

SAL. OPPENHEIM

Annual Report 2007

The 219<sup>th</sup> Financial Year



	2007	2006
	€M	€M
Total assets	41,090	35,347
Risk assets	17,540	15,807
Equity	2,174	1,935
Profit/(loss) from ordinary activities	333	309
Net income for the period	255	241
Pre-tax return on equity (%)	16.4	16.5
Equity ratio (%)	11.8	12.3
Cost/income ratio (%)	92.3	80.2
Employees (annual average)	3,769	3,490

Fitch Ratings Ltd.	Long-term	Short-term	Individual rating
	A	F1	B/C

KEY FINANCIAL FIGURES IN ACCORDANCE WITH IFRS FOR THE GROUP

Annual Report 2007  
Sal. Oppenheim jr. & Cie. S.C.A.

The 219<sup>th</sup> Financial Year

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## Boards and Committees

**SUPERVISORY BOARD**

Georg Baron von Ullmann, *Chairman*  
Friedrich Carl Freiherr von Oppenheim, *Deputy Chairman*  
Nicolaus Freiherr von Oppenheim  
Henri Pferdmeniges  
Romain Bausch  
Paul Mousel

**SHAREHOLDERS' COMMITTEE**

Karin Baronin von Ullmann, *Honorary Chairwoman*  
Friedrich Carl Freiherr von Oppenheim, *Chairman*  
Georg Baron von Ullmann, *Deputy Chairman*  
Ilona Gräfin von Krockow  
Isabelle Marquardt  
Peter W. Marx  
Nicolaus Freiherr von Oppenheim  
Henri Pferdmeniges  
Dr. Clemens Freiherr von Wrede

**PERSONALLY LIABLE PARTNERS**

Matthias Graf von Krockow, *Spokesman*  
Detlef Bierbaum  
Friedrich Carl Janssen  
Christopher Freiherr von Oppenheim  
Dieter Pfundt

**MANAGEMENT COMMITTEE**

Matthias Graf von Krockow  
Friedrich Carl Janssen  
Ralf J. Baukloh  
Rolf Enders  
Alfons Klein  
François Pauly  
Dr. Thomas Sonnenberg  
Manfred Uthoff

As at: 31 December 2007

## 2007 Overview

Merger of Sal. Oppenheim International S.A. and  
Bank Sal. Oppenheim jr. & Cie. (Luxembourg) S.A.  
to form the new Group parent company Sal. Oppenheim jr. & Cie. S.C.A.

\*

Profit from operating activities before taxes up to € 333 million

\*

Increase in assets under management to € 152 billion

\*

Advisory services for more than 30 transactions in German-speaking  
countries with a total volume of over € 10 billion

\*

Sal. Oppenheim supported the first IPO of a Chinese company  
on the Prime Standard of the Frankfurt Stock Exchange

\*

Paris office opened with a focus on equity sales services for institutional clients

\*

100% takeover of shares in French asset management company Financière Atlas S.A.

\*

Oppenheim Landert Family Office AG formed in Switzerland

\*

Equity investment in US investment bank MillerBuckfire, New York,  
and strategic partnership in Investment Banking

\*

100% takeover of shares in Oppenheim Pramerica

\*

New location on Oppenheimstrasse in Cologne, and land and property acquired  
on Bockenheimer Landstrasse in Frankfurt am Main

\*

“Best Local Private Bank Germany” award from  
a survey by finance magazine “Euromoney”

\*

“Best German research company” award from  
a survey by Starmine/Thomson Financial and Handelsblatt newspaper

