

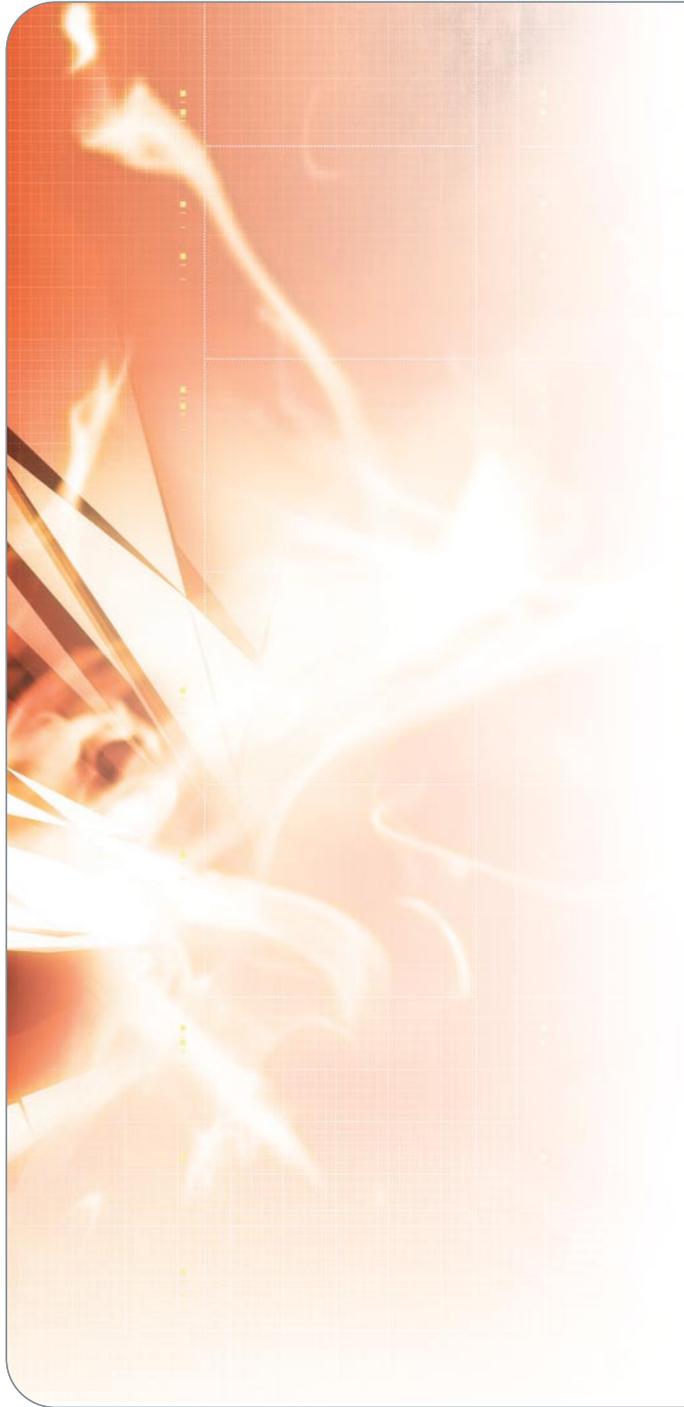


**Annual Report
2006**

Pure energy

Every form of life requires energy. And companies – just like living organisms – also need ever-renewable sources of energy to grow. Such energy sources provide sustenance for endurance and determination, and for forming sufficient reserves for difficult periods. Sustainable companies invest their energy where the returns are greatest, and they regenerate themselves as resiliently as the environment allows. But at the same time they are cost-conscious, which means they utilize their resources economically and avoid wasting energy.

mwb AG has proven, even in less than friendly stock market years, that it knows how to budget its strength. The turnaround was made possible through efficiency and dedication, and the foundation was laid for further growth. Driving this up and coming success is our employees: their commitment creating the momentum and their expertise powering the market. This has enabled us in just three short years to become one of the leading financial specialists for renewable energies – an electrifying unification of needs and reality.



At a Glance

mwb Group	2006	2005	+/- in %
Commission result	TEUR 3.272	TEUR 2.573	+27
Trading result	TEUR 6.914	TEUR 5.422	+28
Personnel expenses	TEUR 2.890	TEUR 2.155	+34
Administrative expenses	TEUR 5.689	TEUR 5.278	+8
Profit from ordinary activities	TEUR 2.138	TEUR 1.017	+110
Net profit	TEUR 2.889	TEUR 982	+194
Balance sheet total	TEUR 23.498	TEUR 19.745	+19
Equity	TEUR 18.753	TEUR 16.856	+11
Earnings per share	€ 0,68	€ 0,48	+42
Number of employees	32	28	+14

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

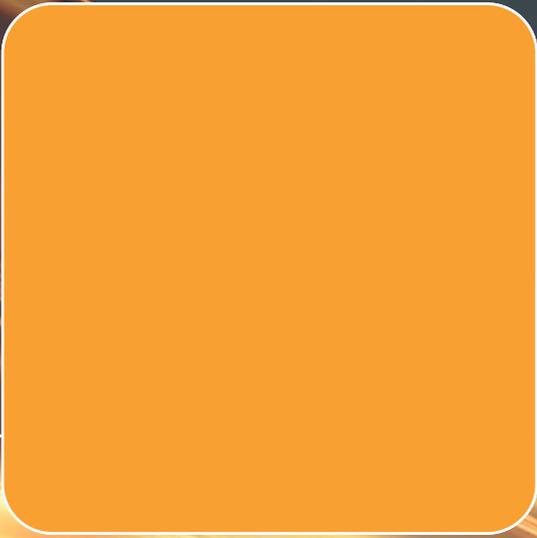
Member of the Bundesverband der Wertpapierfirmen

an den deutschen Börsen e.V.

(Federal Association of Securities Firms at German Stock Exchanges)



**Annual Report
2006**



Energy is a state quantity.

In a physical sense, it cannot be generated.

Energy simply exists as soon as a force is exerted.

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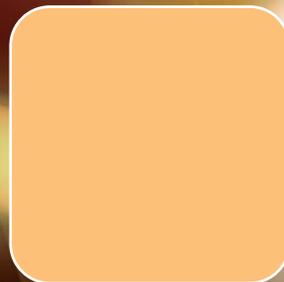
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Energy can neither be created
nor destroyed.

In a closed system, the entire amount is always constant.

**Letter to the
shareholders**



Letter to the shareholders

Dear Shareholders,

With seemingly boundless energy, mwb Wertpapierhandelsbank's success stayed right on track in 2006. The best business results since five years and net income up nearly three-fold provide convincing evidence of mwb AG's unbroken vitality. We were able to take advantage of nearly ideal market conditions: Germany experienced the fourth successive positive year on the stock market, the DAX once again gaining more than 20 percent. This was coupled by surprisingly strong economic data and growth of around two percent. For the first time the upswing was not only export-driven but was also propelled by private consumption. An increased readiness to make investments, particularly in the construction sector, and a strengthening of the competitiveness of German companies also helped to improve the mood. This positive energy, at least in part, also flowed over to the stock markets. An above-average first quarter was followed by the expected /correction from May to July before the stock markets recovered once again after the summer recess. The year-end rally was driven primarily by the institutional investors, while private investors waited far too long after profit-taking and price slumps in May to resume trading. The mistrust after bitter experiences in previous years seems unrelenting even in light of such promising horizons. This is also evidenced by the decrease in absolute figures of the number of private investors: a fall from 10.8 to 10.3 million – a disconcerting signal for the shareholder culture in our country. Unfortunately it also restricts the performance of mwb's shares. The share price is nowhere near the level that our business growth would cause us to expect. After a four-year high of € 8.80, it closed on December 31, 2006 at € 4.71. Investors' behaviour clearly mirrored the overall market: after a period of profit-taking, investors missed the right time to re-enter at moderate conditions. But despite reserved share price performance, mwb's closing price in 2006 was still up around 40 percent year-on-year – which is grounds for optimism for future performance.

Earnings from ordinary activities doubled

Higher stock market turnover did not fail to impact mwb's business. Commission income, for example, rose from EUR 2,427 thousand in 2005 to EUR 2,589 thousand, and trading profits were up from EUR 5,422 thousand to EUR 7,425 thousand. In particular, trading in foreign stocks increased stronger than expected in the first and second quarters of 2006 – which was particularly welcomed by us as a specialist for foreign stocks. In the result, earnings from ordinary activities totaled EUR 2,138 thousand – a 110 % increase compared to the previous year. Responsible for this above-average growth is the optimum cost/income ratio, which improved yet again in 2006. Even though there was a higher volume of transactions, general administrative expenses, i.e. the total of personnel and administrative expenses, only rose moderately in proportion to this by 15 %. They increased by a mere EUR 1,424 thousand to EUR 8,696 thousand. This is just one of the many indicators that shows that the turnaround has not caused us to lose our heads and that we still insist on strict cost discipline.

Shareholders participate in success

All of mwb AG's key performance indicators in the reporting period were up significantly compared to the previous year. The biggest jump was achieved in net income, which recorded a near three-fold increase. As of December 31, 2006, net income totaled EUR 2,890 thousand compared to EUR 983 thousand at the end of 2005. One of the main reasons for this enormous 194 % growth was the mandatory capitalization of a corporation tax credit. But even without this extraordinary factor, net income would have enjoyed at least double-digit growth. This means we can once again pay a fair dividend to our shareholders for 2006. This second dividend payment in a row is an expression of mwb's regained strength and underscores our consistent orientation to our shareholders' interests. The safeguarding of these interests not only includes participation in our company's success but also extends to the preservation of our corporate substance.

The amount of the dividend is therefore calculated in a way that does not endanger liquidity and equity. With an equity ratio of 77 %, or EUR 18,753 thousand in absolute figures, mwb holds far higher resources than many of its competitors – the trust our shareholders place in us is certainly justified.

Employees drive our success

A healthy stock market environment is an important factor, but just how this is put to use is equally important. Without the sheer inexhaustible energy of our employee this year would not have been nearly as successful as it was. With extraordinary commitment and expertise they contributed to our continued growth in all of our divisions.

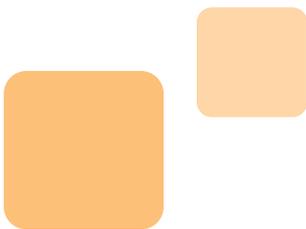
The introduction of a performance-related – and thus fairer – remuneration system has clearly played a part in this remarkable performance. It fosters powerful performance on the one side while preserving financial resources on the other – a clear improvement for all concerned. We would like to express our deep appreciation to all of our employees for their commitment in 2006, and we very much look for-

ward to our continued common success. But when talking about our team, we cannot forget mwb's Supervisory Board: we would like to thank the three members, Dr. Ottheinz Jung-Senssfelder, Thomas Mayrhofer, and Michael Wilhelm, for their competent support and inspiring exchanges on corporate policy and strategy. The Supervisory Board at mwb is not just a committee but is an active contributor to the company's development. The combined energy of all participants is what stimulates mwb's continuing growth: our employees, customers, partners, and shareholders are the sources of our corporate success.

Yours sincerely,



Thomas Posovatz
Spokesman for the Managing Board



“We are following in the tradition of all those courageous inventors whose ideas have changed the world. As a forerunner, it takes courage to invest one's entire energy in a vision that is so obvious: The sun as the energy source of the future”

Thomas Krupke, CEO SOLON AG



Management Board



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



Report of the
Supervisory Board

*If a force succeeds in setting a body in motion,
than that body possesses
kinetic energy*

Report of the Supervisory Board

Dear Shareholders,

In fiscal year 2006, the Supervisory Board performed all of its tasks required by law and the company's articles of association. It carefully and regularly monitored the company's management. The Managing Board reported to the Supervisory Board on corporate planning, business developments, and key transactions of the company on a regular basis both in writing and orally. Decisions of fundamental importance were discussed with the Supervisory Board and presented to it for approval.

Four Supervisory Board meetings were held in 2006, on February 21, April 27, July 12, and on November 7. These meetings were attended by all members of the Supervisory and Managing Boards. Two resolutions were passed by written circulation of the voting papers on January 30/31, 2006 and on December 12, 2006. The Managing and Supervisory Boards are aware that good corporate governance in the interests of the shareholders and the capital market is vital to the company's success. In its meeting on November 7, 2006, the Supervisory Board reviewed the efficiency of its activities, and on December 12, 2006 it made its declaration of conformity.

In addition to the regular reporting on the course of business, the Supervisory Board meetings dealt with such matters as the integration and merger of C.J. Diederich Wertpapierhandels-gesellschaft mbH, Berlin, the development of the individual divisions with a focus on the development of capital markets business, the assessment of the participating interest in XCOM AG, internal auditing, a possible cooperation with the azemos partner ag.

