



märkte · wertpapiere · börsen

Third Quarter Report 2006



At a glance

MWB-Konzern	1 st – 3 rd Quarter 2006		1 st – 3 rd Quarter 2005		+/- in %
Commission result	TEUR	1,905	TEUR	1,888	+1 %
Trading result	TEUR	6,217	TEUR	4,388	+42 %
Personnel expenses	TEUR	2,218	TEUR	1,666	+33 %
Administrative expenses	TEUR	4,369	TEUR	3,975	+10 %
Profit from ordinary activities	TEUR	2,126	TEUR	1,014	+110 %
Net profit	TEUR	2,035	TEUR	908	+124 %
Balance sheet total	TEUR	21,208	TEUR	19,867	+7 %
Equity	TEUR	17,953	TEUR	16,504	+9 %
Earnings per share	€	0.40	€	0.18	+122 %
Number of employees		35		28	+25 %

Financial Calendar

Date	Topic	Place
23/10/06	Publication of third quarter figures	
11/11/06	Stock Exchange Day	Munich

The Company

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Founded in 1993

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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.

Business in the third quarter 2006

The circle is closing: after a few rather reserved months, the DAX returned again to the five-year high that it had already reached in May 2006. Without making too hasty predictions, we anticipate a generally satisfactory stock-market year – with a meaningful impact on business for German securities trading banks. mwb has been able to reinforce its position on the market during the first three quarters, which was also reflected in the share price. Compared to September 30, 2005, mwb's share price has increased by around one third, and at the end of Q3 2006 was listed at just below five euros. But this turned out to be a mere snapshot, vaulting only a few days later over the six-euro hurdle. The third quarter of 2006 also witnessed the final merger with C.J. Diederich GmbH, so that the name "mwb" now also stands for bond trading. With the expansion of our capital markets business (see Institutional Clients Division) and the simultaneous renaming of our company to "mwb Wertpapierhandelsbank", there are more than enough reasons to close the year on an optimistic note. A statement of our increased corporate self-confidence can be seen in our new logo, which you see for the first time on the cover of this quarterly report.

New mwb Logo

Our new logo represents all the attributes that mwb has brought into play over the past two years, ringing in the changes for the company: a young mindset, flexibility, an unconventional attitude, and an open mind for changes – and all this without becoming any less earnest. mwb's clear structure and strategy is now also reflected in its outward appearance. It is easier to recognize and is markedly distinguishable from our competitors – with the same timeless look that has characterized our website since the summer of this year.

But symbols alone are not enough. What matters in the long run is whether mwb can live up to its new image in its day-to-day business. And in view of a reserved third quarter of 2006, it is evident that we've done our homework. Profits from ordinary activities nearly doubled compared to the same period of

2005 – despite a downturn in turnover during the summer and the extreme reserve shown by retail investors. The Lebanon conflict, high commodities prices, and the never-ending discussions in the EU surrounding interest rates generated a perceptible sense of unrest on the capital markets. And yet a light was seen at the end of the tunnel already in mid-August: the ceasefire in the Middle East caused oil prices to slump so low that OPEC considered reducing its output. These underlying conditions were conducive to a consistent recovery on the stock market during September. After having bottomed out in July, the DAX rapidly lifted by more than 600 points. This fulfills our forecast to date: the index will close the year at above 6,000 points provided that there are no unforeseen events.

Securities Trading Division

As forecast by us – and as is unfortunately normal in the summer months – turnover in foreign stocks fell noticeably from July to September. In Q3 2006 the level was nearly identical to the third quarter of 2005, whereas volume was clearly up in Q1 and Q2 compared to last year's figures. However the temporary slump did not change the fact that the Securities Trading division, in particular specialist business, again made the largest contribution to the company's earnings. This division accounted for 81 % of total earnings in Q3 2006, with the new bond-trading segment generating 10 % of commission income, thus remaining stable over the course of the year. All in all, lead brokerage for equities, bonds, and investment funds is still mwb's core business, contributing around 58 % to commission income and 81 % to trading profits.

The importance of specialist business is also reflected in the number of securities we support. As of the end of Q3 2006, mwb managed 5,150 order books, including 947 bonds from the former Diederich GmbH. We are therefore supporting more individual securities than ever before, and are successively expanding our position as a trading specialist on German stock exchanges.

