very successful 2007: an inflation-adjusted growth of around 2.5 %, a drop in unemployment to 9 %, a renewed record-high in exports, and a slowly reviving domestic demand. Even the highest VAT increase in German history failed to make a noticeable dent in the economy's performance in 2007. However, the dark shadow cast by the US real estate credit crisis cannot be overlooked when reviewing the past year, not to mention the highly explosive nature of the medium to long term impacts of it. Because it affects the lending business, it has hit one of the pillars of the modern economy. The behaviour of a number of bank executives, who were playing down the crisis in general and particularly with respect to their banks, has caused serious harm to the integrity of the banking business throughout the world. The total amount that needs to be written off in this sector is presumed at around € 120 billion. Of this amount, only a good 2/3 has likely been disclosed to date. These two extremes, a robust economy on the one hand and a credit crisis spanning the globe on the other, are of course reflected on the equity market. Accordingly, the DAX rose in the course of the first half of 2007 to an all-time high of 8,106 points, moved laterally with extreme volatility in the second half, and returned at the close of the year nearly at its highest historical level. Altogether, it exhibited an increase of 22.3 % in the past year. This not only puts it ahead of the main European stock exchanges and the US markets, it also beats the major German index for second-line shares, the MDAX, for the first time in years. Only the TecDAX with the stock-exchange hit of 2007, the solar stocks, rose even higher to 30.2 %.

Legal and organizational structure of mwb Wertpapierhandelsbank AG

mwb Wertpapierhandelsbank AG, which was founded in 1993, is a bank within the meaning of the [German] Banking Act (KWG). The company changed its name on July 26, 2007 from MWB Wertpapierhandelsbank AG, Graefelfing, to mwb Wertpapierhandelsbank AG, Graefelfing. Besides being licensed to carry out financial commission and IPO business, mwb Wertpapierhandelsbank AG's license also covers the brokering of investments and transactions and proprietary trading. The company is subject to the supervision of the [German] Federal Financial Supervisory Authority (BaFin)

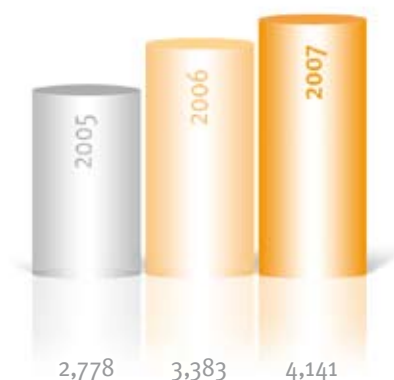
and the Deutsche Bundesbank. Mr. Thomas Posovatz, currently a member of mwb Wertpapierhandelsbank AG's Managing Board, holds a direct 9.5 % interest. The three other founding members directly hold mwb shares ranging between 5 % and 10 % each. In addition, the four founding members each have a 25 % interest in FMNP Beteiligungs GmbH, which holds 29.76 % of mwb's shares.

The management of mwb Wertpapierhandelsbank AG has subdivided the company's activities into two divisions, namely Securities Trading and Institutional Clients. The company is also involved in private asset management via its subsidiary, MWB Baden GmbH, in which it holds a 60 % interest.

mwb Wertpapierhandelsbank AG has two dependent branch offices in Berlin and in Frankfurt.

1. Business Developments

2007 turned out to be a very successful year for mwb Wertpapierhandelsbank AG. The company was able to make good use of the increased volatility on the equity markets, especially in the second half of the year. As a result, mwb Wertpapierhandelsbank AG's net commission income rose significantly. An interesting aspect of this development was that both divisions – Securities Trading with its specialist business and Institutional Clients/Capital Markets business – contributed to the improvement. By contrast, expenses only rose moderately during the fiscal year, resulting in a notable increase in earnings in 2007 compared to 2006.



Number of international stocks sponsored by mwb

Group Management Report

In November 2007, the company announced its plan to merge with the Hamburg-based FAIRTRADE FINANCE AG, Germany's market leader for trading in open-ended investment funds on the stock exchange. The intention here is not only to strengthen the core business of order-book management, but also to enable mwb Wertpapierhandelsbank AG to tap into this interesting future-oriented market.

Growth in the individual divisions of mwb Wertpapierhandelsbank AG

mwb Wertpapierhandelsbank AG's activities are divided into the **Securities Trading division**, which deals with order-book management for equities, bonds, and open-ended investment funds, **Institutional Clients**, which covers sales and order execution, designated sponsoring, and capital markets/IPOs, and **Private Clients**, which covers private asset management.

Securities Trading

Order-book management for equities

The two outstanding key events for mwb Wertpapierhandelsbank AG in fiscal year 2007 were, first, the commencement of order-book management for 33 shares in official trading and the regulated market at the Frankfurt Stock Exchange on March 26, 2007 and, second, the doubling of the market share for order-book management in MAX-ONE, the market model on the Munich Stock Exchange.

The management of the Frankfurt Stock Exchange reorganized the allocation of order-book management for equities in official trading and the regulated market pursuant to an

adjudication issued by the administration court of Frankfurt on March 5, 2007. Effective as of March 26, 2007, mwb Wertpapierhandelsbank AG has been allocated order-book management for 33 equities in the segments official trading and the regulated market. These include securities such as Hypo Real Estate Holding, Aareal Bank, K + S Group, Lanxess, as well as the TecDAX companies Bechtle, IDS Scheer, and Tele Atlas. This has consequently led to a perceptible increase in the brokerage received from order-book management in Frankfurt and, in view of the rise in turnover and trading opportunities, to an increase in trading profits in Frankfurt. After the departure from MAX-ONE of the two Frankfurt order-book managers on May 31, 2007, mwb Wertpapierhandelsbank AG is now one of only two specialists remaining in Munich. This enabled the company to double its market share in MAX-ONE. Brokerage received at this stock exchange has accordingly increased significantly since June 2007, and trading profits have improved as well.

Equity order-book management thus made a 77 % contribution to the company's total earnings in fiscal year 2007. This represents a slight year-on-year increase and underscores its exceptional importance to the company. Broken down, the contribution to commission income totalled 47 % and 95 % to trading profits.

Order-book management for fixed-income securities

The takeover of C.J. Diederich Wertpapierhandelsgesellschaft mbH in 2006 enabled mwb Wertpapierhandelsbank AG to commence trading in fixed-income securities and the order-book-management for them.



Trading and Commission Result in
EUR thousand of mwb Group



Changes in the number of employees

Group Management Report

Order-book management of bonds contributed 4 % to net commission income and 1 % to trading profits in the past fiscal year. At 2 %, the contribution to total earnings was somewhat below that of the previous year (3 %), which is traceable to the exceptionally good performance by the order-book management of equities at mwb Wertpapierhandelsbank AG.

mwb Wertpapierhandelsbank AG's management expects the merger with FAIRTRADE FINANCE AG to generate significant synergies in this area in 2008, FAIRTRADE FINANCE AG being the only order-book manager for fixed-income securities on the Hamburg and Hanover Stock Exchanges.

Order-book management for open-ended investment funds

Since May 2006, the Munich Stock Exchange has also been providing investors with the opportunity to trade in open-ended investment funds. Following the departure of the two Frankfurt order-book managers, mwb Wertpapierhandelsbank AG currently manages 1,337 open-ended investment funds on the Munich Stock Exchange.

The management of mwb Wertpapierhandelsbank AG is of the opinion that trading in investment funds over the stock exchange, as opposed to the classic distribution channels of the financial services industry, has great growth potential and is a promising sub-segment of trading on the stock exchange. This was the deciding factor in mwb's decision to merge with FAIRTRADE, Germany's market leader in this area. The intended merger was announced in November 2007 and should be finalized in the course of 2008.

The contribution to earnings made by order-book manage-

ment for open-ended investment funds at mwb Wertpapierhandelsbank AG is still too small and is therefore being subsumed in the figures for order-book management for equities. But this will change considerably in the course of 2008 once the merger with FAIRTRADE FINANCE AG has been completed.

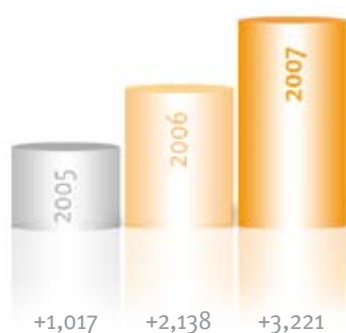
In total, the number of securities managed by mwb Wertpapierhandelsbank AG as an order-book manager has increased from 5,248 as per the close of 2006 to the current level of 6,576. Broken down, this is made up of 4,141 shares, 1,098 fixed-income securities, and 1,337 open-ended investment funds.

Institutional Clients

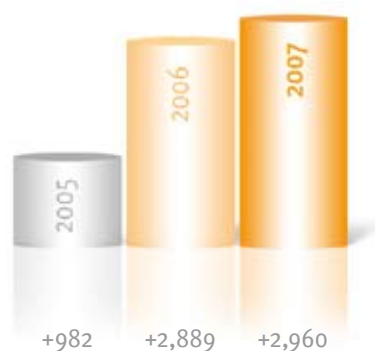
In relation to the predominating position held by securities trading, the contribution made by the Institutional Clients division dropped slightly year-on-year to 13 % of total earnings. Broken down, the share of commission income fell in 2007 to 35 %, while the share in trading profits remained constant at 1 %.

Order execution and institutional sales

Order execution and institutional sales remained as difficult as they were in the past year. The reasons for this situation included the caution still being exercised by private investors in response to the volatile stock exchanges, the uncertainty of some bank directors with respect to implementing MiFID, which came into force in November 2007, and a growing tendency amongst many institutional clients to execute security



Profit from ordinary activities
in EUR thousand



Net profit in EUR thousand

Group Management Report

orders themselves.

The preparation and forwarding of research on securities is a common instrument for giving a competitive edge in acquiring and managing clients in institutional sales. However, mwb Wertpapierhandelsbank AG deliberately refrains from this for cost/benefit reasons.

Designated Sponsoring

The company won three mandates in designated sponsoring in 2007: LS telcom AG, listed on the regulated market, and Flora EcoPower Holding AG and IC Immobilien Holding AG, both listed on the open market. Three mandates, Theolia S.A., MCC Global N.V. (formerly IFEX N.V.), and KP Renewables plc were terminated. As of December 31, 2007, mwb Wertpapierhandelsbank AG acts as designated sponsor for seven companies including its own shares.

Capital markets business

Measured in terms of the volume of new issues in Germany, 2007 proved as good a year for IPOs as 2006. Nevertheless, the absolute number of initial public offerings was lower than the year before and, above all, the performance of the new issues fell far short of expectations. The prices of only four newcomers to the stock exchange went up, while the vast majority fell, sometimes substantially.

mwb Wertpapierhandelsbank AG's strategy of concentrating less on IPOs and more on so-called secondary market transactions, such as capital increases, proved very successful in the 2007 fiscal year. Overall, the company was involved in

transactions with a total volume of € 82 million, generating income amounting to EUR 873 thousand. This area thus generated around 20 % of mwb Wertpapierhandelsbank AG's net commission income and 8 % of its total earnings. Because of the long-term strategic significance of the capital markets business, we hired additional staff members in May 2007 and plan to carry on the expansion of this business area.

Private Clients

The 2007 fiscal year at MWB Baden GmbH, in which mwb Wertpapierhandelsbank AG holds a 60 % interest, proved to be an extremely successful one. The introduction in Germany of the so-called "Abgeltungssteuer" (withholding tax on capital investment earnings), which is due to enter into force on January 1, 2009, led to an increase in the demand for MWB Baden GmbH's asset management services. Assets under management accordingly rose in the course of 2007 from € 33 million to somewhat over € 38 million, and commission income increased from EUR 458 thousand to EUR 594 thousand.