With respect to any company transactions that required approval, the Managing Board informed the Supervisory Board of these in a timely manner, and once the Supervisory Board had made its own review of the basis of the decision, it granted its approval. No Supervisory Board committees were formed.

Fiscal year 2006 was again a highly successful year for the company. It recorded net retained profits of more than € 3.2 million. The Supervisory Board believes that the company's positive growth will continue in 2007 as well.

The Supervisory Board was presented with the following documents prepared by the Managing Board: the financial statements, the consolidated financial statement, the management report and group management report, the Managing Board's proposal for the appropriation of net retained profits together with the corresponding auditor's opinions prepared by 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, the group and single-entity management report as of December 31, 2006 including the accounting in line with statutory provisions, and issued an unqualified auditor's opinion. The auditors issued 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 meeting to discuss the financial statements on April 25, 2007. In the meeting discussing the financial statements, the Supervisory Board acknowledged the results of the audit and did not raise any objections. In accordance with Section 171 AktG (German

Public Limited Companies Act), the Supervisory Board reviewed the annual financial statements, the consolidated financial statements, the group and single-entity management report and the proposal for the appropriation of net retained profits and approved the company's financial statements, and the consolidated financial statements. The financial statements are thus adopted within the meaning of Section 172 of the AktG. The Supervisory Board approved the Managing Board's proposal for the appropriation of net retained profits.

The Supervisory Board would like to thank the Managing Board and all of the company's employees for their dedication in 2006.

Gräfelfing, April 25, 2007

On behalf of the Supervisory Board



Dr. Ottheinz Jung-Senssfelder
Chairman of the Supervisory Board



“We are on the edge of a paradigm shift, a shift so great that it will rock the heart of every economy worldwide: a world without an abundance of cheap fossil fuel. The inevitability begs the question what are the alternatives, and thankfully we already know the answers: wind, solar, geothermal and water.....”

Gerard Reid, Fondsmanager Hornet Renewable Energy Fund



Thomas Mayrhofer
Vice Chairman

Dipl. Kfm. Michael Wilhelm

Dr. Ottheinz Jung-Senssfelder
Chairman



**Corporate
Governance**

*In open systems, energy tends
to evenly fill up the space available.*

Corporate Governance

Times of Transparency

The introduction of the German Corporate Governance Code in 2002 was a clear signal to entrepreneurs and shareholders. Its "recommendations for responsible corporate management" created greater transparency for shareholders and a stronger basis of trust for public limited companies. In mwb's opinion, the Code is an important instrument for improving the attractiveness of the stock exchanges, especially for private investors. Considering the revival in interest amongst this group of investors, the significance of a code of conduct that is binding across-the-board cannot be held high enough in esteem. Below you will find the joint report prepared by the Supervisory and Managing Boards of mwb Wertpapierhandelsbank AG in compliance with Item 3.10 of the German Corporate Governance Code:

Corporate Governance Report of mwb Wertpapierhandelsbank AG, Gräfelfing, Germany

Cooperation between the Managing and Supervisory Boards

The Managing and Supervisory Boards 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 orientation of mwb Wertpapierhandelsbank AG and its strategic targets are based on a close collaboration between the Managing and Supervisory Boards. An information exchange on all issues relevant to the company is constantly taking place. 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 its 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 AktG (German Public Limited Companies Act) in December 2006. According to Item 3.10 of the German Corporate Governance Code, any departures from the Code's recommendations must be elucidated.

In December 2006, the Managing and Supervisory Boards declared their basic compliance with the recommendations of the German Corporate Governance Code as amended on June 12, 2006. The following points were not complied with:

- The German Corporate Governance Code recommends that the Supervisory Board establish professionally qualified committees relative to the specific nature of the company and the number of its members (Items 5.3.1, 5.3.2 of the Code). mwb Wertpapierhandelsbank AG's Supervisory Board is comprised of three members. As a committee must comprise at least two members, the Supervisory Board believes that the formation of committees would not lead to more efficiency on the part 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 respective reporting period (Item 7.1.2 of the Code). The Rules of the Frankfurt Stock Exchange require for "Prime Standard" companies a period of four months for publication of the consolidated financial statements and two months for publication of the respective interim reports. Because the company adheres to these deadlines, it deviates from the deadlines recommended in Item 7.1.2 of the Code.

In their declaration of conformity from December 2006, the Managing and Supervisory Boards of mwb Wertpapierhandelsbank AG declared that they will also continue in future to comply with the recommendations of the German Corporate Governance Code as amended on June 12, 2006 with the exceptions set out above.

You will find below the wording of mwb Wertpapierhandelsbank AG's current declaration of conformity as per Section 161 of the AktG:

Declaration of conformity

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

1. mwb Wertpapierhandelsbank AG complies with the recommendations of the German Corporate Governance Code as amended on June 12, 2006 with the following exceptions:

a) The German Corporate Governance Code recommends that the Supervisory Board establish professionally qualified committees relative to the specific nature of the company and the number of its members (Items 5.3.1, 5.3.2). mwb Wertpapierhandelsbank AG's Supervisory Board is comprised of three members. Since a committee must have a minimum of at least two members, the forming of committees would not lead to any improved efficiency of MWB's 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 respective reporting period (Item 7.1.2). The Rules of the Frankfurt Stock Exchange, which came into effect on January 1, 2003, stipulate for “Prime Standard” companies that the consolidated financial statements must be published within four months and the interim reports each within two months. The company intends to adhere to these deadlines and therefore deviates from those stipulated in Item 7.1.2.

2. Since its last declaration of conformity in December 2005, mwb Wertpapierhandelsbank AG has complied with the recommendations of the German Corporate Governance Code as amended on June 2, 2005. The recommendations in Items 5.3.1, 5.3.2, and 7.1.2 were not complied with.

mwb Wertpapierhandelsbank AG
Gräfelfing, Germany / December 2006.

Managing Board

Supervisory Board

Remuneration report of mwb Wertpapierhandelsbank AG

The remuneration report of mwb Wertpapierhandelsbank AG is a compilation of the principles and the amount and structure of the remuneration paid to the company's Managing and Supervisory Boards. 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 structure of the Managing Board's remuneration. This decision is based on the size of the company and its economic and financial situation.

The Managing Board's remuneration in 2006 was comprised of four components:

- a) A fixed annual remuneration, paid as a salary on a monthly basis.
- b) A variable remuneration in the amount of 5 % of the group's earnings before taxes and management-board bonuses.
- c) The use of a company vehicle in the upper middle category, which each Managing Board member is also entitled to use privately. Income tax (on salary) payable on the pecuniary advantage from the use of the vehicle must be paid by each Managing Board member himself. None of the members of the Managing Board took advantage of such company vehicle usage in 2006, neither for business nor private purposes.
- d) A contribution to the retirement pension of Mr. Thomas Posovatz, Chairman of the Managing Board.

Corporate Governance

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

The following table shows the amount of the remuneration in 2006 paid to the individual Managing Board members:

	Fixed remuneration in EUR thousand	Variable remuneration in EUR thousand
Thomas Posovatz	130	133
Herbert Schuster	120	133
	250	266

The variable remuneration in the amount of EUR 255 thousand is carried in the 2006 annual financial statements as a provision and will be paid in 2007. In addition, Thomas Posovatz has claims from the pension plan in the amount of EUR 178 thousand. In addition to this remuneration for the Managing Board members, a former member of the Managing Board was paid EUR 52 thousand in 2006, EUR 31 thousand of this was covered by insurance reimbursements.

The members of the Managing Board did not receive any loans from the company in 2006.

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; it is payable upon expiry of the fiscal year. Commencing July 1, 2003, each member of the Supervisory Board also receives variable remuneration in the amount of 0.3% of the positive consolidated earnings from ordinary activities for each full fiscal year of membership in the Supervisory Board. 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 receives one and a half times the amount, of the fixed and variable remuneration. The

“The financial market’s interest in a company that is dedicated to new forms of energy supply proves that it is certainly possible to unite economic and environmental goals.”

Peter Korak, CEO of ENRO AG



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. Accordingly, the Supervisory Board's remuneration for fiscal year 2006 is comprised of two components:

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

The following table shows the amount of remuneration in 2006 for each of the three individual members of the Supervisory Board. Each amount includes value added tax according to Section 8 (3) of the articles of association:

	Fixed remuneration in EUR thousand	Variable remuneration in EUR thousand
Dr. Ottheinz Jung-Senssfelder	23	12
Thomas Mayrhofer	17	9
Michael Wilhelm	12	6
	52	27

The variable remuneration in the amount of EUR 27 thousand is carried in the 2006 annual financial statements as a provision and will be paid in 2007. A fee of EUR 18 thousand was paid to Sozietät Mayrhofer & Partner in Munich for consulting services; Mr. Mayrhofer is a partner of this firm. A fee of EUR 1 thousand was paid to WAPAG AG in Munich of which Mr. Wilhelm is a board member. Commission totalling EUR 10 thousand was also paid to Mayrhofer Beteiligungs- und Vermögensmanagement GmbH of which Mr. Mayrhofer is the managing director.

Shareholdings of the Managing Board and Supervisory Board

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

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

Mr. Posovatz also holds an indirect interest of 7.95 % in mwb Wertpapierhandelsbank AG via the FMNP GmbH. Mr. Schuster does not hold any shares in the company. The members of the Supervisory Board do not hold any 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 policy 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 insured amount is € 1 million per claim. A retention of EUR 5 thousand per claim is agreed.

Director's dealings

According to Section 15a of the WpHG (German Securities Trading Act), the members of the Managing and Supervisory Boards are under an obligation to disclose any acquisition or sale of shares of the company with a value of more than € 5,000 in the calendar year. The following transactions of

Corporate Governance

mwb shares that are subject to the reporting requirement were reported to the mwb Wertpapierhandelsbank AG in fiscal year 2006:

Date	Party under reporting obligation	Person with management duties triggering reporting obligation	Type and place of transaction	Price in €	Quantity	Volume in €
01/26/2006	FMNP Beteiligungs GmbH	Thomas Posovatz, Managing Board member	Sale via Xetra	3.98	3,500	13,930.00
02/02/2006	FMNP Beteiligungs GmbH	Thomas Posovatz, Managing Board member	Sale via Xetra	3.94	1,500	5,910.00
02/02/2006	FMNP Beteiligungs GmbH	Thomas Posovatz, Managing Board member	Sale via Xetra	3.98	2,000	7,960.00
02/02/2006	FMNP Beteiligungs GmbH	Thomas Posovatz, Managing Board member	Sale via Xetra	3.99	2,500	9,975.00
02/02/2006	FMNP Beteiligungs GmbH	Thomas Posovatz, Managing Board member	Sale via Xetra	4.02	1,800	7,236.00
02/02/2006	FMNP Beteiligungs GmbH	Thomas Posovatz, Managing Board member	Sale via Xetra	4.05	2,200	8,910.00

All transactions were published in the Internet on the company's website as well.

Gräfelfing, April 2007



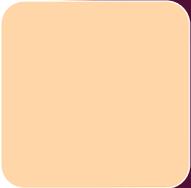
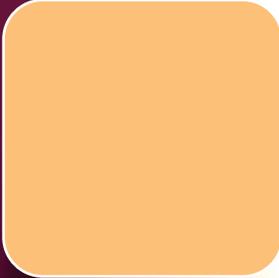
On behalf of the Supervisory Board:
Dr. Ottheinz Jung-Senssfelder



On behalf of the Managing Board:
Thomas Posovatz

Energy can neither be generated nor destroyed.
It can only be transformed
into another form of energy.

Divisions



Divisions

Order-book management still dominates

mwb AG recorded positive results in 2006 in all three of its divisions. The allocation of our activities into the business divisions Securities Trading, Institutional Clients, and Private Clients covers the core market segments and provides a wide range of profit opportunities. As in the previous year, the Securities Trading division – which comprises specialist business for equities, bonds and funds – was the primary earnings' driver. It accounted for nearly 53 percent of our commission income. Sales, order execution, designated sponsoring, and capital market transactions for institutional clients accounted for 30 percent and private asset management for 17 percent of commission income. Even though order-book management will continue to dominate given the current bull market, we still wish to expand our range of services for institutional clients in the coming years.