Institutional Clients Division

The mood among institutional investors can best be described in the third quarter of this year with "cautious to expectant". The disappointing IPOs in the preceding months had a significant impact in this regard. The champagne mood invoked by last year's IPO of Premiere quickly turned into a serious hangover, and other issuers had to adjust their book-building ranges downwards quite significantly this year to ensure that the entire IPO was not jeopardized. Even massive advertising campaigns, as that run by "Air Berlin", were not able to dispel the skepticism demonstrated by private and institutional investors. Given this background, institutional sales, order execution, designated sponsoring, and capital markets business only contributed 7 % to total earnings in the third quarter of this year. However based on the period so far, this results in a respectable 14 % that we believe can be expanded on.

At the end of September, mwb proceeded a capital increase with a volume of EUR 3 million for ENRO AG. In the fourth quarter of 2006, we are continuing to prepare for the first IPO under the new "Wertpapierhandelsbank" label. For internal, organizational reasons on the part of the issuer, this IPO has been switched from the originally scheduled third to the fourth quarter.

Private Clients Division

Our subsidiary MWB Baden GmbH made a stable contribution to consolidated earnings in 2006 to date. As expected, growth has leveled off after the massive increase in 2005. As of September 30, MWB Baden GmbH managed 437 accounts with a volume totaling EUR 33 million. The contribution made by private asset management to the total commission income was slightly lower than previously at 10 %, this being traceable to the proportional increase of order-book management. We believe that growth will continue at a moderate level in the Private Clients division during the fourth quarter of 2006.



Earnings

Notes to the consolidated quarterly financial statements

The mwb group has prepared its consolidated financial statements for the first nine months of 2006 in line with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) in order to provide its shareholders and all interested parties with an internationally comparable basis to evaluate the mwb group and the results of its operations, and at the same time to meet the requirements of Deutsche Börse AG for the Prime Standard market segment. The interim report is in line with the requirements of IAS 34.8 and IAS 34.11 for quarterly financial statements. The basic earnings per share are the same as the diluted earnings per share and total EUR 0.40 (previous year: EUR 0.18).

Merger of C.J. Diederich Wertpapierhandelsgesellschaft mbH with mwb Wertpapierhandelsbank AG

In the third quarter of 2006 and retroactive to January 1, 2006, mwb Wertpapierhandelsbank AG concluded the merger with C.J. Diederich Wertpapierhandelsgesellschaft mbH, which operates as a lead broker for fixed-interest securities. The merger followed the acquisition of a 100 % interest in C.J. Diederich GmbH at a purchase price of EUR 1,500 thousand plus incidental acquisition costs totaling EUR 6 thousand in the first quarter of 2006. As of June 30, 2006, the purchase price was reduced according to the contract by half of the net loss of C.J. Diederich GmbH that existed on this date in the amount of EUR 18 thousand, resulting in a total purchase price of 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 GmbH'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 amounts carried on the date of the acquisition. With commission income and trading profits totaling EUR 187 thousand, C.J. Diederich GmbH's profits from ordinary activities totaled EUR -11 thousand as of September 30, 2006.

Dividend disbursement

After the resolution by the general shareholders' meeting, on July 13, 2006 mwb Wertpapierhandelsbank AG paid a dividend of EUR 0.18 per no-par value share with a dividend entitlement from its net profits for fiscal year 2005 in the amount of EUR 1,320 thousand. After deducting the treasury shares held by the company with no dividend entitlement, this resulted in a disbursement amount of EUR 896 thousand. The remaining amount of EUR 424 thousand was carried forward to new account.

Accounting and Valuation Policies

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 are applied. The consolidated financial statements as of September 30, 2006 include mwb Wertpapierhandelsbank AG as the parent company, the wholly-owned subsidiary MWB GmbH and the 60 % interest in MWB Baden GmbH. We consistently apply accounting, valuation, and disclosure methods in line with the IFRS framework concept. The same accounting and valuation principles were applied in these quarterly financial statements as

in our IFRS financial statements as of December 31, 2005. In particular, all of our assets held for dealing purposes are carried at their fair value on the balance sheet, and treasury shares within the meaning of IAS 32.33 are deducted from equity.