MWB Baden GmbH initiated its own open-ended investment fund called "1 A Global Balanced" in September 2007. Fund administrator is LRI Invest Luxemburg, a subsidiary of the LBBW Group. The fund, listed on the Fondsbörse Deutschland, was launched as a balanced fund, and therefore invests not only in equities but also in bonds, call money, and commodities.

Merger with FAIRTRADE FINANCE AG

In an ad hoc announcement dated November 9, 2007, mwb Wertpapierhandelsbank AG announced its intention to merge with the Hamburg-based FAIRTRADE FINANCE AG. FAIRTRADE FINANCE AG of Hamburg is a securities trading bank and an order-book management company focusing primarily on stock exchange trading in open-ended investment funds. It currently manages around 1,800 of the ca. 3,400 funds being traded on the Fondsbörse Deutschland, the funds trading platform of the Hamburg Stock Exchange. In this market segment, the Hamburg Stock Exchange with its "Fondsbörse" is the market leader in Germany. Moreover, FAIRTRADE FINANCE AG is the only specialist in all other market segments on the stock exchanges in Hamburg and Hanover, managing in this



Result per share in €

Group Management Report

context around 5,000 bonds and 1,500 equities.

The two companies complement each other ideally. The usual problem faced by merging companies, i.e. the overlapping of business areas, is a non-issue here. The merger also brings mwb Wertpapierhandelsbank AG one large step closer to its “ideal company size”, an important issue for mwb. The merger is to take place in 2008. The shareholders of FAIRTRADE FINANCE AG are to contribute their shares to mwb Wertpapierhandelsbank AG in exchange for around 3 million mwb shares, of which approx. 2.5 million will come from authorized capital and around 500,000 shares from a buy-back of the company’s own shares. The former FAIRTRADE FINANCE AG shareholders are to hold around 40 % of mwb Wertpapierhandelsbank AG’s share capital after completion of the transaction.

2. Earnings in Fiscal Year 2007

Earnings at mwb Wertpapierhandelsbank AG improved once again in the past fiscal year as compared to 2006, a very satisfying situation in the eyes of the Managing Board. With a performance of 22.3 % in 2007, mwb Wertpapierhandelsbank AG performed around 51 % better than the DAX. The cost-income ratio, as the primary key performance indicator for banks, improved slightly from 80 % in 2006 to 79 % in 2007.

Commission income and trading profits

mwb Wertpapierhandelsbank AG was able to take advantage of the volatile movements on the stock exchange in the last fiscal year. Securities trading, especially order-book management for equities, was once again the driving force behind earnings. A distinct increase in the number of shares being managed, trading expertise (including in relation to difficult market situations), and the unrelenting management of risk are keys to success here. Commission income rose accordingly in 2007 to EUR 4,256 thousand after EUR 3,272 thousand in the previous year, a rise of 30 %. One of the major contributors to this, next to order-book-management, was the area of capital markets business. In comparison to this, trading profits rose from EUR 6,914 thousand to EUR 7,452 thousand (up 8 %).

General administrative expenses

On the whole, the 14% increase in general administrative ex-

penses in 2007 is a very moderate figure. When a performance-based remuneration model is being used, which mwb Wertpapierhandelsbank AG has done since 2005, an improvement in earnings logically gives rise to an increase in personnel expenses. These rose in fiscal year 2007 to EUR 3,095 thousand compared to EUR 2,890 thousand in 2006, an increase of 7 %. The number of group employees increased in the course of 2007 to 37 from 32 in 2006. The mwb group is generally characterized by a low fluctuation rate in personnel.

Other administrative expenses rose in 2007 by a total of 17 % as a result of the sizeable increase in turnover, namely from EUR 5,689 thousand to EUR 6,673 thousand. The main reasons for this increase were the variable expenses for processing the transactions and the outlay for securities information services. As securities trading becomes ever more technical and the demands on the performance of order-book managers increasingly tough, mwb Wertpapierhandelsbank AG is forced to make regular investments to replace and to expand its IT infrastructure.

Provisions for risks

mwb Wertpapierhandelsbank AG holds a 12.4 % interest in the Willich-based XCOM AG, which is not listed on the stock exchange.

The management at mwb Wertpapierhandelsbank AG kept itself regularly informed last year on the developments at XCOM AG. In particular, the quarterly reports and the provisional, unaudited financial statements of XCOM AG as at December 31, 2007 were at its disposal. Based on the information above, the Managing Board at mwb Wertpapierhandelsbank AG has decided to continue to value its interest in XCOM at cost.

Profits from ordinary activities

A very healthy commission income, a moderate rise in general administrative expenses, an above-average net interest income of EUR 732 thousand, and a dividend from XCOM AG totalling EUR 479 thousand all led to a remarkable 51 % increase in profits from ordinary activities. As of December 31, 2007, these rose to EUR 3,221 thousand after EUR 2,138 thousand in 2006.

Group Management Report

Net profit

Net profit in 2006 in the amount of EUR 2,890 thousand was influenced by the need to capitalize a corporation tax credit amounting to EUR 1,120 thousand. Despite this, net profit in 2007 still rose to EUR 2,960 thousand, an increase of 2 %.

Based on the net profit for 2007, earnings per share totalled € 0.59 compared to € 0.57 in the previous year.

Net retained profits

In the interests of its shareholders, the Managing Board of mwb Wertpapierhandelsbank AG paid a dividend of € 0.36 per share in 2006. It also plans to pay an appropriate dividend in fiscal 2007 as well, the amount of which is still to be determined together with the Supervisory Board. Particular consideration will be given to the matter of dividend continuity. Without taking the payment of a dividend into account, net retained earnings in fiscal year 2007 amounted to EUR 2,328 thousand as compared to EUR 3,202 thousand in the year past.

3. Financial Position

The financial position of mwb Wertpapierhandelsbank AG is in good order.

Total assets

Total assets fell slightly as of December 31, 2007 to EUR 22,548 thousand following EUR 23,498 thousand in 2006. The decrease is mainly a result of the drop in net retained earnings.

Liquidity

mwb Wertpapierhandelsbank AG's liquidity, as the balance of its current receivables from and liabilities to banks, decreased as of December 31, 2007 by EUR 4,709 thousand to EUR 7,097 thousand. This drop is primarily the result of the buy-back of the company's own shares in connection with the FAIRTRADE FINANCE AG transaction and the purchase of fixed-income securities for mwb Wertpapierhandelsbank AG's trading book.

Management at mwb Wertpapierhandelsbank AG will continue to attach great importance to the preservation of liquidity as part of its corporate management policy.

Trading assets

As of December 31, 2007, the group held fixed-income securities in its portfolio worth EUR 3,197 thousand compared to EUR 925 thousand as of the close of 2006.

The portfolio of shares and other variable-income securities amounted to EUR 1,558 thousand as of December 31, 2007 following EUR 525 thousand in the previous year.

Available for Sale - portfolio

As of December 31, 2007, the group held debt instruments worth EUR 1,682 thousand in the "Available for Sale" category as compared to EUR 1,510 thousand in the year before, and shares and other variable-income securities totalling EUR 100 thousand (previous year: EUR 0 thousand).

Equity

The company's equity fell from EUR 18,753 thousand to EUR 17,542 thousand in fiscal year 2007. This drop is mainly due to the buy-back of the company's own shares in the fiscal year.

The equity ratio as of December 31, 2007 fell only slightly to 78 %. It stood at 80 % at the close of the previous year.

Interest in XCOM AG

mwb Wertpapierhandelsbank AG holds a 12.4 % interest in the financial software company XCOM AG. This company, with its registered office in Willich, was founded in 1988 and is considered one of the leading suppliers for e-business, e-banking, and trading support in the securities industry. In 2003, XCOM AG took over the full-service banking activities of E-Trade Bank AG, Deutschland, renaming this wholly-owned subsidiary "XCOM Bank". XCOM AG sold XCOM Bank to the Wirecard AG, effective as of January 1, 2006. The proceeds from the sale were allocated to fiscal year 2006.

In December 2005, XCOM AG obtained a license to operate

Group Management Report

an additional, newly formed bank, the biw Bank für Investments und Wertpapiere. biw Bank is a transactions and on-line bank with extensive experience in the securities business. In addition to its own activities, it has taken over the former business of the XCOM Bank. In the course of fiscal years 2006 and 2007, XCOM AG sold so many shares of this bank that it currently holds 38 % interest in it.

The group management of mwb Wertpapierhandelsbank AG carefully and consistently kept track of developments at XCOM AG in 2007, as had been done in previous years. The interaction with the management of XCOM AG took place in an open and trustworthy manner. Noteworthy here is that mwb Wertpapierhandelsbank AG is not only a shareholder but also a client of XCOM AG.

On June 22, 2007, XCOM AG's general shareholders' meeting appointed Thomas Posovatz, a member of the Managing Board of mwb Wertpapierhandelsbank AG, to the supervisory board of XCOM AG.

4. Other Information

Structure of the remuneration system for the Managing and Supervisory Boards

According to Section 87 of the [German] Stock Corporation Act (AktG), the Supervisory Board is responsible for determining the remuneration of the members of the Managing Board. Service (employment) contracts have been concluded with the members of the Managing Board, the most recent revision of which took effect on January 1, 2008. These contracts stipulate a basic salary plus variable remuneration in the form of a performance-related annual bonus. The bonus payment amounts to 5 % of the earnings from ordinary activities prior to the inclusion of management-board bonuses for the individual members of the Managing Board; the bonus amount will be capped in future. In the event of a negative result from ordinary activities, no bonus is paid.

The remuneration of the Supervisory Board was revised by way of an amendment to the articles of association at the general shareholders' meeting on June 25, 2003. Each member of the Supervisory Board receives, in addition to reimburse-

ment of their expenses, fixed remuneration in the amount of EUR 10 thousand for each full year of membership in the Supervisory Board; the remuneration is payable upon expiry of the fiscal year. Commencing January 1, 2003, each member of the Supervisory Board also receives for each full fiscal year of its membership in the Supervisory Board variable remuneration in the amount of 0.3 % of the positive consolidated result from ordinary activities. The company grants to the members of the Supervisory Board appropriate insurance protection. In particular, the company undertakes to conclude liability insurance policies, so-called directors and officers insurance, for the benefit of the members of the Supervisory Board that adequately covers the statutory (third party) liability inherent in the duties performed by the Supervisory Board member.

The Chairman of the Supervisory Board receives twice the amount, the Deputy Chairman one and a half times the amount of the fixed and of the variable remuneration. The combined total of fixed and variable remuneration is limited to EUR 15.0 thousand per year for ordinary members of the Supervisory Board, to EUR 22.5 thousand per year for the Deputy Chairman, and to EUR 30.0 thousand per year for the Chairman of the Supervisory Board. The statutory German VAT must be added to all amounts.

Information pursuant to Section 315 (4) of the [German] Commercial Code (HGB)

The subscribed capital of mwb Wertpapierhandelsbank AG is comprised of 4,982,700 no-par value shares with a calculative nominal value of € 1.00. The Managing Board is not aware of any restrictions that could affect voting rights or the transfer of shares.

FMNP Beteiligungs GmbH, Graefelfing, holds 1,482,890 shares as of the balance sheet date. This is equivalent to a 29.76 % interest in the company's share capital.

No shareholder is disposed of any extraordinary rights or controlling powers. The members of mwb Wertpapierhandelsbank AG's Managing Board are appointed and dismissed by the company's Supervisory Board. Amendments to the company's articles of association require a three-quarter majority of the votes cast at the general shareholders' meeting.

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According to the resolution passed at the general shareholders' meeting on July 26, 2007, the Managing Board is entitled pursuant to Section 71 (1) No. 7 AktG to trade in the company's own shares. The stock of own shares must not exceed 5 % of the share capital at the end of any trading day. In addition, the Managing Board is entitled pursuant to Section 71 (1) No. 8 AktG to acquire the company's own shares up to an amount of 10 % of the share capital for purposes other than securities trading. The Managing Board made use of this authorization pursuant to a resolution dated November 13, 2007 and, in the period from November 15 to 30, 2007, bought back a total of 379,876 shares in mwb Wertpapierhandelsbank AG under the terms of a public buy-back offer. The purchase was made in conjunction with the merger with FAIRTRADE FINANCE AG. The use of the acquired shares is basically at the discretion of the Managing Board with the approval of the Supervisory Board.