Securities Trading Division

Only three years ago the market model for traditional order-book managers was under fire – too slow, too expensive, too little standardization – were the most frequent criticisms. But times have definitely changed. Even the biggest sceptic – the Deutsche Börse in Frankfurt – has come back around. And instead of closing the trading floor, extensive renovations were made. This was done not only for mediagenic reasons, but was also an acknowledgement of the legitimacy of computer-assisted personally executed order-book management. The clearest illustration of this is the Munich Stock Exchange, which has been able to win additional market share with its extremely successful specialist model MAX-ONE. In floor trading at the Munich Stock Exchange, mwb is one of the specialists involved in an entirely new product segment for the Bavarian Stock Exchange – open-end investment funds. These can be traded just like equities on this exchange since May 2006. This constitutes a highly promising addition to our portfolio. mwb supports a total of 865 open-end investment funds in addition to 1,123 bonds and 3,260 equities. The number of order books thus reached the record high of 5,248 – higher than ever before in the history of mwb. Particularly satisfying was the allocation of 33 equity order books in the official market and the regulated market at the Frankfurt Stock

Exchange commencing March 26, 2007. Amongst these were Hypo Real Estate Holding AG and the MDAX shares Aareal Bank, K+S, and Lanxess.

Merger with C.J. Diederich completed

As announced in our last annual report, the specialist company C.J. Diederich GmbH of Berlin was merged with the mwb AG retroactive to January 1, 2006. The merger in operations was carried out in August, thereby causing employee numbers to increase to 32.

Order-book management for more than 1,000 bonds at the Berlin Stock Exchange represents an independent profit centre and accounted for 9 % of our commission income in its first fiscal year. This figure is in line with forecasts and remained stable across the entire fiscal year. Taking all of the trading activities together, this division accounted for the bulk of our consolidated earnings: a whole 92 percent of trading profits and 82 percent of our comprehensive income. Despite all diversification efforts, 2006 was once again characterized by foreign stocks. Asian equities dominated the market in the first half of the year, followed later by commodities such as gold and uranium. The second half of the year witnessed once again even stronger turnover for US equities. The rise in turnover of foreign stocks to more than EUR 400 billion is a clear illustration of just how significant this segment has become for securities trading banks. If these growth rates continue in the coming years, our Securities Trading division will remain our company's most important division over the long term.

Institutional Clients Division

Although a lot of energy was expended in the expansion of our Institutional Clients division, not all of our expectations were immediately fulfilled. Patience had to be exercised particularly in the IPO business for which we received our license at the start of 2006. The underlying conditions for IPOs for small and mid-sized enterprises are still less than ideal, and an internal personnel matter also slowed down the expansion of this business segment. We unfortunately had to part ways with our original choice for the head of our capital market business and are currently in negotiations with new applicants. The actual situation is that our first IPO did not

take place as planned in 2006, and an agreement has been reached with the issuer of the next one to postpone it. The IPO for the biodiesel producer Flora EcoPower would have been too early in view of the reserve demonstrated by private investors. For this reason, we recommended a listing on the Frankfurt Stock Exchange's open market instead. The next step is to move into the regulated market. mwb also implemented for Flora EcoPower a private placement with a volume of € 1.3 million and two capital increases in the amount of € 2.7 million. Our long-standing customer, ENRO AG, engaged us for two capital increases with a total volume of € 4.0 million and a share re-placement in the amount of € 4.3 million. Through these transactions, our capital market business accounted for the not insignificant amount of 6 % of our comprehensive income. Sales and order execution contributed a further 5 %; these are slightly lower than the previous year. Order execution for banks decreased predominantly because retail investors issued fewer orders in the second and third quarters of 2006. Another reason, however, is that some banks are again insourcing their previously outsourced order business. This clearly shows that companies, like living organisms, constantly adapt to their environment and undergo cyclical changes. Thanks to the broad diversification of our business activities, mwb is ideally equipped to ride these "waves". Hence the weaker performance of sales and order execution will be compensated by energy inputs from our capital markets business in the coming years.

Private Clients Division

The consolidation phase in private asset management is continuing on. Even large private banking companies are only recording single-digit growth. In light of this, the fact that our 60 % owned subsidiary, MWB Baden GmbH, was again able to record a slight increase in its assets under management, is particularly rewarding.

Customer deposits increased during the course of 2006 by € 1.8 million, bringing the total to around € 33 million. MWB Baden's commission income fell slightly from EUR 519 thousand in 2005 to EUR 458 thousand on December 31, 2006. But with 17% it still accounted for a double-digit percentage of total commission income. In light of the sustained positive contribution to our earnings, we will continue to pursue this investment even though we anticipate rather reserved growth in the retail sector.

Outlook

Preserving your resources in the present means that you are better equipped for the future. By adhering to a strict cost discipline, mwb is optimally positioned for 2007. We even have reason to hope that the accompanying factors will see an improvement over the past year. An investor-friendly climate prevails, and all forecasts indicate that economic growth in Germany is on a steady course. The conduct of



“A securities specialist can't change the world. But by opening up new and bigger market opportunities for companies promoting renewable energy we are thereby exhibiting a high degree of social responsibility.”

Herbert Schuster, Member of the Managing Board of mwb AG

Divisions

Europe's largest insurance companies, which are massively restructuring their investments over to equities, is a reliable barometer of just how secure investors' faith is in the financial markets. The stock markets are also being spurred on by other highly liquid institutional investors such as hedge funds and private equity companies. We hope that private investors will regain their optimism in the coming months. Large dividend disbursements, thanks to excellent corporate profits, are another key step in rekindling their interest in equities. A significant psychological event already occurred on Ash Wednesday: on February 23rd the DAX broke through the 7,000 point barrier for the first time since 2000.

The celebration was short-lived, however, when not long after the Shanghai Stock Exchange reported a massive price slump. The ensuing correction at stock markets around the world is a clear indicator that there is no reason for unrestrained euphoria at the moment. There are also other global uncertainties that we may still have to combat: the weak US economy with its immense budget deficit, the European Central Bank's unclear policy on interest rates, and the possible fluctuations on the commodities markets to name a few. A challenge for the entire financial sector, although less so for the mwb AG, is the enactment of the new European "Markets in Financial Instruments Directive" (MiFID), which will likely come into force on November 1, 2007. The directive is aimed primarily at improving investor protection and at more transparency in conjunction with investment advising. The fundamental administrative requirements such as "best

execution" have been a part of our practice for several years already, which means that no major changes or additional costs will result for us. All in all, our outlook for the coming months is optimistic even though index performance in the 20 percent region is hardly to be expected. We anticipate a moderate DAX increase in 2007 to a maximum of 7,200 points. We nevertheless anticipate improved trading opportunities for the mwb AG, and through the exertion of our combined energies we trust that the results attained in 2006 will be surpassed.

"Anyone concerned with renewable energy thinks in long terms and has a holistic mind set. Our aim is therefore to generate value added at all levels – starting with the sowing of the plants right through to the finished biodiesel fuel."

René C. Jäggi, Chairman of the Supervisory Board of Flora EcoPower Holding AG





Investor
relations

Through the work
performed on a system,
the system's energy is increased.

Investor relations

mwb's share price up 40 percent

After a reserved start to the year, mwb AG's share price passed the five euro mark at the start of April and then settled at this level after a brief high. After closing the year at € 4.71, the share price rose again in the first few days of January and has remained since then consistently above five Euros. Between December 31, 2005 and December 31, 2006 our share price grew by 40 percent – thus outperforming all the stock market indices. In view of our company's excellent results, we believe that our shares are still undervalued. Private investors are obviously still sceptical about investing in financial stocks that are subject to stronger cyclical fluctuations. This means that even stronger persuasive efforts must be exerted to win these investors over, and that mwb AG's potential must be communicated more effectively.

The mwb AG in public

Our company's turnaround and our entry into bonds trading were met with a great deal of interest by the financial press last year. Seldom has there been such in-depth reporting on mwb AG. We hope that the interest of the financial press continues on in 2007. We will have our own stand for the first time at the INVEST in Stuttgart together with our subsidiary MWB Baden GmbH.

We will also continue to participate in the "Small Cap Day" in Zurich and the "Smart Equities Conference" in Frankfurt, where many interesting contacts were made in 2006. But there is one thing that still holds true: nothing has more of a positive impact on the faith of investors and analysts than good corporate results. We very much look forward to presenting you with further details of this at our general shareholders' meeting on July 26, 2007.

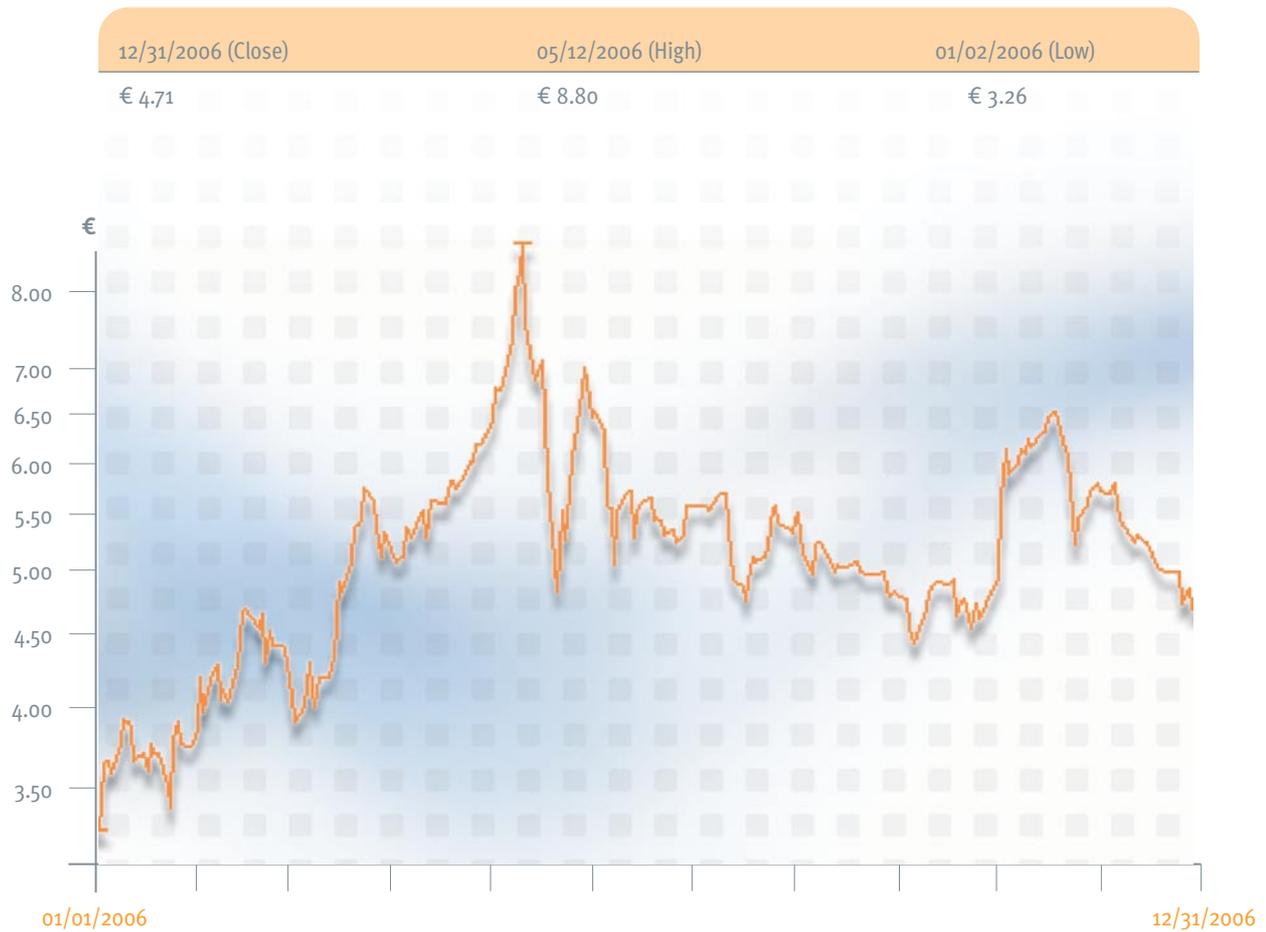


"Good corporate management means: dispersing negative energy and bundling positive forces, thus facilitating a focus on a common target."

Thomas Posovatz, Member of the Managing Board of mwb AG



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



Price of mwb's shares from January 1, 2006 to December 31, 2006
Stock code: 665610

Investor relations

2007 Schedule

Date	Topic	Place
02/27/2007	Publication of interim figures 2006	
03/16–03/18/2007	Invest	Stuttgart
04/24/2007	Publication of first quarter figures 2007	
07/24/2007	Publication of semiannual figures 2007	
05/15/2007	Balance sheet press conference	Munich
07/26/2007	Annual Shareholder's meeting	Munich
08/27–08/29/2007	Analysts conference; Participation at Smart Equities Conference of DVFA	Frankfurt
September 2007	Small Cap Day	Zurich
10/23/2007	Publication of third quarter figures 2007	



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Group Management Report

The economic environment in fiscal year 2006

Germany enjoyed the fourth consecutive bull year in 2006. Particularly the second half of the year was characterized by very good quarterly results for most companies, by a surprisingly good economic environment especially in Europe, and by lively M&A activities. But unlike previous years, economic growth was not exclusively driven by exports, even though Germany again topped the ranks of the world's exporting nations in 2006. What really fuelled the upswing were domestic investments, particularly in the new-found strength of the construction sector, the improved competitiveness of the German economy, whereby moderate wage increases also helped this along, and the "advanced consumption effect" in the private sector in response to the announced VAT increase for 2007. Even interim record energy prices and several interest-rate hikes were not able to slow down this growth in any sustainable way. All in all, this led to a friendly mood on the leading stock markets throughout the year. Accordingly, the DAX was up 22 %, the TecDAX lifted by 25 %, and the broader-scale MDAX enjoyed performance of 27 %, thereby out-performing the blue chips once again. The slightly weaker performance of 17 % for the Dow Jones and 10 % for the NASDAQ-Composite provides good evidence of how the different investors' assess further economic growth in the various economies.