Commission Income and Trading Profits

mwb significantly surpassed last year's commission income and trading profits in the first three quarters of 2006. An improvement from EUR 6,276 thousand on September 30, 2005 to EUR 8,122 thousand at the end of the third quarter 2006 was experienced. This represents an increase of around 29 percent. Despite moderate trading volumes from July to September, it was possible to increase commission income slightly year-on-year by EUR 17 thousand to EUR 1,905 thousand. Trading profits significantly increased to EUR 6,217 thousand compared to EUR 4,388 thousand. As previously mentioned, commission income and trading profits were once again dominated by the contribution made by specialist business, which totaled 73 % – growth which will undoubtedly continue in the coming months.

General Administrative Expenses

mwb's improved human resources and organizational structure is bearing fruit, and this has been impressively displayed over the past few weeks: as soon as trading turnover falls, as in the third quarter, costs automatically sink. This especially applies not only to variable costs for processing securities transactions, but to staff costs as well. The reversal of provisions for bonus payments means that these adapt flexibly in periods with lower earnings. This "breathing costs" principle also means that general administrative expenses have increased to a far lesser extent than the commission income and trading profits. Personnel costs increased by 33 % as of September 30, 2006 to EUR 2,218 thousand, and other administrative

expenses increased by only 10 % to EUR 4,369 thousand. Overall, this constitutes a 17 % increase of EUR 947 thousand in general administrative expenses to EUR 6,587 thousand. This is offset by a 110 % improvement in earnings, or EUR 1,112 thousand in absolute figures.

Profits from Ordinary Activities and Net Income for the Period

Despite a rather mediocre summer, the upwards trend is continuing at mwb. Compared to September 30, 2005, profits from ordinary activities have nearly doubled. As mentioned above, these increased by 10 % to EUR 2,126 thousand. Net income shows a similar picture, which totaled EUR 2,035 thousand for Q3 2006 – up EUR 908 thousand in the course of one year. These figures provide impressive proof that mwb is unrelentingly continuing its growth course, and that it can survive even strong fluctuations in the climate on the stock markets without losing substance.

Equity and Liquidity

mwb was also able to expand its strong equity and liquidity position in the first nine months of 2006. Compared to the end of 2005, equity increased from EUR 16,855 thousand to EUR 17,953 thousand. The equity ratio was therefore around 85 %. Cash and cash equivalents fell only slightly as of September 30, 2006 as a result of the Diederich acquisition and our dividend disbursement in July by EUR 524 thousand to EUR 12,328 thousand. At the end of 2005 this figure totaled EUR 12,852 thousand. As we anticipate a livelier stock market in the fourth quarter of 2006, the company's capitalization will continue to improve according to all expectations.

Own shares

On September 30, 2006, the company held 5,000 own shares. A total of 14,830 shares were bought and 10,970 shares were sold between January and September 2006. The average acquisition price

totaled EUR 4.54, the average selling price totaled EUR 4.12.

This corresponds to a nominal value of EUR 5,000 and a 0.1 % interest in the share capital.

of sales and income, in particular with regard to IPOs for SMEs, and intend to develop this market intensively in the coming year.

Outlook

Although some stock-market gurus consider themselves prophets, lasting truth is generally found on the trading floor. This year the "farmers' rules" once again held true: "sell in May and go away" and "but remember to come back in September". And September really was witness to an impressive comeback, which continued seamlessly into the first weeks of October. This positive mood is also gradually wafting over to private investors, which will be reflected in higher turnover for foreign stocks. For mwb it is quite certain that Q4 will prove to be very good, compensating for the brief slump in the summer. At the time this quarterly report went to print, everything was pointing towards a respectable year-end spurt which could only be hindered by drastic political events. As a result, we anticipate significantly positive earnings in 2006, even exceeding 2005.