According to a resolution of the general shareholders' meeting on June 25, 2003, the company has authorized capital totalling € 2,491,000.

The company is party to no agreements that stipulate a change of control in the event of a takeover bid. Neither is the company party to any compensation agreements with the members of the Managing Board or its employees in the event of a takeover bid.

5. Outlook

The assessments made in the following are all based on the information available to us at the current time. The same holds true with respect to the risks depicted in the risk report.

The most important event for mwb Wertpapierhandelsbank AG in 2008 will undoubtedly be the merger with Hamburg-based FAIRTRADE FINANCE AG, which is expected to take place in the first half of the year. The joining of these two enterprises creates a company that is optimizing its business divisions in an ideal way. Another important aspect is that it brings mwb Wertpapierhandelsbank AG a big step closer to its "ideal company size". The larger unit is also expected to produce sizeable cost benefits in the future. However, the de-

cisive factor behind the merger is that both parties see significant growth potential for the stock-exchange trading in open-ended investment funds.

All in all, the first quarter of 2008 has started moderate for mwb Wertpapierhandelsbank AG. January was characterized by sizeable turnover and high volatility. Nevertheless, the news and the effects of the mortgage crisis are likely to create uncertainty with investors, especially in the first half of 2008. It is impossible to forecast just what impact this crisis will have on the economy over the medium term.

The role played by the order-book manager in the German stock exchange system has remained as important as it has been in the past years. Deutsche Börse AG also acknowledges this as witnessed by the ongoing developments in trading on the Frankfurt Stock Exchange. The Managing Board of mwb Wertpapierhandelsbank AG will therefore continue to attribute the same high level of importance to order-book management as it has always done. The merger with FAIRTRADE FINANCE AG represents a significant step in this direction.

In the Institutional Clients division, the successive expansion of the capital markets business is a particular area that will be driven forward. The current uncertainty on the markets particularly affects small and medium-sized companies, which likely means a difficult environment for IPOs. For this reason, mwb Wertpapierhandelsbank AG will, as in the past, concentrate on secondary market transactions, which include such things as capital increases.

MWB Baden GmbH will carry on with the successful business policy of the last few years, which is to grow organically while keeping a keen eye on costs. One particular goal is to raise the volume of assets under management through acquiring new clients, signing cooperative ventures, and taking on more tied agents.

All in all, despite the small clouds that continue to hang over the business environment, the Managing Board expects once again in 2008 to report distinctly better earnings. It will also continue to pursue the strategy of rigorous risk management, cost control, and sustainable growth

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No major events occurred after the balance sheet date of December 31, 2007.

6. Risk Management Report

Corporate strategy

All of our company's resources and activities are geared to sustainably securing our success. Therefore all of the decisions concerning mwb Wertpapierhandelsbank AG's business policy are taken under strict observance of the income to risk ratio.

Our risk management focuses on the top-level corporate targets of securing the assets entrusted to us and increasing our enterprise value based on the conscious management of entrepreneurial risks. Our strong equity ratio, the integrated risk management system, a real proximity to the market, and our thorough knowledge of risk allows us to operate flexibly across our divisions and to deal innovatively with the challenges of the future. In the strategic management of our company, both financial as well as non-financial aspects such as process efficiency, increasing transparency, the best possible customer support, employee satisfaction, and an ongoing bolstering of the position of securities companies play important roles.

mwb Wertpapierhandelsbank AG's group management is engaged in a constructive, ongoing exchange with the managing directors of MWB Baden GmbH with regard to the company's economic progress. Strategic decisions in relation to preserving the company's continued existence are made jointly.

Risk strategy

The aim of our risk strategy is to safeguard our corporate targets by taking suitable measures against disturbing events. As part of its value-oriented group management scheme, the company has put in place an end-to-end risk management system to identify risks and optimize risk positions. The company's risk control is set up such that particular attention is being paid to the avoidance of risks. We continually review whether our risk policy provisions are adequate to perceptibly reduce potential danger. If necessary, further measures are then taken to reduce the risk.

In implementing the requirements of the so-called "MaRisk" (Minimum Risk Management Requirements), mwb Wertpapierhandelsbank AG has, as part of its business strategy, developed a concept for its ability to bear risks. This entails – in addition to defining the risk-coverage assets, the maximum loss threshold for the entire bank, and the determination of the risk potential – a comparison of the aggregate risk potential with the maximum loss threshold. As a result of the risks taken by the company's business sectors, mwb Wertpapierhandelsbank AG takes a conservative approach in structuring its ability to bear risks. The company has therefore stipulated that the maximum risk at the close of each business day must not exceed 20 % of the available risk-coverage assets. The remainder is available as a risk buffer. In addition to market price risks from equities, fixed-income securities, and option transactions, the company has included operating risks as material risks for mwb Wertpapierhandelsbank AG in its concept for its ability to bear risks. mwb Wertpapierhandelsbank AG identifies the risk potential that exists for these risks on a daily basis, whereby the company uses the basic indicator approach pursuant to Sections 270 and 271 of the [German] Solvability Directive (SolV) in identifying operating risk. In determining whether it is able to bear risks, mwb Wertpapierhandelsbank AG, on a mandatory daily basis, compares the aggregated risk potential to the maximum loss threshold set by the Managing Board. If this ratio is less than 100%, the ability to bear risks is ensured. The maximum loss threshold was not exceeded at any time in 2007.

Risk management is carried out centrally for all branch offices of mwb Wertpapierhandelsbank AG from the company's headquarters in Graefelfing. It is also subject to an annual audit by our auditors to determine, among other issues, whether it complies with the requirements of the [German] Act on Control and Transparency in Business (KonTraG).

MWB Baden GmbH is included in this risk control, although risks arising directly from transactions with the clients are being monitored directly by MWB Baden GmbH.

Internal audit

In order to ensure an efficient internal auditing given the company's relatively small size, mwb Wertpapierhandelsbank AG's Managing Board has decided to outsource its internal auditing to a firm of auditors. The audits focus prima-

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rily on the areas of investment and transaction brokering, proprietary trading, liquidity control, accounting, data processing, human resources, reporting, compliance, money laundering, minimum requirements for the operating of trading activities, risk management, and earnings control. Operating processes that are subject to particular risk are audited annually, other operating processes are audited every three years.

Internal auditing at MWB Baden GmbH is conducted directly by the managing directors of MWB Baden GmbH in Offenburg.

Risk control

Effective risk control necessitates an independent identification of the risks entered into, which must be reviewed separate from trading activities.

To this end, the company has appointed a risk manager who is not connected with trading activities. The risk manager's tasks include identifying, analyzing, and evaluating risks, and especially sensitizing employees to risk recognition and avoidance. The risk manager also monitors adherence to large loan limits and the company's internal guidelines for risk avoidance, thereby continually developing methods and systems to manage risk. The basis for dealing permanently and systematically with risks is found in the guidelines and decisions on risk tolerance prepared by the Managing Board, which are derived from the risk strategy and risk policy and geared to the company's capitalization and liquidity.

Given the large number of transactions executed by the company, the efficient controlling of risk is dependent upon a properly functioning computer system. For this reason, the company makes use of the innovative applications created by XCOM AG. This is a software company specializing in solutions for financial service providers and banks, in which MWB holds a participating interest.

Via XCOM AG, the company calculates, on a daily basis, risk assets, net equities positions and counterparty default items, liable equity, and allocable equity, which results in the Principle I equity ratio and the Principle I overall ratio. Any amounts in excess of the large loan limits are also monitored several times daily, as are the total and individual items from name-to-follow transactions (Aufgabegeschäfte) and the un-

realized profits and losses associated with this. In addition, monthly in-depth evaluations of market risk items and foreign currency risk are prepared in line with Principle I. Finally, the liquidity status is prepared daily by adding the available funds and the monthly calculation of the liquidity ratio from Principle II.

As part of the management-related monitoring, the Managing Board also reviews the income and expenses from the company's core business on a daily basis. After subjecting the monthly figures to a feasibility check, the CFO then issues a written, monthly opinion on general growth, select P&L items, and the liquidity situation. The report is circulated amongst the members of the Managing Board and is presented to the members of the Supervisory Board for their attention.

In the area of operational risks – which can stem from workflows, persons, technology, or external events – existing risks are consistently being reduced by a multi-faceted, cause-related risk management system.

Presentation of individual risks

Individual risks are being constantly monitored and reviewed at regular intervals. The risk management system is also being subjected to ongoing improvements. The company attaches particular importance to involving the individual employees, who are being asked to inform the risk manager of any recognizable risks.

The following risks have been identified for the group:

- Strategic risks
- Counterparty default risks
- Market price risks
- Placement risks
- Liquidity risks
- Legal risks
- Personnel risks
- Operating risks

Strategic risks

Strategic risks result when our strategy is not in line with the requirements and expectations of the markets, our customers, or the underlying economic conditions, and this goes

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unnoticed by the company's management. To avoid this risk, we carefully assess the strategic risks at regular, short intervals. The Managing Board keeps in constant contact on this issue with the Supervisory Board, which is actively involved in defining strategic objectives and monitoring the risk content of the strategic planning processes together with the Managing Board.

It is a major risk for any company to cling to that which is tried and true, and thereby failing to recognize new business opportunities. In this connection, the company is very much aware of the danger of the ever increasing dominance of electronic equities trading over order-book management. We are, however, confident that order-book managers cannot be completely forced out of the system by electronic trading systems. In our opinion, the future lies in combining electronic processing with price-setting specialists. The MAX-ONE trading system, which has been successfully established at the Munich Stock Exchange, already works on this basis, mwb Wertpapierhandelsbank AG having played a decisive role in the design and setting up of it. The company counters the dangers of a breaking away of a business division or a migration of clients by spreading its business over several, mutually independent areas and by its unrelenting efforts to increase client numbers.

Counterparty default risks

We understand counterparty default risks to be the possible loss of value that could arise through the default by, or the diminishing creditworthiness of, clients or business partners, or when financial instruments cease to function.

mwb Wertpapierhandelsbank AG has both German and foreign trading partners and clients. In relation to stock market transactions with German trading partners that are registered with the stock exchange, counterparty default risks play a subordinate role only. In the case of foreign trading partners, counterparty limits are fixed per trading day in relation to the trading partner's size, market valuation, and the frequency of their transactions. Information on foreign counterparties' economic performance is being procured regularly.

We also carry on business relationships with clients in and outside of Germany in connection with designated sponsoring and the new issues and placement business. The income generated by this business is of minor importance in relation to that generated by stock exchange transactions.

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The mwb group's maximum default risk is shown below:

	Receivables from banks		Loans and advances to non-bank clients		Financial assets/ Available for Sale		Held for Trading	
In EUR thousand	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Book value as equivalent to maximum default risk	7,091	11,803	183	133	4,218	3,945	4,756	1,450

A compensation agreement exists with the HypoVereinsbank in respect of the individual bank accounts. For this reason, in the case of the receivables from banks, the liabilities towards HypoVereinsbank were offset against them.

As at the balance sheet date, there were no financial assets for which any valuation allowance had been made. There are no overdue assets under receivables from banks, financial assets/available for sale and held for trading.

mwb Wertpapierhandelsbank AG has not received any collateral for its financial assets.

The assets under loans and advances to non-bank clients are shown below:

	Loans and advances to non-bank clients		Over 30 and up to 60 days		Over 60 and up to 180 days		Over 180 days	
In EUR thousand	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Neither overdue nor impaired	50	39						
Overdue but not impaired	133	94	30	3	0	26	103	65
Total	183	133						

The overdue receivables are monitored regularly. As at the balance sheet date, the value of the overdue but not impaired receivables may be seen in the above table.