Legal and organizational structure of mwb Wertpapierhandelsbank AG

mwb Wertpapierhandelsbank AG, which was founded in 1993, is a bank within the meaning of Section 1 (1) sentence 2 No. 4 (financial commission business) and No. 10 (IPO business) of the KWG (German Banking Act). The company changed its name on July 12, 2006 from MWB Wertpapierhandelshaus AG, Gräfelfing, to mwb Wertpapierhandelsbank AG, Gräfelfing. It also has a license for brokering business and for proprietary trading pursuant to Section 1 (1a) sentence 1 No. 1, No. 2, and No. 4 of the KWG. The company is subject to the supervision of the German BaFin (Federal Financial Supervisory Authority) 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. The four founding members also each have a 25 %

interest in FMNP Beteiligungs GmbH, which holds 31.5 % of mwb's shares.

The management of mwb Wertpapierhandelsbank AG has divided 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 branches in Berlin and in Frankfurt.

1. Course of business

The Managing Board of mwb Wertpapierhandelsbank AG can look back on a very successful 2006. Improved trading opportunities – thanks to higher turnover – led to a significant increase in commission income and trading profits. And because expenses increased only marginally in relation to this business volume, earnings nearly doubled those in 2005.

Accompanying these developments was the start of our IPO business in January 2006 and the acquisition of C.J. Diederich Wertpapierhandelsgesellschaft mbH in the first quarter of 2006.

Development in the individual divisions of the mwb Wertpapierhandelsbank AG

mwb Wertpapierhandelsbank AG's activities are divided into **Securities Trading** 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 business/IPOs, and **Private Clients**, which covers private asset management.

Securities Trading

Specialist business for equities

Earnings at mwb were driven even more so than in previous years by its Securities Trading division, and in particular specialist business for equities. Significantly higher turnover in foreign stocks, especially in the first half of 2006, substantially boosted trading opportunities for specialist business. This meant that Securities Trading contributed 78 % to

Group Management Report

the total earnings of mwb Wertpapierhandelsbank AG. Broken down, the contribution to commission income totalled 43 % and contributed as much as 97 % to the financial result. Stock-market circles have now accepted that computer assisted specialist business is the most suitable market model for the stock-market trading for small and mid-caps and for executing retail orders. This is documented not only by MAX-ONE's success at the Munich Stock Exchange but also by activities such as those carried out by the Deutsche Börse AG, which is the responsible authority for the Frankfurt Stock Exchange. The comprehensive face lift to the Frankfurt Stock Exchange's floor, for example, is proof of the commitment to order-book trading.

Upon application by mwb dated September 27, 2006, the management of the Frankfurt Stock Exchange allocated 30 equity order books for the Official market and the Regulated Market to mwb Wertpapierhandelsbank AG. By doing so, the Frankfurt Stock Exchange has honoured mwb Wertpapierhandelsbank AG's efforts to fulfil the Frankfurt Stock Exchange's order-book management performance criteria to the highest possible degree. After an appeal had been lodged by a number of Frankfurt-based brokerage companies against the new allocation of order books and an order had been issued by the administration court of Frankfurt on March 5, 2007, the management of the Frankfurt Stock Exchange reorganized order-book management for equities in the Official Market and the Regulated Market. Therefor effective as of March 26, 2006, mwb Wertpapierhandelsbank AG has been allocated order-book management for 33

equities in the Official Market and the Regulated Market. These include the DAX stock Hypo Real Estate Holding, the MDAX companies Aareal Bank, K+S and Lanxess, and the TecDAX companies Bechtle, IDS Scheer, and Tele Atlas.

In total, the number of shares supported by mwb Wertpapierhandelsbank AG has increased from 2,778 at the end of 2005 to 3,383 at the end of 2006.

Proprietary trading in foreign stocks in 2006 did not reach the heights expected, as had been the case in previous years. Due to the excellent trading opportunities in order-book management, which was the result of increased turnover, all energies were being focused there.

Specialist business for fixed-income securities

By way of a notarized agreement dated February 10, 2006, mwb Wertpapierhandelsbank AG acquired a 100 % interest in C.J. Diederich Wertpapierhandelsgesellschaft mbH retroactive to January 1, 2006. This company was merged with mwb Wertpapierhandelsbank AG in August 2006, where it operates as the Berlin profit centre for bond trading. Hence, the company in Berlin has now become a specialist for approx. 1,000 fixed-income securities in the Official Market, the Regular Market, and the OTC segment. Management at mwb views this as a stepping stone to the bond trading segment. Order-book management for bonds in Berlin contributed the anticipated 7 % to commission income. The Managing Board believes that there is still room for growth here.



Turnover of international stocks on all German stock exchanges in Billions of €



Number of international stocks sponsored by mwb

Group Management Report

Specialist business for open-ended investment funds

Since May 2006, Munich Stock Exchange has also been providing investors with the opportunity to trade open-ended investment funds. This market is led by Fondsbörse Deutschland, a subsidiary of BÖAG, which runs the Hamburg Stock Exchange. Investment funds are currently being traded on almost all of Germany's stock exchanges.

mwb Wertpapierhandelsbank AG is one of the MAX-ONE specialists and currently supports 865 investment funds on the Munich Stock Exchange. The Managing Board at mwb Wertpapierhandelsbank AG considers this a very promising segment with excellent growth potential over the medium-term.

Institutional Clients

The Institutional Clients division did not develop on the whole as well as expected. With a contribution of 15% to total earnings and 43% to commission income, this was around the same level as in 2005.

Order execution and institutional sales

Earnings from order execution and institutional sales were down on forecast in 2006. Insecurity on the part of investors in the second and especially the third quarters led to a decline in turnover that could not be offset in the fourth quarter. It was also observed that more and more customers are starting to execute their orders themselves, or are changing their previous order channels, even in advance of the MIFID, which will come into effect in November 2007. mwb Wertpapierhandelsbank AG's management will pay increased

attention to these developments in 2007 and will take any steps that may be required.

Designated sponsoring

We were not able to acquire any new designated sponsoring mandates in 2006. The company lost its mandate for the now insolvent Wapme Systems AG on March 31, 2006. Only in January 2007 did it become possible to acquire a new mandate, the Flora EcoPower Holding AG; this takes the current total to eight. Increased efforts are planned for 2007 – particularly in connection with capital market business – to acquire new customers and thus designated sponsoring mandates.

Capital markets business/IPO

On November 15, 2005, mwb Wertpapierhandelsbank AG submitted its application to BaFin for a license to conduct IPO business pursuant to Section 1 (1) sentence 2 No. 10 of the KWG. The increasing importance of capital market transactions and, in particular, the recovering IPO market in Germany played a key role in this decision. mwb Wertpapierhandelsbank AG was issued this license on January 23, 2006. IPO business will be subsumed within the profit centre "capital markets business" and will be allocated to the company's Institutional Clients division. In January 2006, staff increases were made in this area. But due to difficulties in filling certain positions, this area unfortunately did not meet our expectations for 2006. At present, we are still in the process of recruiting a suitable person to head our capital markets business.

Nevertheless, we were still able to successfully conclude a series of capital market transactions, so income from our capital markets business amounting to a not inconsiderable 7 % of total earnings in 2006. Two capital increases were implemented for ENRO AG, which is listed on Frankfurt's Open Market, with a total volume of € 4 million; a replacement of ENRO shares with a volume of € 4.3 million was also carried out. At the start of 2007, mwb Wertpapierhandelsbank AG carried out a private placement for shares of Flora EcoPower Holding AG. After its successful listing on Frankfurt Stock Exchange's Open Market, mwb Wertpapier-



Trading and Commission Result in
EUR thousand of mwb Group

Group Management Report

handelsbank AG successfully led two further capital increases with a total volume of € 2.7 million.

The Managing Board still regards this business field as very promising and will increase its endeavours to successfully expand it.

Private Clients

Private asset management

Fiscal year 2006 was again successful for MWB Baden GmbH, in which mwb Wertpapierhandelsbank AG holds a 60 % interest, even though the consolidation trends forecast by MWB Baden GmbH's management materialized especially with regard to growth in assets under management. These increased from € 31 million to a little more than € 33 million, resulting in commission income of EUR 458 thousand. This totaled EUR 520 thousand last year. The Private Clients division accounted for 5 % of total income.

2. Earnings in 2006

Earnings at mwb Wertpapierhandelsbank AG are very satisfying and in the opinion of the company's Managing Board are considered "comfortable". Earnings at mwb fared even better than stock market performance, which itself could certainly be described as friendly in 2006. The cost-income ratio, as the primary key performance indicator for banks, improved from 92 % in 2005 to 81 % in 2006.

Commission income and trading profits

A well-performing specialist business, higher turnover in foreign stocks in Germany and improved opportunities for securities trading, led to a substantial increase in commission income and trading profits at mwb

Wertpapierhandelsbank AG. Commission income was up 27 % from EUR 2,573 thousand in 2005 to EUR 3,272 thousand in 2006. Trading profits lifted from EUR 5,422 thousand to EUR 6,914 thousand – up 28 %.

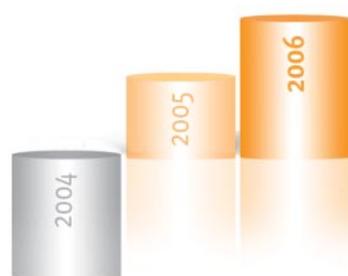
General administrative expenses

While the consolidated trading profits and commission income increased in total by 27 %, the increase in general administrative expenses to 15 % was comparatively less drastic. As a result of the profit centre-related, performance-dependent remuneration system for our securities traders and the increase in employees to 32 as a result of the acquisition of C. J. Diederich Wertpapierhandelsgesellschaft mbH, our personnel expenses increased by 34 % from EUR 2,155 last year to EUR 2,890 thousand in fiscal year 2006. On the whole, the mwb group is characterized by a low rate of employee fluctuation.

The 8% increase in other administrative expenses was, as was the case in the previous year, very moderate in view of the significant increase in the volume of business. These expenses rose from EUR 5,278 thousand in 2005 to EUR 5,689 thousand in 2006. This illustrates the success of the company's continued strict cost-control policy.



Changes in the number of employees



Profit from ordinary activities in EUR thousand

Group Management Report

Provisions for risks

mwb Wertpapierhandelsbank AG holds a 12.4 % interest in the Willich-based XCOM AG, which is not listed on the stock market. The XCOM AG group is an insourcing partner for securities transaction services; it creates banking software and develops trading support systems and software for securities trading companies.

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 of December 31, 2006 were at its disposal. Taking the available information into account, the Managing Board of mwb Wertpapierhandelsbank AG has decided that the current carrying amount of the interest sufficiently includes possible risks.

Profits from ordinary activities

Because general administrative expenses increased only marginally in relation to a simultaneous significant increase in trading profits and commission income, consolidated earnings from ordinary activities nearly doubled from EUR 1,017 thousand to EUR 2,138 thousand in fiscal year 2006. It was therefore possible to continue on with the successful business policy in 2006 after the successful turnaround in 2005.



Net profit in EUR thousand

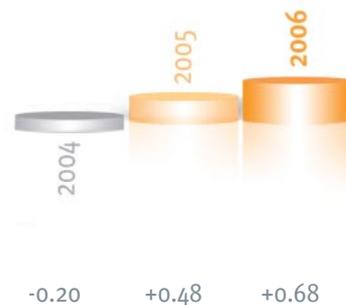
Net profit for the year

In addition to the highly satisfying results from ordinary activities and profits carried forward from the previous year in the amount of EUR 424 thousand, the consolidated net profit for fiscal year 2006 was influenced in particular by the required capitalization of a corporation tax credit in the amount of EUR 1,120 thousand. Because of this, it rose from EUR 982 thousand in fiscal year 2005 to EUR 2,889 thousand in 2006 – up 194 %.

Based on the adjusted net profit for 2006, the DVFA earnings per share totalled € 0.68 compared to € 0.48 in the previous year.