The farther one looks into the future, however, the more difficult forecasting becomes. At present, no one can say how the VAT increase and the Grand Coalition's reform plans will impact private investors' behavior. The economic situation in the USA is also more likely to put the brakes on the capital markets, rather than spur them on. Against this background, it is even more important for mwb to be excellently equipped to enter into 2007. Our wide range of activities in various market segments means diversified income sources, even though specialist business will initially continue to drive our earnings. The controlled entry into capital markets business – while keeping a keen eye on our costs/earnings ratio – has proven to be an interesting supplement in a mixed stock-market environment. We believe that there is still substantial potential for growth in terms



Consolidated Balance Sheet according to International Financial Reporting Standards

as of September 30, 2006

Assets

	30/09/2006	31/12/2005
	EUR	EUR
Cash reserve	1,880.34	1,076.99
Receivables from banks	12,720,928.50	13,273,807.47
Assets held for dealing purposes	829,425.11	774,982.53
Financial assets	3,626,359.42	2,435,479.42
Intangible assets	166,580.54	215,393.54
Property, plant and equipment	426,760.57	327,027.16
Income tax assets	1,294,942.78	1,280,128.54
Other assets	2,140,923.87	1,436,850.58
Total assets	21,207,801.13	19,744,746.23

Liabilities

	30/09/2006	31/12/2005
	EUR	EUR
Liabilities to banks	394,941.75	422,680.00
Liabilities from dealing activities	56,877.79	18,548.58
Provisions	872,262.00	844,194.00
Income tax liabilities	150,278.82	132,318.94
Other liabilities	1,780,546.43	1,471,669.54
Equity	17,952,894.34	16,855,335.17
Subscribed capital	4,982,700.00	4,982,700.00
Capital reserves	3,945,101.02	3,945,101.02
Retained earnings	8,591,601.75	8,506,299.01
Revaluation surplus	-20,550.00	0.00
Depreciation of own shares	-2,062,992.35	-2,042,030.21
Unappropriated profit	2,344,532.04	1,319,628.43
Minority interest	172,501.88	143,636.92
Total liabilities and equity	21,207,801.13	19,744,746.23

Consolidated Profit and Loss Account according to International Financial Reporting Standards

for the Period from January 1 to September 30, 2006

	01/01/-30/09/2006	01/01/-30/09/2005
	EUR	EUR
Interest income	347,334.37	241,772.13
Interest expenses	-11,853.08	-5,418.66
Net interest income	335,481.29	236,353.47
Commission income	2,453,103.83	2,922,169.58
Commission expenses	-547,833.02	-1,034,417.06
Net commission income	1,905,270.81	1,887,752.52
Trading income	14,176,913.87	8,906,991.59
Trading expenses	-7,959,495.80	-4,519,385.02
Trading profit	6,217,418.07	4,387,606.57
Net income from financial assets	18,293.72	0.00
Administrative expenses	-6,587,142.59	-5,640,344.54
Balance of other income / expenses	236,380.26	142,304.13
Profit from ordinary activities	2,125,701.56	1,013,672.15
Income taxes on profit from ordinary activities	-90,644.25	-105,632.41
Net profit	2,035,057.31	908,039.74
Minority interest of net profit	-28,864.96	-38,532.66
Net profit without minority interest	2,006,192.35	869,507.08
Profit carried forward from previous year	423,642.43	0.00
Transfer to retained earnings	-85,302.74	182,466.47
Unappropriated profit	2,344,532.04	1,051,973.55

Consolidated Profit and Loss Account according to International Financial Reporting Standards

Quarter-by-quarter comparison

	3rd Quarter 2006	3rd Quarter 2005
	EUR	EUR
Interest income	121,092.13	80,846.80
Interest expenses	-1,119.39	-1,264.27
Net interest income	119,972.74	79,582.53
Commission income	553,462.68	783,021.03
Commission expenses	-119,735.53	-200,769.34
Net commission income	433,727.15	582,251.69
Trading income	1,950,294.06	3,586,564.65
Trading expenses	-1,042,144.77	-1,698,032.05
Trading profit	908,149.29	1,888,532.60
Net income from financial assets	15,322.08	0.00
Administrative expenses	-1,650,497.99	-2,056,287.97
Balance of other income / expenses	42,089.91	54,401.57
Profit from ordinary activities	-131,236.82	548,480.42
Income taxes on profit from ordinary activities	155,218.85	-87,705.98
Net profit	23,982.03	460,774.44
Minority interest of net profit	-3,745.71	-25,829.01
Net profit without minority interest	20,236.32	434,945.43
Profit carried forward from previous year	-895,986.00	0.00
Transfer to retained earnings	-51,525.38	44,390.99
Unappropriated profit/loss	-927,275.06	479,336.42