Under counterparty default risk, the only concentration of risk is that the bulk of the receivables from banks are due from the HypoVereinsbank.

Market price risks

The market price risk is the potential loss that could result from the modification of the prices for our positions on the financial markets.

mwb Wertpapierhandelsbank AG's trading positions are supported by computer technology, are continually subject to a

current, daily valuation at average prices, and are also continuously standardized in comparison to market prices. In calculating the total exposure to risk, market price risk is determined on the basis of a 2.5 % fluctuation in securities prices. For long positions, this results in a risk figure of EUR 175 thousand, and for short positions EUR 11 thousand. The volume of name-to-follow positions (Aufgabenpositionen) is limited by name-to-follow limits (Aufgabenlimite), which are fixed in accordance with the concept of the ability to bear risks. In addition, the name-to-follow limits are restricted by the requirements of the [German] Banking Act (KWG) and the work directives governing securities traders. In addition, both the Managing Board member responsible for trading and the Managing Board member who is independent of trading activities are being informed at least twice a

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day on the largest name-to-follow positions (Aufgabenbestände), the largest unrealized profits and losses from these transactions, and on the existing option transactions. Market price risk is of minor importance for the MWB Baden GmbH. The company acts as order-book manager for bonds, funds,

and equities from various countries and parts of the globe. The portfolios held by mwb Wertpapierhandelsbank AG in its safe custody and name-to-follow accounts reflect this diversification. There are accordingly no concentrations of risk in the area of market-price risks.

As of the balance sheet date, the company carried out sensitivity analyses, the results of which are shown in the tables below:

Sensitivity analysis – Available for Sale 12/31/2007	Change in interest rate +/- 1 %		Change in price +/- 5 %	
In EUR thousand	Change in revaluation reserve/equity upon a change in interest rate of +1 %	Change in revaluation reserve/equity upon a change in interest rate of -1 %	Change in revaluation reserve/equity upon a change in price of +5 %	Change in revaluation reserve/equity upon a change in price of -5 %
Debt instruments	-22	22		
Shares and funds			5	-5

Sensitivity analysis – Held for Trading 12/31/2007	Change in interest rate +/- 1 %		Change in price +/- 5 %	
In EUR thousand	Effect on the income statement of a change in interest rate of +1 %	Effect on the income statement of a change in interest rate of -1 %	Effect on the income statement of a change in price of +5 %	Effect on the income statement of a change in price of -5 %
Debt instruments	-30	30		
Shares and funds			78	-78

The sensitivity analysis for the previous year was as follows:

Sensitivity analysis – Available for Sale 12/31/2006	Change in interest rate +/- 1 %		Change in price +/- 5 %	
In EUR thousand	Change in revaluation reserve/equity upon a change in interest rate of +1 %	Change in revaluation reserve/equity upon a change in interest rate of -1 %	Change in revaluation reserve/equity upon a change in price of +5 %	Change in revaluation reserve/equity upon a change in price of -5 %
Debt instruments	-19	19		
Shares and funds			0	0

Sensitivity analysis – Held for Trading 12/31/2006	Change in interest rate +/- 1 %		Change in price +/- 5 %	
In EUR thousand	Effect on the income statement of a change in interest rate of +1 %	Effect on the income statement of a change in interest rate of -1 %	Effect on the income statement of a change in price of +5 %	Effect on the income statement of a change in price of -5 %
Debt instruments	-70	70		
Shares and funds			26	-26

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Placement risks

We understand placement risks as being risks that could result as part of our issuing business.

When selecting companies that wish to go public, addressing the issue of whether the issuer is mature enough for the stock markets is of fundamental importance for mwb Wertpapierhandelsbank AG. For this reason the decision is always made jointly by the two members of the Managing Board of mwb Wertpapierhandelsbank AG. For new issues, it is made on the basis of the offering prospectus, and for listings on the basis of the company exposé. The fact that both these documents are generally accompanied by a legal due diligence provides additional security here. mwb Wertpapierhandelsbank AG also keeps an eye out at an early stage for potential investors to determine whether they are interested in the shares of the issuing company. The decision as to whether or not to place the shares is then based on the overall

impression gained from these discussions together with the written documents.

Liquidity risks

The primary goal of our liquidity management is to ensure that the company is capable of making payment at any time. The management of our daily liquidity levels has been assigned to an experienced team of employees, who report directly to the responsible member of the Managing Board. As at the balance sheet date, free liquidity amounted to EUR 7,091 thousand.

Thanks to the positive earnings in the past fiscal year, the company is equipped with excellent liquidity. This was fortified by the continuation of the cost-cutting program that began in 2004.

Breakdown by remaining term

	Up to 3 months		More than 12 months	
In EUR thousand	12/31/07	12/31/06	12/31/07	12/31/06
Loans and advances to non-bank clients	183	133		
Limited-term receivables from banks	9,619	14,508		
Income tax receivable	8	37	2,415	2,370
Other assets	242	118	482	379
Total receivables	10,052	14,796	2,897	2,749
Other liabilities	2,361	1,916		
Limited-term liabilities to banks	2,525	2,704		
Total liabilities	4,886	4,620		

No receivables or liabilities exist in the range of terms "more than 3 months and up to 12 months".

As of December 31, 2007, the company held – as assets for which there is a liquid market and which can be immediately sold – securities and bonds in the amount of EUR 6,538 thousand (previous year: EUR 3,078 thousand).

As of the balance sheet date, there were also financial assets in the form of an interest in XCOM AG for which a dividend is expected although there is no liquid market for it.

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Legal risks

Legal risks include those dangers that may arise from the large number of trading transactions carried out by us and from employee violations of statutory and internal regulations.

– Trading transactions

Most of the company's trading transactions are concluded verbally, in line with standard stock-market practice. This is why all dealers' telephone calls are being recorded. To safeguard against general and sector-specific risks, the company has entered into – in addition to the existing directors and officers liability insurance – a fidelity insurance policy and a (third party) liability insurance policy for pecuniary loss. MWB Baden GmbH is also covered by these insurance policies.

In the areas of asset management and investment consulting carried out by MWB Baden GmbH, client information is obtained in accordance with Section 31 of the [German] Securities Trading Act (WpHG), and the clients are provided with comprehensive information on their risks. Specific to asset management, investment guidelines and limits are defined and documented together with the client's risk profile.

– Statutory regulations

mwb Wertpapierhandelsbank AG is subject to comprehensive reporting requirements and other statutory regulations, particularly those imposed by the [German] Commercial Code (HGB), Stock Exchange Act (BörsG), Securities Trading Act (WpHG), and the Banking Act (KWG). In addition to the regular yearly/quarterly reporting requirements, a wide array of other company-related occurrences must be disclosed and other legal requirements complied with. Non-compliance with these disclosure requirements can result in the imposition of heavy fines.

These statutory regulations are monitored by the respective employees using a reporting schedule that is continuously being updated.

Personnel risks

Personnel risks include all risks that result from engaging employees and hiring new ones.

The company exercises special care in the recruitment of new employees. It also pays particular attention to ensuring that other employees are readily available to assume the respon-

sibilities of their colleagues during periods of vacation or illness, or when an employee leaves the company. The company has prepared an organizational manual that is accessible to all employees. It contains information on the work to be performed in the individual positions, detailed descriptions of key business processes, and the compliance concept. Employees who deal with confidential information are informed in writing of the legal obligations ensuing from their access to insider information and of the legal consequences of any violations. The employees must confirm their knowledge of this explanatory document. They are also listed in the directory of insiders, which must be kept in compliance with Section 15b WpHG.

Any possible wrongdoing by employees in the trading area is covered by insurance policies. The company has drawn up rules for employee trading, and by already including such agreements in the employment contracts, it avoids conflicts of interest between employees, banks, and clients.

The risk of frequent staff fluctuation is being reduced through appropriate remuneration models.

Operating risks

Under operating risks we include factors affecting our business operations that are outside our control.

The company has prepared an emergency plan to deal with other operating risks, of which all employees are aware. It details the measures to be taken in the event of power failures, computer breakdowns, system bottlenecks and disturbances, and telephone failures.

The company combats the risks from the loss of data using a system of daily, weekly, and monthly data backups, some of which are stored outside the company's premises.

The company is equipped with a fire-proof safe and a fire-proof cabinet to store daily computer-data backups and employee files. Through the conclusion of a fire insurance policy, the risks that may result from a fire in the company's offices are being reduced.

The risk of damage to computer equipment from a power cut or lightning strike is being covered by an electronics insurance policy.

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For the maintenance of our computer system, we selected a company that can be on location at the shortest possible notice in the event of a disruption or breakdown – even at night and on weekends. The system administrator has also been equipped with an alarm device that automatically reports serious problems in the computer centre (flooding, heat, smoke).

The company engaged has prepared comprehensive documentation on our entire computer system, which means that third parties can quickly obtain information on our computer equipment if necessary. This documentation has already been tested by an external computer specialist in conjunction with the internal audit.

In the case of a power failure, the computer systems are equipped with an emergency power supply. Transmission line disruptions are being dealt with by a so-called failover through a back-up system.

respect to this amount exists, which mwb has booked in the demanded amount of EUR 60 thousand in the income statement for fiscal year 2007.

For any other outstanding demands for extraordinary contributions for 2008 and the years following, no such sufficiently defined obligation exists, which means that the mwb group, in the absence of any external obligation, does not have to form a provision for the contingency of outstanding demands for extraordinary contributions.

Graefelfing, March 2008

The Managing Board

7. Opinion on an impending claim against the company by EdW / Phoenix compensation case

On March 15, 2005, the German BaFin ruled that a so-called “compensation case” existed in respect of the insolvent securities trading bank, Phoenix Kapitaldienst GmbH. The result of this is that the EdW (a compensation organization for securities companies) must compensate the investors. The problem is, however, that the EdW (of which mwb Wertpapierhandelsbank AG is a compulsory member) only has available funds in the single-digit million euro range to compensate claims that have been estimated between 180 and 200 million euros. According to the [German] Investment Security and Investor Compensation Act (EAEG), the EdW is entitled – in compensation cases – to collect “extraordinary contributions” from its members with no restrictions as to the maximum amount.