Unappropriated profit

In the interests of its shareholders, the Managing Board of mwb Wertpapierhandelsbank AG paid a dividend of € 0.18 per share in the past year. It also intends to pay an appropriate dividend for fiscal year 2006 for mwb Wertpapierhandelsbank AG. The amount of the dividend is still to be determined together with the Supervisory Board. Particular consideration will be given to the matter of dividend continuity. Without taking the dividend payment into account, the unappropriated profit have thus increased from EUR 1,320 thousand in 2005 to EUR 3,202 thousand in fiscal year 2006.



DVFA-Result per share in €

Group Management Report

3. Financial Position

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

Total assets

Total assets increased as of December 31, 2006 to EUR 23,498 thousand compared to EUR 19,745 thousand in 2005. This growth is due primarily to net retained profits and the additional total assets stemming from C.J. Diederich Wertpapierhandelsgesellschaft mbH.

Cash and cash equivalents

mwb Wertpapierhandelsbank AG's liquidity, as the balance of its receivables and liabilities to banks, decreased as of December 31, 2006 by EUR 1,047 thousand to EUR 11,804 thousand. This was due primarily to the acquisition of C.J. Diederich Wertpapierhandelsgesellschaft mbH and the increase in trading assets.

Group management at mwb Wertpapierhandelsbank AG considers mwb's liquidity to be at a comfortable level. It will nevertheless continue in its management of the company to attach great importance to securing liquidity.

Equity

The company's equity increased in fiscal year 2006 from EUR 16,856 thousand to EUR 18,753 thousand. This increase is primarily due to net retained profits. The equity ratio fell from 85 % on December 31, 2005 to 80 % on December 31, 2006. The reason for this lies predominantly in the short-term increase in liabilities.

Acquisition and merger of C.J. Diederich Wertpapierhandelsgesellschaft mbH

By way of a notarized agreement dated February 10, 2006, mwb Wertpapierhandelsbank AG acquired a 100 % interest in C.J. Diederich Wertpapierhandelsgesellschaft mbH retroactive to January 1, 2006. This company was a specialist for approx. 1,000 fixed-income securities at the Berlin-Bremen Stock Exchange and had five employees including the mana-

ging director. In August 2006, the company was merged with mwb Wertpapierhandelsbank AG retroactive to January 1, 2006 the managing director, Claus-Jürgen Diederich, exited the company. Consolidated assets were thus augmented by the assets of C.J. Diederich Wertpapierhandelsgesellschaft mbH.

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. During the course of 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 Wirecard AG, effective as of January 1, 2006. The proceeds from the sale were allocated to fiscal year 2006.

In December 2005, XCOM AG received a license to operate an additional, newly formed bank, the biw-Bank für Investments und Wertpapiere. biw Bank is a transactions and online 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. During the course of fiscal year 2006, XCOM AG sold so many shares of this bank that it currently only holds a 25 % interest plus one share in this bank.

The group management of mwb Wertpapierhandelsbank AG carefully and consistently tracked developments at XCOM AG in 2006, as had been done in previous years. The contact with XCOM AG's management was open and trustworthy. It should be noted that mwb Wertpapierhandelsbank AG is not only a shareholder of XCOM AG but is also a customer.

4. Other Information

Structure of the remuneration system for the Managing and Supervisory Boards

According to Section 87 of the AktG (German Public Limited Companies Act), the Supervisory Board is responsible for fixing the remuneration for the members of the Managing

Group Management Report

Board. Service 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 payment totals 5 % of the earnings from ordinary activities prior to submission of management-board bonuses for the individual Managing Board members. 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 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 July 1, 2003, each member of the Supervisory Board also receives variable remuneration in the amount of 0.3 % of the positive consolidated earnings from ordinary activities for each full fiscal year of membership in the Supervisory Board. 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 receives one and a half times the amount, of the fixed and 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) HGB (German Commercial Code)

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

On the balance sheet date, FMNP Beteiligungs GmbH, Gräfel-fing, held 1,570,350 shares, or a 31.52 % interest in the company's share capital.

No shareholders have 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.

According to the resolution passed at the general shareholders' meeting on July 12, 2006, the Managing Board is entitled pursuant to Section 71 (1) No. 7 of the AktG to trade in the company's own shares. The position 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 of the AktG to acquire the company's own shares up to 10 % of the share capital for purposes other than securities trading. The use of the acquired shares is at the discretion of the Managing Board with the approval of the Supervisory Board. According to the resolution of the general shareholders' meeting on June 25, 2003, the company has an authorized capital totalling € 2,491,000.

There are no agreements of the company in existence that stipulate a change of control in the event of a takeover bid. The company also has no compensation agreements with the members of the Managing Board or its employees in the event of a takeover bid.

5. Outlook

The assessments in the following section are all based on the information available to us at the current time. This also applies to the risks portrayed in the risk report.

As in past years, the first quarter of 2007 got off to an excellent start. The DAX is on the way to the 7,000-points mark, and current economic data shows that robust economic growth can be expected both worldwide and in Germany at least for 2007. Managing Board at mwb Wertpapierhandelsbank AG is therefore expecting that this positive development will carry on. A record-breaking dividend season, predominantly excellent company results for fiscal year 2006, and highly liquid investors should bring stable growth to

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Germany's stock markets. On the other hand, factors such as the continuing development of the US economy, interest rates in the eurozone, and the weakening US dollar and Japanese yen are causing insecurity and the associated temporary corrections on the equities market.

mwb Wertpapierhandelsbank AG's Managing Board will take these underlying conditions into account not only to enhance its focus on cost control, as has been done in previous years, but also to attain the ideal company size. The company will sustainably stabilize its earnings growth by further expanding its order-book management for equities, bonds and open-ended funds. A first and welcomed step in this direction was the commencement of order-book management for shares in the Official Market and the Regulated Market at the Frankfurt Stock Exchange on March 26, 2007. In the Institutional Clients division, the Managing Board of mwb Wertpapierhandelsbank AG will continue to keep a close eye on the further development of order execution/institutional sales. The management will pay special attention to the expansion of the company's capital markets business/IPO. We expect that the contribution to the company's total results will increase significantly once we have successfully recruited a manager for this segment.

On the whole, mwb Wertpapierhandelsbank AG's Managing Board will continue to foster the company's organic growth that began in 2005. It not only anticipates continued overall growth in 2007, but it is also wants to sustainably secure the company's continued existence and further development.

No major events occurred after the balance sheet date of December 31, 2006.

6. Risk 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's business policy are taken under strict observance of the income to risk ratio.

Our risk management focuses on top-level corporate targets of securing the assets entrusted to us and increasing our

enterprise value based on conscious management of entrepreneurial risks. Our strong equity ratio, the integrated risk management system, a real proximity to the market, and our strong knowledge of risk means that we can operate flexibly across our divisions and can deal innovatively with the challenges of the future. In the strategic management of our company, monetary aspects play a major role as do non-financial indicators such as process efficiency, increasing transparency, the best possible support for our customers, employee satisfaction, and bolstering the position of securities companies in general.

mwb Wertpapierhandelsbank AG's group management is engaged in a constructive, ongoing exchange with the managing directors of MWB Baden GmbH on the company's economic development. Strategic decisions to secure the company's continued existence are taken jointly.

Risk strategy

The aim of our risk strategy is to safeguard our company's targets by taking suitable measures against disturbing events. As part of its value-oriented group management, 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 structured in a way that emphasizes the prevention of unavoidable risks. We constantly review whether our risk policy provisions are sufficient to perceptibly reduce the potential danger. If necessary, further measures are then taken to reduce the risk.

In implementing the requirements resulting from the so-called MaRisk (Minimum Risk Management Requirements), mwb has put into place an end-to-end concept for its ability to bear risks as part of its business strategy. 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 entered into in the divisions operated by the company, mwb takes a conservative approach in structuring its ability to bear risks. The company has therefore ascertained 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

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transactions, the company has included operating risks as material risks for mwb in its concept for its ability to bear risks. mwb 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 SolvV (Solvability Directive) in identifying operating risk. In ascertaining whether it is able to bear risks, mwb compares the aggregated risk potential to the maximum loss threshold set by the Managing Board; this is carried out each day. If this ratio is less than 100 %, the ability to bear risks is ensured.

Risk management is managed centrally for all branches of mwb Wertpapierhandelsbank AG from the company's headquarters in Gräfelfing and is subject to an annual audit by our auditors to determine if this complies with the requirements of the KonTraG (Act on Control and Transparency in Business).

MWB Baden GmbH is included in risk control, whereby risks resulting directly from customer business are being monitored directly by MWB Baden GmbH.

Internal audit

In order to establish 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 primarily focus on the fields of investment and contracts, 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 demands 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, evaluating risks, and especially sensitizing employees for 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 company's large number of transactions, an efficient risk control must be able to rely on a highly developed computer system. For this purpose, the company uses innovative applications created by XCOM AG. This is a software company specializing in solutions for financial service providers and banks, which mwb holds a participating interest in.

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 own-account transactions and the unrealized 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.

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It is also extremely important to the company to keep abreast of any changes to the stock-market environment, to investor behaviour, and to any statutory modifications, and to do this as early as possible. The company participates in Germany's key investor fairs several times a year. This not only allows the company to generate important contacts, but it also enables it to acquire vital information on the mood swings of the investors and to inform itself on any changes in investor behaviour.

Presentation of individual risks

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

The company has identified the following risks to date:

- 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 unnoticed by the company's management. To avoid this risk, we carefully assess the strategic risks at regular, short intervals. The Managing Board communicates regularly 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 has been tried and tested, thereby failing to recognize new business opportunities. In this connection, the company is very

much aware of the danger of the increasing dominance of electronic securities trading over order-book management. We are however confident that specialists will not be completely forced out of the system by electronic trading systems. The company rather sees the future in a combination of electronic processing and specialists who set the prices. The MAX-ONE trading system, which has been successfully established at the Munich Stock Exchange, already works on this basis, and mwb Wertpapierhandelsbank AG has played a decisive role in designing and setting up this system. The company counters the dangers of a business division breaking away, or of customers migrating, by spreading its business over diverse, mutually independent areas and by its ongoing efforts to increase the number of customers.

Counterparty default risks

We understand counterparty default risks to be the possible loss that could arise if the counterparty defaults or if their creditworthiness diminishes.

mwb Wertpapierhandelsbank AG has both German and foreign trading partners. Counterparty default risk only plays a secondary role in relation to stock market transactions with German trading partners that are registered with the stock exchange. For foreign trading partners, counterparty limits are fixed per trading day depending on their size, market valuation, and the frequency of their transactions. Information on foreign counterparties' economic performance is being procured regularly.

Market price risks

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

The company's trading positions are supported by computer technology, are continually subject to a current, daily valuation at average prices, and are also continuously standardized compared to market prices.

The volume of the own-account positions is limited by own-account ceilings, which are fixed in line with the concept of the ability to bear risks. In addition, the own-account ceilings are limited by the requirements of the German Kreditwesengesetz (Banking Act) and the work directives governing securities traders.

The company also reduces its market price risk by spreading

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the positions it has entered into over various countries and markets.

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 day on the largest unrealized profits and losses from these transactions and on the existing option trades.

Placement risks

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

When selecting companies that want 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, this decision is always taken jointly by the two members of mwb's Managing Board. This decision is based on the offering prospectus for new IPOs, and on the company exposé for listings. Additional security is achieved in that both documents are generally being prepared together with a legal due diligence. mwb also keeps an eye out for potential investors at an early stage in order to ascertain whether these parties are interested in the shares of the issuing company. Based on the overall impression gained from these discussions and written documents, the decision is then made as to whether we will place the shares.

Liquidity risks

The primary goal of our liquidity management is to ensure that the company is capable of making payment at any time. We have assigned the management of our daily liquidity levels to an experienced team of employees, which reports directly to the responsible member of the Managing Board.

Thanks to last fiscal year's positive earnings, the company is equipped with excellent liquidity. This was additionally bolstered by the continuation last year of the broad-scale cost-cutting program that began in 2004.

Legal risks

Legal risks include dangers that may result from our large number of transactions and from violations of statutory and internal regulations by employees.

- Transactions

Most of the company's transactions are concluded verbally, in line with 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 its 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 policies.

In the areas of asset management and investment consulting operated by the MWB Baden GmbH, customer information is obtained in line with Section 31 of the WpHG (German Securities Trading Act), and the customers are provided with in-depth information on their risks. In the asset management area, investment guidelines and limits are defined and documented together with the customer's risk profile.