Statement of Changes in Equity

for the Period from January 1 to September 30, 2006

	2006	2005
	TEUR	TEUR
Equity as of January 1	16,855	15,460
Subscribed capital		
As of January 1	4,983	4,983
As of September 30	4,983	4,983
Capital reserves		
As of January 1	3,945	3,945
As of September 30	3,945	3,945
Retained earnings		
As of January 1	8,506	8,885
Change	86	-183
As of September 30	8,592	8,702
Revaluation surplus		
As of January 1	0	0
Change	-21	0
As of September 31	-21	0
Own shares		
As of January 1	-2,042	-2,353
Change	-21	175
As of September 30	-2,063	-2,178
Consolidated profit		
As of January 1	1,320	0
Change in unappropriated profit	1,025	1,052
As of September 30	2,345	1,052
Minority interest		
As of January 1	144	0
Change	29	0
As of September 30	173	0
Equity as of September 30	17,953	16,504

Consolidated Cash Flow

for the Period from January 1 to September 30, 2006

	01/01/-30/09/2006 TEUR	01/01/-30/09/2005 TEUR
Consolidated net profit	2,006	870
Adjustment 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	199	143
Change in long-term provisions	28	52
Loss from disposal of financial assets	0	0
Change in minority interest	29	39
Other adjustments (balance)	-150	580
	2,112	1,684
Change in assets and liabilities from operating activities		
Change in receivables from customers	73	-77
Change in trading position	-15	150
Change in other assets from operating activities	-792	-219
Change in other liabilities from operating activities	326	223
Interest received	244	159
Interest paid	-12	-5
Received income tax	-89	-23
Cash flow from operating activities	1,847	1,892
Proceeds from disposal of financial assets	102	0
Investments in property, plant and equipment	-8	0
Investment in tangible fixed assets	-215	-70
Investment in financial assets	-1,331	0
Change in cash flow from other investing activities	0	0
Cash flow from investing activities	-1,452	-70
Net-change in purchases and sales of own shares	-22	-539
Dividends paid	-896	0
Cash flow from financing activities	-918	-539
Change in cash and cash equivalents	-523	1,283
Cash and cash equivalents at beginning of the period	9,101	10,361
Cash flow from operating activities	1,847	1,892
Cash flow from investing activities	-1,452	-70
Cash flow from financing activities	-918	-539
Cash and cash equivalents at end of period	8,578	11,644

Segment Reporting

as of September 30, 2006

	30/09/2006	30/09/2005
	TEUR	TEUR
Specialist Business, Securities Trading		
Net interest income	299	223
Net commission income	1,377	1,486
Trading profit	6,219	4,388
Net income from financial assets	0	0
Personnel expenses	1,926	1,490
Scheduled depreciation of property, plant and equipment and intangible assets	156	128
Other administrative expenses	4,190	3,863
Balance of other operating income / expenses	235	141
Net income for the year	1,979	834
Assets	19,394	19,515
Asset Management		
Net interest income	17	13
Net commission income	343	402
Trading profit	0	0
Net income from financial assets	0	0
Personnel expenses	167	176
Scheduled depreciation of property, plant and equipment and intangible assets	7	10
Other administrative expenses	86	90
Balance of other operating income / expenses	1	1
Net income for the year	78	96
Assets	1,223	1,204
Bond trading		
Net interest income	20	-
Net commission income	185	-
Trading profit	4	-
Net income from financial assets	18	-
Personnel expenses	125	-
Scheduled depreciation of property, plant and equipment and intangible assets	7	-
Other administrative expenses	88	-
Balance of other operating income / expenses	0	-
Net income for the year	-11	-
Assets	1,456	-
Consolidation		
Net interest income		
Net commission income		
Trading profit	-6	0
Net income from financial assets		
Personnel expenses		
Scheduled depreciation of property, plant and equipment and intangible assets	3	0
Other administrative expenses	5	22
Balance of other operating income / expenses		
Net income for the year	-11	-22
Assets	-865	-852
Group		
Net interest income	336	236
Net commission income	1,905	1,888
Trading profit	6,217	4,388
Net income from financial assets	18	0
Personnel expenses	2,218	1,666
Scheduled depreciation of property, plant and equipment and intangible assets	173	138
Other administrative expenses	4,369	3,975
Balance of other operating income / expenses	236	142
Net income for the year	2,035	908
Assets	21,208	19,867

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