In the first compensation wave in December 2007, the EdW demanded EUR 30 million from the 750 member companies by way of the so-called contribution notification to them. Although mwb Wertpapierhandelsbank AG along with some 700 other EdW members have appealed this extraordinary contribution and applied for a stay of its execution – arguing that the constitutionality of it and its compliance with European law are seriously in doubt – a definite obligation with

Consolidated Balance Sheet in accordance with International Financial Reporting Standards

as of December 31, 2007

Assets

	Notes	2007 EUR thousand	2006 EUR thousand	Changes in EUR thousand	Changes in %
Receivables from banks	(5); (6); (25); (38)	9,619	14,508	-4,889	-33.7
Trading assets	(7); (26); (38)	4,769	1,461	3,308	226.4
Financial assets	(8); (27); (38)	4,218	3,945	273	6.9
Property, plant and equipment	(10); (29)	405	389	16	4.1
Intangible assets	(9); (28)	205	155	50	32.3
Income tax receivables	(14); (30)	2,423	2,407	16	0.7
Deferred tax assets		1,258	1,287	-29	-2.3
Corporation tax credit		1,165	1,120	45	4.0
Other assets	(11); (31)	909	633	276	43.6
Total assets		22,548	23,498	-950	-4.0

Liabilities and equity

	Notes	2007 EUR thousand	2006 EUR thousand	Changes in EUR thousand	Changes in %
Liabilities to banks	(5); (12); (32); (38)	2,525	2,704	-179	-6.6
Trading liabilities	(13); (33)	23	21	2	9.5
Provisions	(11)	0	0	0	0.0
Deferred tax liabilities	(14); (35)	96	104	-8	-7.7
Other liabilities	(15); (34)	2,362	1,916	446	23.3
Equity	(36); (37)	17,542	18,753	-1,211	-6.5
Subscribed capital		4,983	4,983	0	0.0
Capital reserves		3,945	3,945	0	0.0
Retained earnings		10,589	8,587	2,002	23.3
Revaluation surplus		-4	-10	6	60.0
Depreciation of own shares		-4,516	-2,128	-2,388	-112.2
Consolidated profit		2,328	3,202	-874	-27.3
Minority interests		217	174	43	24.7
Total liabilities and equity		22,548	23,498	-950	-4.0

Consolidated Income Statement in accordance with International Financial Reporting Standards

for the period from January 1 to December 31, 2007

	Notes	2007 EUR thousand	2006 EUR thousand	Changes in EUR thousand	Changes in %
Interest income	(17)	740	537	203	37.8
Interest expenses	(17)	-8	-55	47	85.5
Net interest income	(17)	732	482	250	51.9
Commission income	(18)	6,173	5,187	986	19.0
Commission expenses	(18)	-1,917	-1,915	-2	-0.1
Net commission income	(18)	4,256	3,272	984	30.1
Trading Income	(19)	17,016	15,254	1,762	11.6
Trading Expenses	(19)	-9,564	-8,340	-1,224	-14.7
Trading Profit	(19)	7,452	6,914	538	7.8
Profits from financial assets		479	0	479	100.0
Administrative expenses	(20)	-9,768	-8,579	-1,189	-13.9
Balance of other income / expenses	(21)	70	49	21	42.9
Profit from ordinary activities		3,221	2,138	1,083	50.7
Income taxes on the profit from ordinary activities	(14); (22)	-261	751	-1,012	-134.8
Net profit	(23)	2,960	2,889	71	2.5
Minority interest of net profit		-42	-30	-12	-40.0
Net profit without minority interests		2,918	2,859	59	2.1
Profit carried forward from previous year		1,412	424	988	233.0
Withdrawal from/addition to retained earnings		-2,002	-81	-1,921	-2,371.6
Consolidated profit		2,328	3,202	-874	-27.3
Earnings per share					
Diluted earnings per share	(24)	0.59	0.57		3.5
Basic earnings per share	(24)	0.59	0.57		3.5

Statement of Changes in Equity

for the period from January 1 to December 31, 2007

	Notes	2007 EUR thousand	2006 EUR thousand
Equity as of January 1		18,753	16,856
Subscribed capital	(36)		
Balance as of January 1		4,983	4,983
Balance as of December 31		4,983	4,983
Capital reserves			
Balance as of January 1		3,945	3,945
Balance as of December 31		3,945	3,945
Retained earnings			
Balance as of January 1		8,587	8,506
Addition to retained earnings		2,002	81
Balance as of December 31		10,589	8,587
Revaluation surplus	(27)		
Balance as of January 1		-10	0
Change		6	-10
Balance as of December 31		-4	-10
Own shares	(37)		
Balance as of January 1		-2,128	-2,042
Change		-2,388	-86
Balance as of December 31		-4,516	-2,128
Consolidated profit			
Balance as of January 1		3,202	1,320
Net profit		2,960	2,889
Withdrawal from/addition to retained earnings		-2,002	-81
Minority interest of net profit		-43	-30
Distribution of profits ¹		-1,789	-896
Balance as of December 31		2,328	3,202
Minority interests			
Balance as of January 1		174	144
Change		43	30
Balance as of December 31		217	174
Equity as of December 31		17,542	18,753

¹ Profit distribution per share: EUR 0,36

Consolidated Cash Flow

for the period from January 1 to December 31, 2007

	Year EUR thousand	Previous year EUR thousand
Consolidated net profit	2,918	2,859
Adjustments to the reconciliation of the consolidated net profit to the cash flow from operating activities		
Depreciation, write-downs and write-ups on receivables		
Intangible assets, property, plant and equipment and financial assets	254	233
Changes in long-term provisions	0	-844
Minority interest	42	30
Increase in bank collateral	-250	0
Other adjustments (balance)	-634	-154
	2,330	2,124
Change in assets and liabilities from ordinary activities		
Change in customer receivables	-50	2
Change in trading position	-3,306	-683
Change in other assets from operating activities	-242	-698
Change in other liabilities from operating activities	438	791
Received interest and dividends	731	496
Interest paid	-170	-240
Income taxes received	-446	-110
Cash flow from operating activities	-715	1,682
Proceeds from disposal of financial assets	32	100
Investments in intangible assets and property, plant and equipment	-290	-242
Investments in financial assets	-294	-1,600
Change in cash and cash equivalents from other investing activities	479	0
Cash flow from investing activities	-73	-1,742
Net change in purchases and sales of own shares	-2,383	-89
Dividends paid	-1,789	-896
Cash flow from financing activities	-4,172	-985
Change in cash and cash equivalents	-4,960	-1,045
Cash and cash equivalents – start of period	8,056	9,101
Cash flow from operating activities	-715	1,682
Cash flow from investing activities	-73	-1,742
Cash flow from financing activities	-4,172	-985
Cash and cash equivalents – end of the period	3,096	8,056

The funds deposited as collateral for default guarantees and securities settlement in the amount of EUR 4,000 thousand (Note [43]) are not considered to be liquid funds when calculating the cash and cash equivalents (Note [5], [39]). In addition, there is an unused line of credit for EUR 1,000 thousand with the HypoVereinsbank AG, Munich.

Notes to the consolidated financial statements

The mwb group prepares its financial statements in line with the requirements of the International Accounting Standards Board (IASB) in order to provide its shareholders and all interested parties with an internationally comparable basis for evaluating the mwb group and the strength of its earnings. We have prepared the consolidated financial statements in line with the International Financial Reporting Standards (IFRS) in accordance to EU Directive No 1606/2002 by the European Parliament and Council dated 19 July 2002 as part of the EU endorsement in connection with Section 315a of the [German] Commercial Code (HGB). IFRS include the standards referred to as IFRS, the International Accounting Standards (IAS), and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). Section 315a HGB contains the national provisions which continue to apply to capital market companies in addition to the IFRS.

The company's Managing and Supervisory Boards have, in accordance with Section 161 of the [German] Stock Corporation Act (AktG), issued the declaration of conformity to the recommendations of the "Government Commission German Corporate Governance Code" and have publicized this on the company's website in December 2007.

The group management report meets not only the requirements of Section 315 (1) and (2) HGB but also those imposed on a financial review pursuant to IAS 1.

In fiscal year 2007, the IFRS were applied, which form the so-called stable platform and whose application is mandatory for fiscal years starting on or after January 1, 2006.

To the extent relevant to our company's activities, the following of these standards were applied for the first time in fiscal year 2007:

IFRS 7

Financial Instruments: Disclosures

All of the standards newly issued or revised by the IASB, the application of which only becomes obligatory subsequent to the end of fiscal year 2007, were not applied prior to this date.

In respect of the risks pursuant to IFRS 7, we refer to the disclosures in the risk report contained in the management report. The consolidated financial statements of the mwb group is comprised of the balance sheet, income statement, statement of changes in shareholders' equity, statement of cash flows, accounting methods, notes, and segment reporting. It was prepared for the first time in line with Section 292a HGB as of December 31, 2002.

Accounting and valuation policies

(1) Uniform group accounting

The single-entity financial statements of the companies included in consolidation are – using uniform accounting and valuation principles – included in the consolidated financial statements of mwb Wertpapierhandelsbank AG.

(2) Group of consolidated companies

The consolidated financial statements as of December 31, 2007 include, in addition to the mwb Wertpapierhandelsbank AG as the parent company, the wholly-owned subsidiary MWB Wertpapierhandelsbank GmbH, Graefelfing, and the 60 % subsidiary MWB Baden GmbH, Offenburg.

(3) Consistency

We consistently apply accounting, valuation, and disclosure methods in line with the IFRS framework concept.

(4) Principles of consolidation

With regard to full consolidation, we offset the acquisition costs of the affiliated companies with the proportionate group equity on the date of the acquisition; the assets and liabilities of the acquired company were measured at their proportionate fair value. The resulting difference is carried as goodwill on the balance sheet under intangible assets.

Business relationships within the group of consolidated companies are being eliminated. Intra-group profits from transactions within the group are being eliminated.

(5) Cash and cash equivalents

Cash and cash equivalents are comprised of the cash reserve carried under other assets, receivables from banks with a remaining term of less than three months, and liabilities due to banks on demand minus the deposits that serve as collateral to cover default guarantees and to secure securities processing. Cash and cash equivalents are carried at their face value.

(6) Receivables from banks

Receivables from banks involve, in addition to overnight and

fixed-term deposits, receivables from dividends, interest, commissions, and brokerage as well as claims arising from refunds and from an exchange of shares.

Receivables from banks are shown at amortized cost (under loans and receivables) providing there is no permanent impairment. Interest income from these receivables is capitalized with the receivables.

(7) Trading assets

Trading assets include trading securities (under securities held for trading) and the changes in market value of open (long) positions. Trading assets are accounted for on trading date at their fair value.

For listed securities, the redemption prices of the Bundesverband Deutscher Banken were used for valuation purposes. The conditions for netting trading assets and liabilities were not present.

(8) Financial assets

This item exclusively includes available for sale financial instruments. When reported for the first time, financial assets are shown at cost. Items carried under financial assets include debt instruments, funds, and investments.

Thereafter, valuation of financial assets available for sale (AFS) is at fair value, provide that this can be reliably ascertained. Changes in the fair value of financial assets AFS are reported in the revaluation reserve under equity and affect the income statement only after a profit or loss has been realized.

Investments are carried at cost as no fair value can be reliably ascertained for them. They are written down in the event of permanent impairments.

The available for sale category is used when the holding period is longer than one year.

The fair value option is not being used.

(9) Intangible assets

Goodwill, software, and licenses are carried under intangible assets.

According to IAS 36, goodwill is no longer subject to scheduled amortization.

We have allocated the goodwill from the initial consolidation of the 60 % interest in MWB Baden GmbH to the Private Cli-

ents division as a cash-generating unit. At a segment level, we review goodwill for impairment at least once a year. In doing so, we compare the book value of the segment with the maximum amount that can be generated from the value in use and the fair value minus selling costs. When calculating the value in use, we have used an interest rate of 8.5 % for discounting purposes. We have not assumed any growth factor for perpetuities based on the 2007 financial statements. The selling costs are based on empirical figures.

Software and licenses are carried at their acquisition costs less scheduled amortization.

The acquisition costs of intangible assets are calculated in line with IAS 38.

The subsequent valuation is at amortized cost. We calculate scheduled amortization on a pro rata basis using the straight line method, as this reflects the consumption of the economic benefit of the asset. The amortization period for software and licenses is equivalent to the useful life, which may be shorter than its economic life. We periodically review the amortization method and the useful life for intangible assets and make modifications as necessary. Software and licenses are written down over a useful life of three years, as they have a limited useful life.

Assets are subject to non-scheduled amortization/depreciation as prescribed by IAS 36 in the event of permanent impairment. If the reasons for the non-scheduled amortization/depreciation no longer exist, the asset is written back to a maximum of the net acquisition costs.

No non-scheduled amortization was necessary in fiscal year 2007.

Amortization/depreciation is reported under general administrative expenses.

(10) Property, plant and equipment

Property, plant and equipment is carried at acquisition cost less scheduled depreciation.

The acquisition costs of property, plant and equipment are calculated in line with IAS 16. Subsequent acquisition costs arising in arrears for property, plant and equipment are capitalized insofar as these result in an additional economic benefit for the company.

The subsequent valuation is at amortized cost. We calculate scheduled depreciation using the straight line method, as this reflects the consumption of the economic benefit of the asset. The depreciation period for property, plant and equip-

ment is based on its economic life. In determining the economic life of an asset, the physical life, technical progress, and contractual and statutory restrictions are taken into account. We periodically review the depreciation method and the economic life for property, plant and equipment and make modifications as necessary.