- Statutory regulations

mwb Wertpapierhandelsbank AG is subject to comprehensive reporting requirements and other German statutory regulations, particularly those imposed by the Handelsgesetzbuch (Commercial Code), the Börsengesetz (Stock Market Act), the Wertpapierhandelsgesetz (Securities Trading Act), and the Kreditwesengesetz (Banking Act). In addition to regular reporting, a large number of business events must be reported and other legal requirements must be fulfilled. For non-compliance with these reporting requirements, large fines may be imposed.

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 which result from engaging employees and hiring new ones.

The company takes special care in the recruiting of new employees, and it pays particular attention to ensure that other employees are readily able to assume the responsibilities of their colleagues during vacation, periods of illness, or in the event of an employee leaving the company. The company has prepared an organizational manual that is accessible to all employees. This manual includes information on the work to be performed in the individual positions, detailed descripti-

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ons 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 knowledge of this explanatory document. They are also listed in the directory of insiders, which must be kept in compliance with Section 15b of the 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 including special agreements in the employment contracts, it endeavours to prevent conflicts of interest between employees, the bank, and the customers.

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, and all employees are aware of this. 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 these are stored outside the company's offices.

The company is equipped with a fire-proof safe and a fire-proof cabinet to store daily computer-data backups and personnel files. The company has fire insurance, which reduces the risks that could result from a fire in the company's offices.

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

For the support of our computer system, we selected a company that can be on location at the shortest possible notice in the event of a 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 systems, 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 an internal audit.

The computer systems are equipped with an emergency power supply as a back-up during any power failures. Transmission line disruptions are being dealt with by a so-called failover through a standby system.

7. Possible recourse against the company by the EDW in conjunction with the Phoenix “compensation case”

On March 15, 2005, the German BaFin (Federal Financial Supervisory Authority) ascertained a so-called “compensation case” with respect to the insolvent securities trading bank, Phoenix Kapitaldienst GmbH. This means that EDW (a compensation organization for securities companies) must compensate the investors. The problem, however, is that EDW, of which 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 EAG (German Investment Security and Investor Compensation Act), EDW is entitled in cases of compensation to collect from its members “extraordinary contributions” with no restriction up to a maximum amount.

At the time that mwb Wertpapierhandelsbank AG's management report was prepared, no concrete information was available on the actual volume of the compensation owed. Only rough estimates are available, but these are too inexact considering that each individual claim must be reviewed by EDW.

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Based on the information available to it, mwb Wertpapierhandelsbank AG has come to the conclusion that in the Phoenix compensation case, no sufficiently quantified obligation is owing to EDW. A liability may therefore not be carried as an uncertain liability pursuant to Section 249 (1) sentence 1 HGB. Furthermore, it is also completely uncertain whether EDW will seek recourse at all. There is also serious doubt as to the constitutionality of EDW, to its compliance with European law, and the legality of extraordinary contributions.

Gräfelfing, March 2007
The Managing Board

Consolidated Balance Sheet in accordance with International Financial Reporting Standards

as of December 31, 2006

Assets	Notes	2006 TEUR	2005 TEUR	Changes in TEUR	Changes in %
Receivables from banks	(5); (6); (25); (38)	14,508	13,274	1,234	9.3
Assets held for dealing purposes	(7); (26); (38)	1,461	775	686	88.5
Financial assets	(8); (27); (38)	3,945	2,436	1,509	62.0
Property, plant and equipment	(10); (29)	389	327	62	19.0
Intangible assets	(9); (28)	155	215	-60	-27.9
Income tax receivables	(14); (30)	2,407	1,280	1,127	88.0
Deferred tax assets		1,287	1,280	7	0.5
Corporation tax credit		1,120	0	1,120	-
Other assets	(11); (31)	633	1,438	-805	-56.0
Total assets		23,498	19,745	3,753	19.0
Liabilities and equity					
	Notes	2006 TEUR	2005 TEUR	Changes in TEUR	Changes in %
Liabilities to banks	(5); (12); (32); (38)	2,704	423	2,281	539.2
Liabilities from dealing activities	(13); (33)	21	18	3	16.7
Provisions	(11)	0	844	-844	-100.0
Deferred tax liabilities	(14)	104	132	-28	-21.2
Other liabilities	(15); (34)	1,916	1,472	444	30.2
Equity	(36); (37)	18,753	16,856	1,897	11.3
Subscribed capital		4,983	4,983	0	0.0
Capital reserves		3,945	3,945	0	0.0
Retained earnings		8,587	8,506	81	1.0
Revaluation surplus		-10	0	-10	-100.0
Depreciation of own shares		-2,128	-2,042	-86	-4.2
Consolidated profit		3,202	1,320	1,882	142.6
Minority interests		174	144	30	20.8
Total liabilities and equity		23,498	19,745	3,753	19.0

Consolidated Profit and Loss Account in accordance with International Financial Reporting Standards

for the period from January 1 to December 31, 2006

	Notes	2006 TEUR	2005 TEUR	Changes in TEUR	Changes in %
Interest income	[17]	537	372	165	44.4
Interest expenses	[17]	-55	-8	-47	587.5
Net interest income	[17]	482	364	118	32.4
Commission income	[18]	5,187	3,908	1,279	32.7
Commission expenses	[18]	-1,915	-1,335	-580	43.4
Net commission income	[18]	3,272	2,573	699	27.2
Trading Income	[19]	15,254	12,051	3,203	26.6
Trading Expenses	[19]	-8,340	-6,629	-1,711	25.8
Trading Profit	[19]	6,914	5,422	1,492	27.5
Administrative expenses	[20]	-8,579	-7,433	-1,146	15.4
Balance of other income / expenses	[21]	49	91	-42	-46.2
Profit from ordinary activities		2,138	1,017	1,121	110.2
Income taxes on the profit from ordinary activities	[14]; [22]	751	-35	786	2.245.7
Net profit	[23]	2,889	982	1,907	194.2
Minority interest of net profit		-30	-41	11	26.8
Net profit without minority interests		2,859	941	1,918	203.8
Profit carried forward from previous year		424	0	424	100.0
Withdrawal from/addition to retained earnings		-81	379	-460	-121.4
Consolidated profit		3,202	1,320	1,882	142.6
Earnings per share					
Diluted earnings per share	[24]	0.57	0.20		185.0
Basic earnings per share	[24]	0.57	0.20		185.0

Statement of Changes in Equity

for the period from January 1 to December 31, 2006

	Notes	2006 TEUR	2005 TEUR
Equity as of January 1		16,856	15,460
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		8,506	8,885
Addition to retained earnings		81	-379
Balance as of December 31		8,587	8,506
Revaluation surplus	(27)		
Balance as of January 1		0	0
Withdrawal from revaluation surplus		-10	0
Balance as of December 31		-10	0
Own shares	(37)		
Balance as of January 1		-2,042	-2,353
Change		-86	311
Balance as of December 31		-2,128	-2,042
Consolidated profit			
Balance as of January 1		1,320	0
Net profit		2,889	982
Withdrawal from/addition to retained earnings		-81	379
Minority interest of net profit		-30	-41
Distribution of profits ¹		-896	0
Balance as of December 31		3,202	1,320
Minority interests			
Balance as of January 1		144	0
Change		30	144
Balance as of December 31		174	144
Equity as of December 31		18,753	16,856

¹ Profit distribution per share: € 0,18

Consolidated Cash Flow

for the period from January 1 to December 31, 2006

	Year TEUR	Previous year TEUR
Consolidated net profit	2,859	941
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	233	197
Changes in long-term provisions	-844	37
Minority interest	30	41
Other adjustments (balance)	-154	-143
	2,124	1,073
Change in assets and liabilities from ordinary activities		
Change in customer receivables	2	-128
Change in trading position	-683	1,222
Change in other assets from operating activities	-698	-83
Change in other liabilities from operating activities	791	55
Received interest and dividends	496	222
Interest paid	-240	-8
Income taxes received	-110	-100
Cash flow from operating activities	1,682	2,253
Proceeds from disposal of financial assets	100	0
Investments in intangible assets and property, plant and equipment	-242	-105
Investments in financial assets	-1,600	0
Cash flow from investing activities	-1,742	-105
Net change in purchases and sales of own shares	-89	342
Dividends paid	-896	0
Cash flow from financing activities	-985	342
Change in cash and cash equivalents	-1,045	2,490
Cash and cash equivalents – start of period	9,101	6,611
Cash flow from operating activities	1,682	2,253
Cash flow from investing activities	-1,742	-105
Cash flow from financing activities	-985	342
Cash and cash equivalents – end of the period	8,056	9,101

The deposit investments deposited as collateral for default guarantees and other collateral for securities settlement totalling EUR 3,750 thousand (Note [45]) 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 its earnings strength.

We have prepared the consolidated financial statements in line with International Financial Reporting Standards (IFRS) according to EU Directive No. 1606/2002 by the European Parliament and Council dated July 19, 2002 as part of the EU endorsement in connection with Section 315a of the HGB (German Commercial Code). IFRS include the standards referred to as IFRS as well as International Accounting Standards, the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), and the former Standing Interpretations Committee (SIC). Section 315a HGB contains the national provisions which continue to apply to capital markets companies in addition to IFRS.

The company's Managing and Supervisory Boards have issued the declaration of conformity in accordance with Section 161 of the AktG (German Public Limited Companies Act) to the recommendations of the "Government Commission German Corporate Governance Code" and have published this in the Internet on the company's website in December 2006.

The group management report fulfils the requirements of Section 315 (1) and (2) HGB as well as the requirements imposed on a financial review by IAS 1.

During fiscal year 2006, 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, 2005.

To the extent relevant for our company's activities, the following of these standards first applied for the first time in fiscal year 2006:

IFRS 3

Business combinations

All of the standards newly issued or revised by the IASB whose application only becomes obligatory after the end of fiscal year 2006 were not applied before this.

The consolidated financial statements of the mwb group comprise the balance sheet, profit and loss account, statement of changes in shareholders' equity, statement of cash flows, accounting methods, and notes and segment reporting. These were prepared for the first time in line with Section 292a of the 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 included in the consolidated financial statements of mwb Wertpapierhandelsbank AG; uniform accounting and valuation principles have been applied.

(2) Group of consolidated companies

The consolidated financial statements as of December 31, 2006 include mwb Wertpapierhandelsbank AG as the parent company, the wholly-owned subsidiary MWB Wertpapierhandelsbank GmbH, Gräfelfing, and its 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 eliminated. Intra-group profits from transactions within the group are 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 colla-

teral 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 relate to overnight and fixed-term deposits, receivables from dividends, interest and commission, receivables from the sale of securities, and refunds. Receivables from banks are shown at amortized cost insofar as there is no permanent impairment. Interest income from these receivables is capitalized with the receivables.

(7) Trading assets

The trading assets include trading securities and the changes in market value of open (long) positions. Trading assets are accounted for on the settlement date. All trading assets are carried on the balance sheet at their fair value.

The redemption prices for listed securities were taken from the Bundesverband Deutscher Banken for valuation purposes.

The conditions for netting trading assets and liabilities were not present.

(8) Financial assets

This item includes exclusively available-for-sale financial instruments, which are accounted for on their settlement date. The available-for-sale stock is carried on the balance sheet at its fair value. Changes to the fair value are included in the revaluation reserve and are not reflected in income.

(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 Clients division as the 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 2006 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 in line with its 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 depreciation was necessary in fiscal year 2006.

Amortization/depreciation is shown 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 equipment is in line with its useful life in the company, which may be shorter than its economic life. In determining the useful 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 useful 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 2006.

Amortization/depreciation is shown under general administrative expenses.

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

(11) Other assets

Other assets predominantly include re-insurance claims in the amount of EUR 340 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 (SLMP) has been pledged to the entitled persons. The pledge (Pfandrecht) covers all of the company's claims 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 according to IAS 19.54 is negative and constitutes a defined benefit asset.

The claims from the re-insurance policy with Nürnberger Lebensversicherung AG were not pledged during the fiscal year. The actuarial valuation is based on the figures from the guideline tables for invalidity and mortality in line with the "Pension table 1998 and 2005" of Prof. Klaus Heubeck, an interest rate of 4.5 % (previous year: 4.0 %), and a pension dynamic of 1.5 % (previous year: 0.0 %). The interest rate in the calculations is based on the long-term interest rate for top-quality fixed-interest 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 on the cut-off date thus calculated takes into account unredeemed actuarial profits 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 profits and losses are dealt with using the corridor method pursuant to IAS 19: this means that they are to be booked as income in the coming years if the gains and losses which have accrued by the balance sheet date exceed 10 % of the maximum of the cash value of the accrued pension claims and the assets of any external pension institution.

(12) Liabilities to banks

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

(13) Liabilities from dealing activities

Liabilities from dealing activities are accounted for on the settlement date. Liabilities from dealing activities depict changes in the market value of open items (short positions). All liabilities from dealing activities 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 aims 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 that these balance each other out, the tax differences resulting from the different carrying amounts are reflected in income and disclosed as a deferred tax asset or liability.