Assets are subject to non-scheduled amortization/depreciation as prescribed by IAS 36 in the event of permanent impairment. If the reasons for the non-scheduled amortization/depreciation no longer exist, the asset is written back to a maximum of the net acquisition costs.

No non-scheduled depreciation was necessary in fiscal year 2007.

Amortization/depreciation is shown under general administrative expenses.

Property, plant and equipment

	Economic useful life
Office fittings	10, 13 years
Fittings in rented buildings	4, 5, 10 years
IT equipment (in the widest sense)	4, 6, 7, 8 years
Other equipment, operating and office equipment	4, 7, 8, 11 years

(11) Other assets

Other assets primarily include re-insurance claims in the amount of EUR 449 thousand. In order to secure the claims of those entitled to pensions and benefits from the pension commitments issued, the survivor's or death benefits from the re-insurance policy with SLPM Schweizer Leben PensionsManagement GmbH (SLPM) have been pledged to the entitled persons. The pledge (Pfandrecht) covers all of the company's claims arising from the re-insurance policies with SLPM including the claim to payment of the surrender value and the profit shares.

The existing re-insurance policies meet the requirements of IAS 19 as qualified insurance policies and are thus plan assets that must be offset against provisions. The value identified in this manner for the company pursuant to IAS 19.54 is negative and constitutes a defined benefit asset.

The claims arising from the re-insurance policy with the Nürnberger Lebensversicherung AG were not pledged in the fiscal year.

The actuarial valuation is based on the figures from the guideline tables for invalidity and mortality pursuant to the "Pension table 1998 and 2005" of Prof. Klaus Heubeck, an interest rate of 5.5 % (previous year: 4.5 %), and a pension dynamic (expected increase in retirement benefits) of 1.5 % (previous year: 1.5 %). The interest rate in the calculations is based on the long-term interest rate for top-quality fixed-income industrial bonds on the balance sheet date. As in the previous year, the presumed retirement age was 65 years. According to IAS 19, the so-called projected unit credit method is to be applied. The cash value of the acquired pension claims as per the assessment date that is calculated in this way takes into account unredeemed actuarial gains and losses that could result from a non-scheduled course of risk (deviations between the actual and anticipated invalidity and mortality rates) or changes to the calculation parameters (in particular interest rate, pension commitments, and pension dynamic).

The actuarial gains and losses are dealt with using the corridor method pursuant to IAS 19: this means that they have to be shown in the income statement in the following years if the gains and losses that have accrued by the balance sheet date exceed 10% of the maximum of the cash value of the accrued pension claims or the fair value attributable to the plan assets.

(12) Liabilities to banks

Liabilities to banks (categorized as other liabilities) comprise current accounts and liabilities from dividends, securities purchases, exchange-rate differences, processing fees, and commission. All liabilities are carried at amortized cost.

(13) Trading liabilities

Trading liabilities (categorized as held for trading) are reported as per the trading date. Trading liabilities depict changes in the market value of open items (short positions). All trading liabilities are carried as a liability at their fair value. The conditions for netting trading assets and liabilities were not present.

(14) Deferred taxes

The formation of deferred taxes is intended to disclose the tax expense based on the IFRS earnings on an accrual basis. Deferred taxes are calculated using the temporary concept, which compares the differences between the carrying amounts of assets and liabilities according to IFRS and the corresponding tax values (accounting-oriented approach). Differences between these carrying amounts lead to temporary differences in value if they balance each other out in subsequent fiscal years. Irrespective of the time of the balancing out, the tax differences resulting from the different carrying amounts are reflected in income and reported as deferred tax assets or liabilities.

Because the temporary concept is based on disclosing actual future tax claims or liabilities, calculations are based on the tax rates to be used in future on the date at which the difference is expected to be balanced out. The tax rates applicable commencing in 2008 are used to calculate deferred taxation.

Deferred tax assets are carried as a result of unused tax losses carried forward to the extent permitted by IAS 12. In total, there are losses carried forward from trade tax in the amount of EUR 14,224 thousand and in the amount of EUR 13,785 thousand from corporation tax.

The reported deferred tax assets relate essentially to the income tax receivable formed on the loss carried forward in the amount of EUR 1,258 thousand. Deferred tax liabilities mainly relate to temporary differences in the valuation of pension

provisions and trading assets.

Discounting the capitalized corporation tax asset results in tax income of EUR 45 thousand in the reporting year.

(15) Other liabilities

We also report accrued liabilities in accordance with IAS 37 under other liabilities. These include liabilities for which only minor uncertainty remains concerning the amount and date of the liability. These relate predominantly to liabilities from outstanding invoices. They also include current liabilities to employees from vacation entitlements. We have carried the deferred liabilities in the amount that is expected to be claimed.

(16) Currency translation

Currency is translated in line with the provisions of IAS 21. This means that monetary assets and liabilities not denominated in the respective functional currency (generally the respective national currency) and cash transactions not processed on the balance sheet date are, as a rule, translated to euros using market rates on the balance sheet date. Non-mone-

tary assets and liabilities that are measured at fair value are also translated to euros on the balance sheet date using market rates. Non-monetary assets and liabilities that are carried at acquisition cost are carried using the exchange rate used for their acquisition. Income and expenses that result from currency translation at the individual group companies are reflected in the corresponding items of the income statement.

Notes on the income statement

(17) Net interest income

	2007 EUR thousand	2006 EUR thousand
Interest income	740	537
From loans and money market transactions	685	499
From fixed-income securities and government debt	55	38
Interest expense	-8	-55
From loans and money market transactions	-8	-55
Total	732	482

Net interest income is derived exclusively from assets categorized as loans and receivables and available for sale.

(18) Net commission income

	2007 EUR thousand	2006 EUR thousand
Commission income	6,173	5,187
Commission income from brokering investments and conclusions	3,088	2,111
Commission income from capital market business	1,821	1,789
Commission income from “asset management”	788	622
Commission income from “designated sponsoring”	302	248
Commission income from “institutional sales”	167	410
Other	7	7
Commission expense	-1,917	-1,915
Commission expense from capital market business	-949	-1,012
Commission expense from brokering investments and conclusions	-589	-523
Commission expense from “asset management”	-195	-163
Commission expense from “designated sponsoring”	-111	-107
Commission expense from “institutional sales”	-11	-100
Guarantee commission	-7	-8
Other	-55	-2
Total	4,256	3,272

These include commission expenses arising from proprietary trading that are of minor significance.

(19) Trading profit

	2007 EUR thousand	2006 EUR thousand
Income from finance transactions ¹	17,016	15,254
From securities (including interest accrued)	707	438
From price differences in own-account transactions	16,309	14,816
Expenses from finance transactions	-9,564	-8,340
From securities (including interest accrued)	-256	-466
From price differences in own-account transactions	-9,308	-7,874
Total	7,452	6,914

¹ Includes dividend income in the amount of EUR 7 thousand (previous year: EUR 10 thousand).

According to IAS 32, profits realized from trading in own shares are not carried in the income statement. The corresponding results are taken into account as a separate equity item.

Trading profits also include net interest from positions held for trading.

(20) Administrative expenses

	2007 EUR thousand	2006 EUR thousand
Personnel expenses	-3,095	-2,890
Wages and salaries	-2,727	-2,508
Social security contributions	-296	-291
Pension costs	-72	-91
Other administrative expenses	-6,673	-5,689
Thereof depreciation and amortization		
For intangible assets	-48	-77
For operating and office equipment	-184	-156
Total	-9,768	-8,579

(21) Balance of other income/expenses from ordinary activities

Other income from ordinary activities is mainly comprised of income from oncharging in the amount of EUR 66 thousand (previous year: EUR 47 thousand) and income from claims for refunds in the amount of EUR 36 thousand (previous year: EUR 8 thousand). Other expenses arising from ordinary activities is mainly comprised of the special levy payable to the

EdW (a German compensation organization for securities companies) in the amount of EUR 46 thousand (previous year: EUR 0 thousand) and losses on receivables in the amount of EUR 29 thousand (previous year: EUR 15 thousand) in the loans and receivables category.

(22) Income taxes on the result from ordinary activities

	2007 EUR thousand	2006 EUR thousand
Actual taxes	-251	725
Deferred taxes	-10	26
Total	-261	751

The actual tax expense is calculated on the basis of the tax results during the fiscal year. Taking corporation tax, the solidarity surcharge, and trade tax into account, the total tax burden for fiscal year 2007 amounts to 38.65 % (previous year: 38.65 %).

The deferred tax expense in the amount of EUR 10 thousand (previous year: EUR -26 thousand) is the result of the change in deferred tax assets and liabilities based on temporary valuation differences. This total amount includes deferred tax income in the amount of EUR 38 thousand arising from the change in the tax rate to 27.13 % pursuant to the corporation tax reform in 2008.

The following table shows the relationship between the income taxes derived from earnings before tax and the income taxes reported in the income statement for fiscal year 2007 (reconciliation statement). The income taxes were derived from the total domestic tax burden from corporation tax, trade tax, and solidarity surcharge totalling 38.65 % and earnings before tax in the amount of EUR 3,221 thousand. Owing to a change in the methodology, the reconciliation steps for the previous year were adjusted accordingly.

	2007 EUR thousand	2006 EUR thousand
Anticipated taxation	-1,246	-826
Change in tax rate	38	0
Other off balance-sheet differences	116	-6
Divergent tax rates	64	44
Tax from previous year (from income statement)	24	-108
Corporation tax credit - previous years	45	1,040
Value adjustment to deferred taxes	698	607
Disclosed income taxes	-261	751

The formation of deferred taxes on unused tax losses carried forward results in deferred tax income in the amount of EUR 698 thousand.

(23) Net Profit

The net profit totalling EUR 2,960 thousand is being corrected for minority interests in the net profit (EUR 42 thousand). Taking into account the profit carried forward from the pre-

vious year (EUR 1,412 thousand) and its addition to revenue reserves (EUR 2,002 thousand), consolidated profits totaled EUR 2,328 thousand.

(24) Key figures for earnings per share

To calculate the undiluted earnings per share, the net profit for the year after tax is divided by the average number of ordinary shares in circulation during the period. Treasury shares held are deducted from the average number of shares in

circulation to the exact day.

The following table shows the key indicators and the calculation components on which they are based:

	2007	2006
Net income for the year in EUR thousand	2,918	2,859
Average number of shares in circulation	4,928,793	4,981,434
Diluted earnings per share (with amortization of goodwill) in EUR	0.59	0.57
Undiluted earnings per share (with amortization of goodwill) in EUR	0.59	0.57

Notes to the balance sheet

(25) Receivables from banks

	2007 EUR thousand	2006 EUR thousand
Demand receivables		
from German banks	8,820	10,446
Other receivables		
From German banks	799	4,058
From foreign banks	0	4
Receivables from banks	9,619	14,508

(26) Trading assets

	2007 EUR thousand	2006 EUR thousand
Debt securities	3,197	925
Of which: public-sector issuers	1,093	341
Thereof: securities eligible as collateral with Deutsche Bundesbank	1,093	341
Of which: other issuers	2,104	584
Thereof: securities eligible as collateral with Deutsche Bundesbank	1,893	484
Equities and other variable income securities	1,572	536
Equities	1,572	302
Other	0	234
Of which: securities negotiable on the stock exchange	0	302
Thereof: listed securities	0	302
Total	4,769	1,461

Shares and other variable interest securities include receivables from open transactions in the amount of EUR 14 thousand (previous year: EUR 11 thousand).

(27) Financial assets

	2007 EUR thousand	2006 EUR thousand
Fixed-income securities		
Debt securities	1,683	1,509
Non-fixed income securities		
Equities	2,436	2,436
Funds	99	0
Of which: securities negotiable on the stock exchange	4,218	3,945
Thereof listed securities	1,782	1,509
Total	4,218	3,945

Fixed-income securities are mainly comprised of a government bond maturing in 2008 with a nominal volume of EUR 1,500 thousand and an interest rate of 3.0 %.

The shares include, unchanged on the previous year, an interest in a non-listed company (XCOM AG, Willich) in the amount of 12.4 %. A dividend was received in the amount of EUR 479 thousand during the fiscal year. The interest in XCOM AG is valued at cost, a fair value being undeterminable due to the

lack of a listing. The sale of debt instruments in the amount of EUR 32,067.48 generated sales proceeds of EUR 22.63.

The following table shows the changes in the financial assets:

	Financial assets EUR thousand	
Acquisition/historical cost		
As of January 1, 2007		12,010
Additions		294
Disposals		-32
As of December 31, 2007		12,272
Revaluation surplus	After taxes	Before taxes
As of January 1, 2007	-10	-17
Veränderung	6	11
As of December 31, 2007	-4	-6
Depreciation and amortization		
As of January 1, 2007		-8,048
As of December 31, 2007		-8,048
Carrying amounts		
As of December 31, 2006		3,945
As of December 31, 2007		4,218

(28) Intangible assets

	Goodwill EUR thousand	Software and licenses EUR thousand
Acquisition/historical cost		
As of January 1, 2007	49	448
Additions		98
Disposals	0	0
As of December 31, 2007	49	546
Depreciation and amortization		
As of January 1, 2007	0	-342
Current amortization/depreciation	0	-48
Disposals	0	0
As of December 31, 2007	0	-390
Carrying amounts		
As of December 31, 2006	49	106
As of December 31, 2007	49	156

Amortization of intangible assets is disclosed under other administrative expenses.

(29) Property, plant and equipment

	Office furniture and equipment EUR thousand
Acquisition/historical cost	
As of January 1, 2007	1,292
Additions	192
Disposals	-4
As of December 31, 2007	1,480
Depreciation and amortization	
As of January 1, 2007	-903
Current amortization/depreciation	-176
Disposals	4
As of December 31, 2007	-1,075
Carrying amounts	
As of December 31, 2006	389
As of December 31, 2007	405

No non-scheduled depreciation was necessary in fiscal year 2007.

Depreciation of property, plant and equipment is disclosed under other administrative expenses.

(30) Income tax receivables

	2007 EUR thousand	2006 EUR thousand
Deferred tax assets	1,258	1,287
Corporation tax credit	1,165	1,120
Total	2,423	2,407

(31) Other assets

	2007 EUR thousand	2006 EUR thousand
Other assets		
Claims from re-insurance	449	340
Other assets	202	150
Loans and advances to non-bank clients	183	133
Tax overpayments	65	0
Commission receivables	10	10
Total	909	633

Other assets essentially include prepaid expenses, claims for refunds, deposits and receivables from staff.

Loans and advances to non-bank clients arise mainly from services provided under designated sponsoring mandates.

Capitalized value from the inclusion of plan assets in provisions for pensions

The mwb group has issued direct pension commitments to the founding members of mwb Wertpapierhandelsbank AG. The pension plans are performance-oriented and independent of salary payments.

The company recognized the adjustment to the net cash value of the liability in income in the provision for pensions. The mwb group has also concluded qualified insurance policies as defined by IAS 19. The qualified insurance policies in the amount of EUR 1,359 thousand are plan assets in accordance with IAS 19. Pension obligations must be offset against the plan assets. The value identified in this manner

for the company according to IAS 19.54 is negative and constitutes a defined benefit asset.

In addition, the mwb group is carrying – as other assets – re-insurance policies in the amount of EUR 94 thousand that do not comply with the criteria for plan assets.

The amount of the pension obligation (cash value of the accrued claims for benefits) was calculated in accordance with actuarial methods for which estimates are unavoidable. Besides assumptions regarding life expectancy, the following premises also play a role:

Actuarial assumptions	12/31/2007 %	12/31/2006 %
Discount factor	5.5	4.5
Expected return on plan assets	4.2	4.2
Rate of increase in pensions	1.5	1.5

After taking plan assets into account, the financing status is as follows:

	12/31/2007 EUR thousand	12/31/2006 EUR thousand
Defined benefit obligation	1,382	1,585
Non-recorded actuarial gains/losses	-378	-652
Fair value attributable to pension plan assets	-1,359	-1,187
Net amount of the liability item in the balance sheet	-355	-254

The changes in the cash value of the performance-related obligation to pay benefits in the reporting and the previous year are set out in detail in the following table:

Changes in pension obligations

	12/31/2007 EUR thousand	12/31/2006 EUR thousand
Pension obligations as at January 1	1,584	1,418
Current service cost	16	14
Interest expense	70	56
Actuarial gains and losses	-236	148
Benefit payments	52	52
Pension obligations as at December 31	1,382	1,584

The table below elucidates the changes in plan assets in the reporting and the previous year:

	12/31/2007 EUR thousand	12/31/2006 EUR thousand
As at January 1	1,187	0
Addition to plan assets	118	1,143
Expected return on plan assets	50	0
Actuarial gains and losses	4	44
Benefit payments	0	0
As at December 31	1,359	1,187

The following table shows the actual returns on plan assets:

	12/31/2007 EUR thousand	12/31/2006 EUR thousand
Actual returns on plan assets	54	44

Expenses for pensions and other benefits are composed as follows:

	12/31/2007 EUR thousand	12/31/2006 EUR thousand
Current service cost	16	14
Interest expense	70	56
Expected returns on plan assets	50	0
Actuarial gains and losses	33	27
As at December 31	69	97

The expected employer contributions to plan assets in the forthcoming reporting period are:

	12/31/2007 EUR thousand
Expected employer contributions in 2008	117

(32) Liabilities to banks

	2007 EUR thousand	2006 EUR thousand
Liabilities to German banks	2,525	2,704

This item essentially includes liabilities from securities transactions in the amount of EUR 2,330 thousand. There were no liabilities to foreign parties on the balance sheet date.

(33) Trading liabilities

Trading liabilities are comprised of the positions still open from own-account transactions on the settlement date totalling EUR 23 thousand (previous year: EUR 21 thousand).

(34) Other liabilities

	2007 EUR thousand	2006 EUR thousand
Deferred liabilities	993	935
Other liabilities	1,369	981
Total	2,362	1,916

Current liabilities from outstanding invoices, towards employees, and from vacation entitlements are also carried under deferred liabilities.

The remaining liabilities are comprised essentially of trade payables, bonus claims, liabilities for employee income tax and for operating taxes, and a client's claim for a refund.

(35) Deferred tax liabilities

Deferred tax liabilities in the amount of EUR 96 thousand mainly result from the differing valuations according to HGB and IFRS accounting for trading assets and pension obligations.

(36) Equity

The subscribed capital and authorized capital has changed as follows:

	2007 EUR thousand	2006 EUR thousand
Subscribed capital		
Balance as at January 1	4,983	4,983
Balance as at December 31	4,983	4,983
Authorized capital		
Balance as at January 1	2,491	2,491
Balance as at December 31	2,491	2,491

As of December 31, 2007, the subscribed capital totaling EUR 4,983 thousand was comprised of 4,982,700 no-par value shares with a theoretical nominal value of EUR 1.00. All shares are bearer shares. The stock of treasury shares (Note [37]) is disclosed on the balance sheet as a deduction from equity. The general shareholders' meeting has authorized the Managing Board of mwb Wertpapierhandelsbank AG to increase the company's share capital, with the approval of the Super-

visory Board, by issuing new shares against cash or non-cash contributions on one or more occasions (authorized capital) within a period of five years after the registration of the resolution dated July 7, 2003 in the amount of EUR 2,491,000.00. The Managing Board is entitled, with the approval of the Supervisory Board, to exclude shareholder's statutory subscription rights in accordance with statutory provisions. This applies in particular if the capital increase from authorized

capital is to be used to acquire companies or interests in other companies.

The Managing Board has not, to date, made use of the authorized capital.

During the fiscal year, 60 % of mwb's shares were in free float (previous year: 59 %). The free float includes the shareholdings of the three founding members of mwb AG each of whom directly holds between 5 % and 10 % of mwb AG's shares.

(37) Own shares

On the balance sheet date, the company held a stock of 459,716 treasury shares with a theoretical nominal value of EUR 2,488 thousand (9.23 % of the share capital). In total, 513,551 treasury shares were purchased and 72,635 sold in 2007. The average purchase price was EUR 5.42 and the average selling price EUR 5.50. The stock of treasury shares is reported on the balance sheet as a deduction from equity. In line with IAS 32, no income or expense from dealing in own shares is shown in the income statement of the IFRS consolidated financial statements. Earnings from trading in own shares and their valuation totalling EUR 21 thousand is carried directly under equity.

The position of own shares is deducted from equity at book value.

mwb Wertpapierhandelsbank AG was authorized by the general shareholders' meeting on July 26, 2007 to acquire own shares no later than January 25, 2009 to enable shares of the company to be offered to third parties in conjunction with the merger with other companies or as part of the acquisition of companies or interests them; or to recall shares, or to use these for securities trading.

This authorization is limited to the acquisition of treasury shares with a total interest of up to 10 % of the share capital, or up to 5 % for the purposes of securities trading.

The company made use of its authorization to acquire own shares for securities trading and for other purposes.

The limit on the number of shares stipulated by the general shareholders' meeting has been upheld.

Reporting for financial instruments

(38) Fair value of financial instruments

The stated fair values of financial instruments within the meaning of IAS 32 correspond to the amounts at which, as per the balance sheet date, an asset could be exchanged or a liability settled between knowledgeable, willing contracting parties in an arm's length transaction.

Fair values are calculated on the balance sheet date based on the market information available.

Market prices are used for securities traded on the stock exchange.

The investment in a non-listed company is a financial asset that does not have a market price listed on an active market, so that a fair value cannot be determined. This is valued at cost.

There were no deviations between the book value and fair value for the receivables from banks, other receivables from and liabilities to banks as all items are short-term only.

There were no differences between the book value and fair value from the valuation of the financial assets, trading assets and trading liabilities as at December 31, 2007.

Neither hedge accounting (pursuant to IAS 39) nor the fair-value-option or held-to-maturity valuation categories are being utilized.

Notes to the cash flow statement

(39) Notes on the individual items of the cash flow statement

In addition to the balance sheet, income statement, statement of changes in shareholders' equity, and the notes, the cash flow statement is a compulsory element of IFRS financial statements and is sub-divided into three areas: cash flow from operating activities, cash flow from investing activities,

and cash flow from financing activities. The cash flow statement is prepared in line with IAS 7.

Cash and cash equivalents is comprised of the cash reserve (part of the balance sheet item “other assets”), current receivables from banks, and current liabilities. The net change

from the sale and purchase of own shares included under “Net cash provided by financing activities” was calculated based on the actual purchase prices paid and sale prices attained during the fiscal year.

Reconciliation of cash and cash equivalents to the balance sheet items:

	2007 EUR thousand	2006 EUR thousand
Cash reserve	2	2
Receivables from banks	9,619	14,508
Liabilities to banks	-2,525	-2,704
Deposits for securities processing	-4,000	-3,750
Cash and cash equivalents – end of period	3,096	8,056

The amounts deposited as collateral for default guarantees and for securities settlement totalling EUR 4,000 thousand

(Note [43]) are not considered to be liquid funds when calculating cash and cash equivalents.

Notes on segment reporting

(40) Segment reporting

The group’s segment reporting is in line with IAS 14. The segmentation is intended to reflect the group’s internal organizational and reporting structure, because it is this structuring that depicts the various opportunities and risks associated with the operational segments. Segments with homogeneous opportunities and risks may be combined. The segments act as independent companies with their own responsibility for results. Accordingly, the “Securities Trading” and “Institutional Clients” segments stem from the legal entity mwb Wertpapierhandelsbank AG, Graefelfing, and the “Private Clients” segment stems from the legal entity MWB Baden GmbH, Of-

fenburg. Securities Trading is comprised of order-book management for equities, bonds and open-ended investment funds; Institutional Clients is comprised of sales and order execution, designated sponsoring, and capital markets business/IPOs; and Private Clients covers private asset management. Internally, the divisions do not receive any services from the other. Segment results are identified based on the internal profit centre calculation. Balances are allocated based on the segment’s risk capital. The information provided by the external accounting that is published in the per-division segment reporting is the same as that internally reported to the group management. Based on our organizational structure, we have not undertaken any geographical segmentation as most of our turnover is generated in Germany.