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. Current tax rates are used to calculate deferred taxation.

Deferred tax assets are carried as a result of unused tax loss carryforwards to the extent permitted by IAS 12.

The deferred tax assets carried essentially relate to the income tax receivable formed on the loss carryforward in the amount of EUR 1,250 thousand.

As of December 31, 2006, the corporation tax credit resulting

from the former imputation tax credit system in the amount of EUR 1,120 had to be capitalized for the first time. The refund claim is, in economic terms, an overpayment within the meaning of IAS 12, so that the claim must be treated as current tax despite its non-current nature. This is capitalized at its cash amount using an interest rate of 4 %.

(15) Other liabilities

We also disclose deferred liabilities according to IAS 37 under other liabilities. These include liabilities for which only minor uncertainty remains concerning the amount and timing of the liability. These relate predominantly to liabilities from outstanding invoices. These also include current liabilities to employees from vacation entitlements. We have carried the deferred liabilities in the amount expected to be demanded.

(16) Currency translation

Currency is translated in line with 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-monetary 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, as a rule, reflected in the corresponding items of the income statement.

Notes on the profit and loss account

(17) Net interest income

	2006 TEUR	2005 TEUR
Interest income²	537	372
From loans and money market transactions	499	372
From fixed-income securities and government debt	38	0
Interest expense	-55	-8
From loans and money market transactions	-55	0
Total	482	364

² Includes dividend income in the amount of EUR 10 thousand (previous year: EUR 2 thousand).

(18) Net commission income

	2006 TEUR	2005 TEUR
Commission income	5,187	3,908
Commission income from brokering investments and conclusions	2,111	1,363
Commission income from capital market business	1,789	865
Commission income from "asset management"	622	691
Commission income from "institutional sales"	410	791
Commission income from "designated sponsoring"	248	198
Other	7	0
Commission expense	-1,915	-1,335
Commission expense from capital market business	-1,012	-402
Commission expense from brokering investments and conclusions	-523	-268
Commission expense from "asset management"	-163	-171
Commission expense from "designated sponsoring"	-107	-112
Commission expense from "institutional sales"	-100	-375
Guarantee commission	-8	-7
Other	-2	0
Total	3,272	2,573

The other commission expenses include brokerage and guarantee commission.

In contrast to the previous year, the income and expenses from designated sponsoring and capital market business

was re-classified from the balance of other income/expenses and from other administrative expenses to commission income and expenses. The figures from the previous year have been adjusted accordingly.

(19) Trading profit

	2006 TEUR	2005 TEUR
Income from finance transactions	15,254	12,051
From securities (including interest accrued)	438	858
From price differences in own-account transactions	14,816	11,193
Expenses from finance transactions	-8,340	-6,629
From securities (including interest accrued)	-466	-952
From price differences in own-account transactions	-7,874	-5,677
Total	6,914	5,422

According to IAS 32, profits realized from trading in treasury stocks are not carried in the income statement. The corre-

sponding results are taken into account as a separate equity item.

(20) Administrative expenses

	2006 TEUR	2005 TEUR
Personnel expenses	-2,890	-2,155
Wages and salaries	-2,508	-1,873
Social security contributions	-291	-245
Pension costs	-91	-37
Other administrative expenses	-5,689	-5,278
Thereof depreciation and amortization		
For intangible assets	-77	-72
For operating and office equipment	-156	-118
Total	-8,579	-7,433

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

The other income/expenses from ordinary activities include predominantly income from oncharging in the amount of EUR 47 thousand (previous year: EUR 0 thousand).

(22) Income taxes on the result from ordinary activities

	2006 TEUR	2005 TEUR
Actual taxes	725	-144
Deferred taxes	26	109
Total	751	-35

The actual taxes were based on the tax results from the fiscal year and the result of the external tax audit for previous years. Taking corporation tax, the solidarity surcharge, and trade income tax into account, the total tax burden for fiscal year 2006 amounts to 38.65 % (previous year: 38.65 %). Deferred taxation resulted from changes to deferred tax assets and liabilities as a result of temporary differences in value in the amount of EUR 26 thousand (previous year: EUR

109 thousand).

The following table shows the relationship between the income taxes derived from the pre-tax earnings and the income taxes for fiscal year 2006 disclosed in the profit and loss account (reconciliation statement). The derived income taxes are based on total taxation in Germany: corporation tax, trade tax, and the solidarity surcharge together totalling 38.65 %.

	2006 TEUR	2005 TEUR
Anticipated taxation	239	-393
Other off-balance sheet differences	-7	-35
Tax rate effect	69	26
Tax from previous year (from income statement)	-114	-46
Corporation tax credits previous years	1,120	0
Non-capitalized losses from current year	-556	413
Disclosed income taxes	751	-35

(23) Net profit

The net profit totalling EUR 2,889 thousand will be corrected for minority interests in the net profit (EUR 30 thousand). Taking into account the profit carried forward from the

previous year (EUR 424 thousand) and its addition to revenue reserves (EUR 81 thousand), consolidated profits totalled EUR 3,202 thousand.

(24) Key figures for earnings per share

To calculate the basic earnings per share, the net income 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:

	2006 TEUR	2005 TEUR
Net income for the year in EUR thousand	2,859	941
Average number of shares in circulation	4,981.434	4,824.774
Number of shares including increases that resulted or could result from subscription rights granted	0	0
Diluted earnings per share (with amortization of goodwill)	0.57	0.20
Basic earnings per share (with amortization of goodwill)	0.57	0.20

Notes to the balance sheet

(25) Receivables from banks

	2006 TEUR	2005 TEUR
Demand receivables		
from German banks	10,446	9,354
Other receivables		
From German banks	4,058	3,920
From foreign banks	4	0
Receivables from banks	14,508	13,274

(26) Trading assets

	2006 TEUR	2005 TEUR
Debt securities	925	0
Of which: public-sector issuers	341	0
Thereof: securities eligible as collateral with Deutsche Bundesbank	341	0
Of which: other issuers	584	0
Thereof: securities eligible as collateral with Deutsche Bundesbank	484	0
Equities and other variable income securities	536	775
Equities	302	463
Other	234	312
Of which: securities negotiable on the stock exchange	302	463
Thereof: listed securities	302	463
Total	1,461	775

(27) Financial assets

	2006 TEUR	2005 TEUR
Fixed-income securities		
Debt securities	1,509	0
Non-fixed income securities		
Equities	2,436	2,436
Of which: securities negotiable on the stock exchange	3,945	2,436
Thereof listed securities	1,509	0
Total	3,945	2,436

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

The equities include, unchanged on the previous year, an interest in a non-listed company (XCOM AG, Willich) in the amount of 12.4 %.

The following table shows the growth of the financial assets:

	Financial assets TEUR	
	After taxes	Before taxes
Acquisition/historical cost		
As of January 1, 2006		10,484
Additions		1,626
Disposals		-100
As of December 31, 2006		12,010
Revaluation surplus		
As of January 1, 2006	0	0
Change	-10	-17
As of December 31, 2006	-10	-17

	Financial assets TEUR
Depreciation and amortization	
As of January 1, 2006	-8,048
As of December 31, 2006	-8,048
Carrying amounts	
As of December 31, 2005	2,436
As of December 31, 2006	3,945

(28) Intangible assets

	Goodwill TEUR	Software and licenses TEUR
Acquisition/historical cost		
As of January 1, 2006	49	432
Additions		17
Disposals	0	-1
As of December 31, 2006	49	448
Depreciation and amortization		
As of January 1, 2006	0	-266
Current amortization/depreciation	0	-77
Disposals	0	1
As of December 31, 2006	0	-342
Carrying amounts		
As of December 31, 2005	49	166
As of December 31, 2006	49	106

Amortization of intangible assets is disclosed under other administrative expenses.

(29) Property, plant and equipment

	Office furniture and equipment TEUR
Acquisition/historical cost	
As of January 1, 2006	1,131
Additions	226
Disposals	-65
As of December 31, 2006	1,292
Depreciation and amortization	
As of January 1, 2006	-804
Current amortization/depreciation	-156
Disposals	57
As of December 31, 2006	-903
Carrying amounts	
As of December 31, 2005	327
As of December 31, 2006	389

No non-scheduled depreciation was necessary in fiscal year 2006.

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

(30) Income tax receivables

	2006 TEUR	2005 TEUR
Deferred tax assets	1,287	1,280
Corporation tax credit	1,120	0
Total	2,407	1,280

The corporation tax credit is capitalized at its cash amount using an interest rate of 4 %.

With regard to the amounts that are realized after a period of twelve months, please see Note (34).

(31) Other assets

	2006 TEUR	2005 TEUR
Other assets		
Tax overpayments	0	28
Claims from reinsurance	340	1,102
Commission receivables	10	10
Loans and advances to non-bank customers	133	135
Other assets	150	163
Total	633	1,438

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

With regard to the amount of other assets that are realized after a period of twelve months, please see Note (34).

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's Managing Board. 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. During the fiscal year, the existing re-insurance policies ("qualified insurance policies") were included as plan assets for the first time, meaning that these had to be netted with provisions. The value identified in this manner for the company according to IAS 19.54 is negative and constitutes a defined benefit asset.

This results in the following financing status:

	12/31/2006 TEUR	12/31/2005 TEUR
Reconciliation of the net cash value of the commitment to the pension provision:		
Net cash value of the commitment	1,585	1,418
Non-recorded underwriting profits/losses	-652	-574
Fair value of plan assets	-1,187	0
Provision for pensions	-254	844

	12/31/2006 TEUR	12/31/2005 TEUR
Change in the provision for pensions		
Provision for pensions January 1	844	807
Expense for pension benefit	89	37
Ongoing service cost	14	12
Interest	56	57
Amortization of non-recorded underwriting profits/losses	27	20
Actuarial loss of plan assets	44	0
Accruals	-52	-52
Fair value of plan assets	-1,187	0
Provision for pensions December 31	-254	844
Change in the provision for surrender values:		
Surrender value January 1	896	859
Increase	89	37
Surrender value December 31	985	896

The surrender values deviate from the provisions for pensions as coverage is not 100 %.

(32) Liabilities to banks

	2006 TEUR	2005 TEUR
Liabilities to German banks	2,704	423

This item essentially includes liabilities from securities transactions in the amount of EUR 2,517 thousand. There were no liabilities to foreign parties on the balance sheet date.

(33) Trading liabilities

Trading liabilities comprise the positions still open from own account transactions on the settlement date totalling EUR 21 thousand (previous year: EUR 18 thousand).

(34) Other liabilities

	2006 TEUR	2005 TEUR
Deferred liabilities	935	1,030
Other liabilities	981	442
Total	1,916	1,472

We also use deferred liabilities to carry current liabilities from outstanding invoices, employees, and vacation entitlements.

The other liabilities mainly comprise trade payables, bonus claims, liabilities for employee income tax and social insurance.

The following table summarizes the assets and liabilities that the company anticipates will be realized in more than twelve months:

Assets/liabilities	12/31/2006	Thereof to be realized in more than twelve months
	TEUR	TEUR
Income tax receivable	2,407	2,370
Other assets	584	374
Other liabilities	1,916	0

(35) Deferred tax liabilities

Deferred tax liabilities 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:

	2006 TEUR	2005 TEUR
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, 2006, the subscribed capital totalling EUR 4,983 thousand comprised of 4,982,700 no-par value shares with a theoretical par 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 has authorized the Managing Board of mwb Wertpapierhandelsbank AG to increase the company's share capital, with the approval of the Supervisory Board, by issuing new shares against cash or non-cash contributions on one or several 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 made use of the authorized capital to date.

During the fiscal year, 59 % of mwb's shares were in free float (previous year: 30 %). 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 18,800 own shares with a theoretical par value of EUR 93 thousand (0.38 % of the share capital). In total, 37,630 own shares were purchased and 19,970 own shares were sold during the year. The average acquisition price was EUR 4.83; the average selling price was EUR 4.66. The position of own shares is disclosed 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 profit and loss account of the IFRS consolidated financial statements. Earnings from trading in own shares and from the valuation of own shares in the amount of EUR -7 thousand is carried directly under equity.

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

The mwb Wertpapierhandelsbank AG was authorized by the general shareholders' meeting on July 12, 2006 to acquire own shares no later than January 11, 2008 to enable shares of the company to be offered to third parties in conjunction with business combinations with other companies or as part of the acquisition of companies or interests in other companies; 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.

To date, the company has only used its authorization to acquire own shares for the purpose of securities trading.

The limit on the number of shares as set 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, on 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 or negotiable on the stock exchange.

The participation in a non-listed company is a financial investment that does not have a market price listed on an active market.

This is valued at cost.

Impairments lead to new acquisition costs.