	Securities Trading EUR thousand	Institutional Clients EUR thousand	Private Clients EUR thousand	Other/ Consolidation EUR thousand	Group EUR thousand
Net commission income ¹	0	0	46	686	732
Commission result	2,169	1,492	594	1	4,256
Net trading income	6,930	53	0	469	7,452
Net profit from financial assets	0	0	0	479	479
Personnel expenses	2,231	500	256	108	3,095
Other administrative expenses	5,470	980	175	48	6,673
Of which: Scheduled amortization of intangible assets and depreciation of property, plant and equipment	159	45	21	0	225
Net other income/expenses	0	0	-13	83	70
Earnings from ordinary activities by segment	1,398	65	196	1,562	3,221
Impairment recognized in equity	0	0	0	4	4
Net assets	17,125	4,857	1,476	-910	22,548
Investments in property, plant and equipment and intangible assets in the period under review	217	61	12	0	290
Liabilities	3,773	1,070	164	-1	5,006
Risk items	5,331	1,512	0	0	6,843
Allocated capital	13,352	3,787	1,313	-910	17,542
Expense/income ratio	84.64	95.79	67.34	0	75.61

¹ Net interest income is not allocated to a specific segment in the profit centre calculation.

Other information

(41) Pending litigation

The following legal actions that are of importance for the group are pending:

mwb AG concluded a notarized agreement for the sale and assignment of its 100 % interest in the MWB Wertpapierhandelsbank GmbH (share capital: EUR 102,258) with a private individual on June 29, 2004 for a price of EUR 980,000. The effectiveness of the assignment of the sold interest was subject to a condition precedent, this being the purchaser's payment in full of the purchase price. On January 19, 2005, mwb AG obtained a default judgment against the purchaser ordering him to pay the purchase price plus interest on arrears to

mwb AG. On January 18, 2006, a settlement was entered into in which it was agreed that the purchase agreement be set aside and liquidated damages for non-fulfilment be paid in the amount of EUR 40,000.00. This amount has not been paid to date.

In January 2007, mwb AG appealed to the administrative court in Frankfurt am Main to set aside the decision of the [German] Federal Financial Supervisory Authority (BaFin) of December 22, 2006 with respect to the final assessment of the reimbursement of BaFin costs for the year 1999. The amount in dispute is EUR 147,606.35.

In December 2007, mwb AG filed an action at the Regional Court in Munich against a client for payment of an outstanding placement commission in the amount of EUR 44,000.00.

(42) Contingent liabilities and other commitments

On 15 March 2005, BaFin ruled that a so-called “compensation case” existed in respect of the insolvent securities trading bank, Phoenix Kapitaldienst GmbH. The result of this is that the EDW (a compensation organization for securities companies) must compensate the investors. The problem, however, is that the EDW, of which the mwb Wertpapierhandelsbank AG is a compulsory member, only has funds available to it in the single-digit million range to compensate claims estimated between EUR 180 and 200 million in total. According to the [German] Investment Security and Investor Compensation Act (EAG), the EDW is entitled – in compensation cases – to collect “extraordinary contributions” from its

members with no restrictions as to the maximum amount. As it stands, however, it is completely uncertain whether the EDW actually has a claim at all against mwb AG. There are serious doubts as to the constitutionality of the EDW, its compliance with European law, and the legality of the “extraordinary contributions”.

In addition, there is no concrete information available at present on the actual volume of the compensation.

As a result of the information available to it, mwb AG has come to the conclusion that, in the Phoenix compensation case, the conditions for the formation of a provision according to IAS 37.14 are not given in respect of the EDW.

The annual payment commitments from rental contracts and other service contracts are of the amounts and maturities shown in the following table:

	12/31/2007 EUR thousand	12/31/2006 EUR thousand
Rental agreement		
Due 2007		237
Due 2008	204	57
Due 2009	51	8
Due 2010	14	
	12/13/2007 TUSD	12/13/2006 TUSD
Securities information services		
Due 2007		55
Due 2008	58	52
Due 2009	5	3
Due 2010	0	

(43) Assets assigned as collateral

A portion of the receivables from banks represents a deposit given as collateral for default guarantees totalling EUR 3,250 thousand, which were issued to all stock exchanges on which mwb Wertpapierhandelsbank AG acts as an order-book manager. If the mwb group provides other collateral for processing in the amount EUR 750 thousand, it can avail itself of this deposit at any time.

(44) Employees

The following table shows the group's average number of employees – without Managing Board members – during the fiscal year:

	2007	2006
Graefelfing	16	15
Berlin	8	9
Frankfurt	5	4
Offenburg	3	3
	32	31

(45) Related-party disclosures

The wholly-owned subsidiary MWB Wertpapierhandelsbank GmbH, Graefelfing and MWB Baden GmbH, Offenburg, in which a 60 % interest is held, and mwb Wertpapierhandelsbank AG's executive bodies are to be regarded as related parties.

There is no exchange of services between the subsidiaries or between the subsidiaries and the parent company. No profit and loss transfer agreements exist either.

A fee totalling EUR 47 thousand was paid to the firm Mayrhofer & Partner in Munich for consulting services rendered; Mr. Mayrhofer, the Deputy Chairman of mwb AG's Supervisory Board, is a partner of this firm.

For more information on the members of the company's executive bodies, we refer to Notes [46] and [47].

For information on mwb Wertpapierhandelsbank AG's shareholder structure, we refer to Note [48].

(46) Remuneration of the members of the Managing and Supervisory Boards

According to Section 87 of the [German] Stock Corporation Act (AktG), the Supervisory Board is responsible for determining the remuneration of the members of the Managing Board. Service (employment) contracts have been concluded with the members of the Managing Board. These include a

basic salary and variable remuneration in the form of a performance-related annual bonus. The bonus is based on the result from ordinary activities before the inclusion of management-board bonuses. In the event of a negative result from ordinary activities, no bonus is paid.

The members of the Managing Board received remuneration totalling EUR 601 thousand in fiscal year 2007:

Members of the Managing Board	Fixed remuneration in EUR thousand	Variable remuneration in EUR thousand
Thomas Posovatz	129	176
Herbert Schuster	120	176
	249	352

The variable remuneration in the amount of EUR 352 thousand is carried in the 2007 annual financial statements as a provision and will be paid in 2008. Thomas Posovatz also has claims from the pension plan in the amount of EUR 183 thousand.

In addition to the aforementioned allowances to the members of the Managing Board, one former member of the Managing

Board was paid a total of EUR 52 thousand in 2007 of which a total of EUR 31 thousand was covered by insurance reimbursements. Former Managing Board members also have claims from the pension plan in the amount of EUR 1,199 thousand. The remuneration of the Supervisory Board was revised by way of an amendment to the articles of association at the general shareholders' meeting on June 25, 2003. Each member

of the Supervisory Board receives fixed remuneration totalling EUR 10 thousand for each full year of their membership in the Supervisory Board in addition to reimbursement of their expenses; the remuneration is payable upon the expiry of the fiscal year. Commencing January 1, 2003, each member of the Supervisory Board also receives for each full fiscal year of their membership in the Supervisory Board variable remuneration in the amount of 0.3 % of the positive consolidated result from ordinary activities. The company grants to the members of the Supervisory Board appropriate insurance protection. In particular, the company has undertaken to conclude liability insurance policies, so-called directors and officers insurance, for the benefit of the members of the Supervisory Board that adequately covers the statutory (third party)

liability inherent in the duties performed by the Supervisory Board member.

The Chairman of the Supervisory Board receives twice the amount, the Deputy Chairman one and a half times the amount of the fixed and of the variable remuneration. The combined total of fixed and variable remuneration is limited to EUR 15 thousand per year for ordinary members of the Supervisory Board, to EUR 22.5 thousand per year for the Deputy Chairman, and to EUR 30 thousand per year for the Chairman of the Supervisory Board. The statutory German VAT must be added to all amounts.

The Supervisory Board's remuneration totalling EUR 81 thousand (including German turnover tax (USt) for fiscal year 2007 is broken down as follows:

Members of the Supervisory Board	Fixed remuneration in EUR thousand	Variable remuneration in EUR thousand
Dr. Ottheinz Jung-Senssfelder	24	12
Thomas Mayrhofer	18	9
Michael Wilhelm	12	6
	54	27

The variable remuneration is carried as a provision in the 2007 financial statements.

(47) Members of the Managing and Supervisory Boards

The following persons were appointed to the Managing Board in the reporting year:

Mr. Thomas Posovatz, Munich, Stock Market Broker,
Chairman

Mr. Herbert Schuster, Gauting, Stock Market Broker

Mr. Posovatz is a member of the supervisory board of the Bayerische Börse AG in Munich and since June 2007 a member of the supervisory board of XCOM AG, Willich, as well.

Mr. Schuster is a member of the supervisory board of Möbel Grennrich AG, Graefelfing, and was a member of the Supervisory board of the Konsortium AG, Augsburg, until July 2007. The following persons are members of the company's Supervisory Board:

Dr. Ottheinz Jung-Senssfelder, German Lawyer, Chairman

Mr. Thomas Mayrhofer, German Lawyer, Deputy Chairman

Mr. Michael Wilhelm, German Auditor/Tax Adviser

In addition to his position on mwb Wertpapierhandelsbank AG's Supervisory Board, Dr. Jung-Senssfelder also held office at the following companies in 2007:

- Hypoport AG, Berlin (Chairman)
- IC Immobilien Holding AG, Munich (Deputy Chairman)
- BRANDAD Systems AG, Fürth (Chairman since October 2007)

Mr. Mayrhofer, in addition to his position on mwb Wertpapierhandelsbank AG's Supervisory Board, held offices on the supervisory boards of the following companies in 2007:

- BrainLAB AG, Kirchheim-Heimstetten (Deputy Chairman)
- Primus AG, Munich (Chairman),
- PTV Planung Transport Verkehr AG, Karlsruhe (until May 2007)
- TV Loonland AG, Unterföhring (until June 2007)
- Better Orange IR & HV AG, Munich (since September 2007)
- Geothermeon AG, Bad Bergzabern (Chairman since October 2007)

(48) Shareholdings in mwb AG held by members of the Managing and Supervisory Boards

Mr. Posovatz holds a direct 9.53 % interest in mwb Wertpapierhandelsbank AG and an additional indirect 7.44 % inte-

rest via the FMNP Beteiligungs GmbH.

Mr. Schuster does not hold any shares in mwb Wertpapierhandelsbank AG.

The members of the Supervisory Board do not hold any shares in mwb Wertpapierhandelsbank AG.

(49) Group Auditor's fee

In fiscal year 2007, expenditures for auditing the financial statements were recorded in the amount of EUR 107 thousand and EUR 1 thousand for issuing an opinion.

Graefelfing, March 10, 2008

Statement by the Legal Representatives

"To the best of our knowledge, and in accordance with the applicable reporting principles the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group."

Graefelfing, April 28, 2008

Thomas Posovatz

Herbert Schuster

Auditor's report

We have audited the consolidated financial statements prepared by the mwb Wertpapierhandelsbank AG, Graefelfing, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch „German Commercial Code“] (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. We conducted our audit of the consolidated financial statements in accordance with § [Article] 317 HGB [Handelsgesetzbuch „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of 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 those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe

that our audit provides a reasonable 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 IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (and supplementary provisions of the shareholder agreement/articles of incorporation) 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 and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, April 8, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Schobel
Wirtschaftsprüfer

Öttl
Wirtschaftsprüfer



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