There were no deviations between the carrying amount 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 carrying amount and fair value from the valuation of the financial assets, trading assets, and trading liabilities as of December 31, 2006.

Notes to the cash flow statement

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

In addition to the balance sheet, profit and loss account, statement of changes in shareholders' equity, and notes, the statement of cash flows is a compulsory element of IFRS financial statements and is comprised of 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 comprise 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 achieved and sale prices paid during the fiscal year.

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

	2006 TEUR	2005 TEUR
Cash reserve	2	0
Receivables from banks	14,508	13,274
Liabilities to banks	-2,704	-423
Deposits for securities processing	-3,750	-3,750
Cash and cash equivalents – end of period	8,056	9,101

The deposit investments deposited as collateral for default guarantees and for securities processing totalling EUR 3,750

thousand (Note (45)) are not considered to be liquid funds when calculating the cash and cash equivalents.

Notes on segment reporting

(40) Segment reporting

The group's segment reporting is made in compliance with IAS 14. This standard requires that the segmentation reflects the group's internal organizational and reporting structure, as this structure reflects 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. As a result, the "Securities Trading" and "Institutional Clients" segments stem from the legal unit mwb Wertpapierhandelsbank AG, Gräfelfing, and the "Private Clients" segment stems from the legal unit MWB Baden

GmbH, Offenburg. 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 market business/IPOs, and Private Clients covers private asset management. The divisions do not receive any services from the other divisions. Segment results are identified based on the internal profit centre calculation. Balances are allocated based on the segment's risk capital. The information published in the segment reporting per division is taken from the external accounting information and corresponds to the internal reporting to the group management. As part of our organizational structure, we have not undertaken any geographical segmentation as most of our sales are recorded in Germany.

	Securities Trading TEUR	Institutional Clients TEUR	Private Clients TEUR	Other/ Consolidation TEUR	Group TEUR
Net commission income	1,412	1,402	458	0	3,272
Net trading income	6,690	134	0	90	6,914
Personnel expenses	2,136	454	222	78	2,890
Scheduled amortization of intangible assets and depreciation of property, plant and equipment	175	50	8	0	233
Impairment recognized in equity	0	0	0	10	10
Other administrative expenses	4,418	881	128	262	5,689
Net other income/expenses	0	0	2	47	49
Net income for the year by segments	2,636	288	91	-156	2,859
Net assets	18,854	4,255	1,268	-879	23,498

³ Net interest income is not allocated to a specific segment in the profit centre calculation.

	Securities Trading TEUR	Institutional Clients TEUR	Private Clients TEUR	Other/ Consolidation TEUR	Group TEUR
Investments in property, plant and equipment and intangible assets in the period under review	196	44	2	0	242
Liabilities	3,809	860	80	-4	4,745
Risk items	6,867	1,550	0	0	8,417
Allocated capital	15,044	3,396	1,187	-874	18,753
Expense/income ratio	83.00	90.04	74.42	0	82.83

In segment reporting for the previous year, Institutional Clients was not yet shown as a separate segment as this division only gained importance once it had been awarded

the issuing license at the start of 2006. The asset management segment corresponds to the Private Clients segment. Segment reporting for fiscal year 2005 was as follows:

	Securities Trading TEUR	Asset Management TEUR	Consolidation TEUR	Group TEUR
Net interest income	347	17		364
Net commission income	2,053	520		2,573
Net trading income	5,422	0		5,422
Personnel expenses	1,921	234		2,155
Scheduled amortization of intangible assets and depreciation of property, plant and equipment	180	17		197
Other administrative expenses	5,158	120		5,278
Net other income/expenses	88	3		91
Net income for the year by segments	886	109	-54	941
Net assets	19,411	1,191	-857	19,745
Liabilities	2,797	95	-3	2,889
Risk items	7,563	0		7,563
Allocated capital	16,614	1,096	-854	16,856
Expense/income ratio	91.74	71.85		90.50

Other notes

(41) Merger of C.J. Diederich GmbH with mwb AG

In the third quarter of 2006 and retroactive to January 1, 2006, the mwb Wertpapierhandelsbank AG concluded the merger with C.J. Diederich Wertpapierhandelsgesellschaft mbH, which operates as an order-book manager for fixed-interest securities. The merger followed the acquisition on February 10, 2006 of a 100 % interest in C.J. Diederich Wertpapierhandelsgesellschaft mbH at a purchase price of EUR 1,500 thousand plus incidental acquisition costs of EUR 6 thousand. As of June 30, 2006, the purchase price was

reduced according to the contract by half of the net accumulated losses of the C.J. Diederich Wertpapierhandelsgesellschaft mbH existing on this date in the amount of EUR 18 thousand; the total purchase price was therefore EUR 1,482 thousand plus incidental acquisition costs. It was also agreed in the notarized purchase agreement for the acquisition and assignment of the C.J. Diederich GmbH interest that the seller would receive up to December 31, 2008 50 % of the profits from ordinary activities recorded in this area after completion of the merger. On the date of the acquisition, C.J. Diederich Wertpapierhandelsgesellschaft mbH's assets comprised federal debt securities in the amount of EUR 1,331 thousand, bank balances in the

amount of EUR 152 thousand, and other items amounting to EUR 18 thousand. Liabilities and provisions totaled EUR 25 thousand. The book values of these items pursuant to IFRS as determined directly prior to the merger correspond to the fair values on the date of the acquisition. No goodwill was identified.

(42) Pending litigation

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

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

The bond trading profit centre, which stemmed from C.J. Diederich Wertpapierhandelsgesellschaft mbH, recorded earnings of EUR -2 thousand with commission income and trading profits of EUR 243 thousand as of December 31, 2006.

him to pay the purchase price plus interest on arrears to the mwb AG. On January 18, 2006, a settlement was entered into in which it was agreed that the purchase agreement would be set aside and liquidated damages for nonfulfilment in the amount of EUR 40,000.00 must be paid. This amount has not been paid to date.

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

(43) Classification of residual terms

	Up to 1 month		Up to 3 months	
	12/31/06 TEUR	12/31/05 TEUR	12/31/06 TEUR	12/31/05 TEUR
Receivables				
Loans and advances to non-bank customers	133	135	0	0
Limited-term receivables from banks	10,508	9,374	4,000	3,900
Liabilities				
Limited-term liabilities to banks	2,704	423	0	0

(44) Contingent liabilities and other commitments

On March 15, 2005, the German BaFin ascertained a so-called "compensation case" with respect to the insolvent securities trading bank, the Phoenix Kapitaldienst GmbH. This means 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 EAG (German Investment Security and Investor Compensation Act), the EDW is entitled in cases of compensation to collect from its members "extraordinary contributions" with no restriction up to a maximum amount. According to currently available information, it is also completely uncertain whether the EDW will seek recourse against mwb AG at all. There is also serious doubt as to the constitutionality of EDW, to its compliance with European law, and the legality of 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, the mwb AG has

come to the conclusion that in the compensation case Phoenix against EDW, the conditions for the formation of a provision according to IAS 37.14 are not given. In addition, on the balance sheet date there is a financial obligation resulting from the subscription of 375,000 shares

of Flora EcoPower Holding AG performed on December 29, 2006 at the issuing amount of EUR 1.00 per share. The annual payment commitments from rental contracts and other service contracts are of the amounts and maturities shown in the following table:

	12/31/2006 TEUR	12/31/2005 TEUR
Rental agreement		
Due 2006		52
Due 2007	237	21
Due 2008	57	
Due 2009	8	
	12/31/2006 TUSD	12/31/2005 TUSD
Securities information services		
Due 2006		90
Due 2007	55	3
Due 2008	52	
Due 2009	3	

(45) Assets assigned as collateral

Some of the receivables from banks represent a deposit investment as collateral for default guarantees totalling EUR 3,250 thousand, which were issued to all stock ex-

changes on which mwb Wertpapierhandelsbank AG acts as an order-book manager. If the mwb group provides other collateral for processing in the amount EUR 500 thousand, it can avail itself of this deposit at any time.

(46) Employees

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

	2006	2005
Gräfelfing	15	15
Berlin	9	3
Frankfurt	4	5
Offenburg	3	3
	31	26

(47) Related party disclosures

The wholly-owned subsidiary MWB Wertpapierhandelsbank GmbH, Gräfelting 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.

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

According to Section 87 of the AktG (German Public Limited Companies Act), the Supervisory Board is responsible for fixing the remuneration for the members of the Managing Board. Service contracts have been concluded with the members of the Managing Board. These include a basic salary and

There is no exchange of services between the subsidiaries nor between the subsidiaries and the parent company. There are also no profit and loss transfer agreements.

For information on the members of the company's executive bodies, we refer to Notes (48) and (49).

For information on mwb Wertpapierhandelsbank AG's shareholder structure, we refer to Note (50).

variable remuneration in the form of a performance-related annual bonus. The bonus depends on the result from ordinary activities before inclusion of the Managing Board's bonuses. In the event of a negative result from ordinary activities, no bonus is paid.

The members of the Managing Board received total remuneration of EUR 516 thousand for fiscal year 2006:

Members of the Managing Board	Fixed remuneration	Variable remuneration
	TEUR	TEUR
Thomas Posovatz	130	133
Herbert Schuster	120	133
	250	266

The variable remuneration in the amount of EUR 255 thousand is carried in the 2006 annual financial statements as a provision and will be paid in 2007. Thomas Posovatz also has claims from the pension plan in the amount of EUR 213 thousand.

In addition to this remuneration for the members of the Managing Board, one former member of the Managing Board was paid a total of EUR 52 thousand in 2006, of this total EUR 31 thousand was covered by insurance payments.

Former members of the Managing Board also have claims from the pension plan in the amount of EUR 1,371 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. In addition, from January 1, 2003, each member of the Supervisory Board receives variable remuneration totalling 0.3 % of the positive consolidated

result from ordinary activities for each full fiscal year of their membership of the Supervisory Board. 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 receives one and a half times the amount, of the fixed and 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 79 thousand (including VAT) was broken down as follows for fiscal year 2006:

Members of the Supervisory Board

	Fixed remuneration TEUR	Variable remuneration TEUR
Dr. Ottheinz Jung-Senssfelder	23	12
Thomas Mayrhofer	17	9
Michael Wilhelm	12	6
	52	27

The variable remuneration totalling EUR 27 thousand is carried as a provision in the 2006 financial statements. A fee of EUR 18 thousand was paid to Sozietät Mayrhofer & Partner in Munich for consulting services; Mr. Mayrhofer is a partner of this firm. A fee of EUR 1 thousand was paid to

WAPAG AG in Munich of which Mr. Wilhelm is the CEO. Commissions totalling EUR 10 thousand were also paid to Mayrhofer Finanz und Kommunikation GmbH of which Mr. Mayrhofer is the managing director.

(49) Members of the Managing and Supervisory Boards

During the year under review, the following were appointed as members of the Managing Board:

Mr. Thomas Posovatz, Munich, Stock Market Broker
Mr. Herbert Schuster, Gauting, Stock Market Broker

Mr. Posovatz is a member of the Supervisory Board of the Bayerische Börse AG, Munich.

Mr. Schuster is a member of the Supervisory Board of the Konsortium AG, Augsburg. He is also a member of the Supervisory Board of the Möbel Grennrich AG, Gräfelfing.

The company's Supervisory Board was composed of the following members:

Dr. Ottheinz Jung-Senssfelder, German Lawyer, Chairman
Mr. Thomas Mayrhofer, German Lawyer, Deputy Chairman
Mr. Michael Wilhelm, Auditor/Tax Adviser

(50) 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 7.88 % interest via the FMNP GmbH.

In addition to his position on mwb Wertpapierhandelsbank AG's Supervisory Board, Dr. Jung-Senssfelder held office at the following companies in 2006:

- Hypoport AG, Berlin (Chairman)
- IC Immobilien Holding AG, Munich (Deputy Chairman)

In addition to his position on mwb Wertpapierhandelsbank AG's Supervisory Board, Mr. Mayrhofer held offices on the Supervisory Boards of the following companies in 2006:

- BrainLAB AG, Kirchheim-Heimstetten (Deputy Chairman),
- Primus AG, Munich (Chairman),
- PTV Planung Transport Verkehr AG, Karlsruhe,
- TV Loonland AG, Unterföhring

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.

(51) Group Auditor's fee

In fiscal year 2006, expenses of EUR 93 thousand have been recorded for auditing the financial statements and EUR 14 thousand expenses for consulting services in connection with the external tax audit.

Gräfelfing, March 13, 2007

Auditor's report

We have audited the consolidated financial statements prepared by the mwb Wertpapierhandelsbank AG, Gräfelfing, 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, 2006. 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 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 § 317 HGB [Handelsgesetzbuch „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 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 11, 2007

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Schobel
Wirtschaftsprüfer

Schrödl
Wirtschaftsprüferin



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