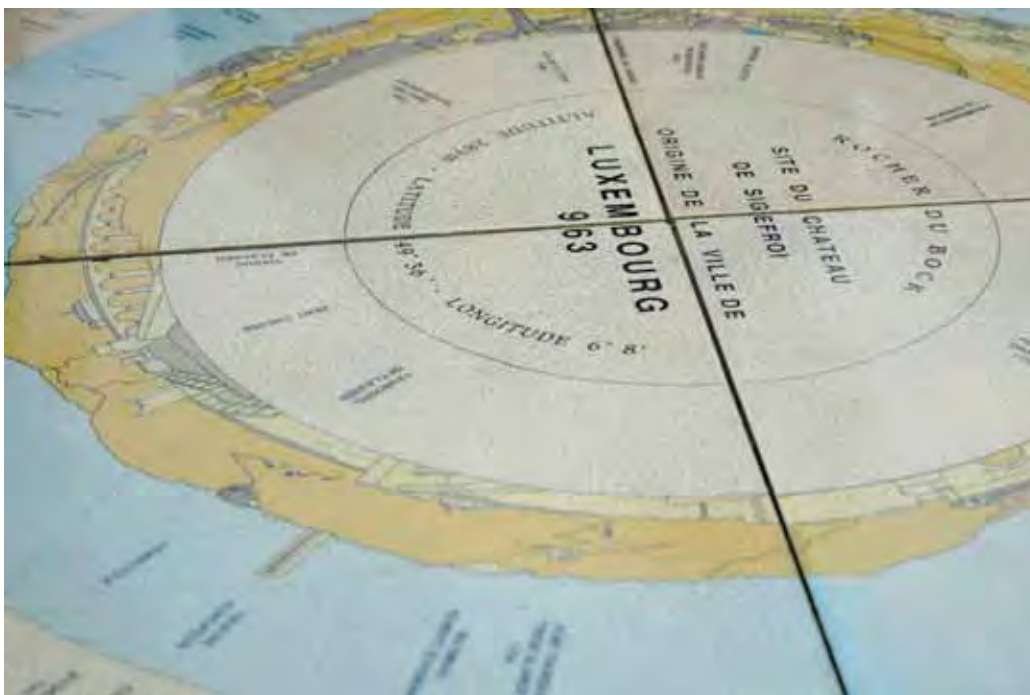
\*

First place in German fund awards 2007 and the Lipper Award 2007  
for the bond fund management of OKAG and Pramerica Financial

\*

Numerous awards for Sal. Oppenheim certificates  
in annual survey by stock market magazine DER AKTIONÄR

Report of the Personally  
Liable Partners



SAL. OPPENHEIM JR. & CIE. S.C.A.

*Since 1 July 2007, Sal. Oppenheim jr. & Cie. S.C.A., resulting from the holding company Sal. Oppenheim International S.A. merging with Bank Sal. Oppenheim jr. & Cie. (Luxembourg) S.A., is the new Group parent company headquartered in Luxembourg.*

Luxembourg, 10 April 2008

Dear clients, business associates and shareholders,

The Group coped well with the remarkable financial year of 2007. Our strategic positioning as an integrated asset management and investment bank has proved to be the right move especially in these turbulent times. Thanks to our conservative risk policy and our successful risk management, we were barely affected by the turmoil on the capital markets. So we are able to report the most successful year in the 219-year history of our family business, with profit from operating activities for the whole Group increasing 7.8% to € 333 million.

All of our business divisions, branch offices, subsidiaries and affiliated companies contributed to this substantial success. BHF-BANK also made another encouraging contribution to the Group's total earnings, having experienced a profitable growth phase in its third year under our management.

The values of an owner-managed company are what unite us with our clients, many of whom are entrepreneurs themselves. Reliability, sustainable management, sound balance sheet and financial positions as well as corporate and social responsibility are the values we are committed to and represent.

Our contribution to social responsibility is the creation of long-term secure jobs. In the past year, the Sal. Oppenheim Group gained 335 new employees, taking the total staff, including BHF-BANK, to 4,107 at the end of the year. We currently employ 3,414 people in Germany, 136 more than last year. After all, our Bank's economic success is only possible thanks to our highly qualified and motivated staff whose commitment has gained the trust of our clients and earns it anew every day. On behalf of my partners and the entire Bank family, I would like to sincerely thank all our employees for this outstanding commitment.

In order to be able to fully exploit our business potential internationally, we moved the Group headquarters to Luxembourg with effect from 1 July 2007. As one of Europe's leading financial centres which is recognised on the international stage, Luxembourg is an ideal location for the further expansion of our international business. The successful bundling of all Group activities in the new Group parent company Sal. Oppenheim jr. & Cie. S.C.A. is now complete.

The European dimension of our services and our focus on our clients' needs have top priority and form the core of our corporate philosophy. However, the Bank's particularly strong position on the German

market remains key to international success. We believe that we continue to have good chances of gaining further market share in Germany. By expanding our capacities at each of our locations, we have laid the foundation for continuously developing business there.

We intensified existing client relationships in Asset Management, as well as gaining an encouraging number of new clients. The volume of assets under our management rose by € 14 billion to a record € 152 billion. This reflects our clients' sustained great trust in our asset management.

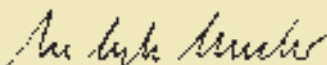
Despite an extremely demanding capital market in the second half of the year, the investment bank again achieved a very good result under these circumstances. The number of mandates, transactions and issues reached new highs; we also received many awards. The progress in the integration of Investment Banking and Asset Management benefits both divisions equally.

Our investments in private equity, which is key for Sal. Oppenheim, are becoming increasingly important. Here, the interests of the Bank and the family are in line with those of our clients through joint investments.

The key to our business and the basis of our success is continued strengthening of our capital base. We extend thanks to our shareholders for again making the majority of the net profit generated available as a capital increase. This allowed € 239 million to be added to the capital base, increasing equity to € 2.2 billion.

Our corporate philosophy primarily focuses on the needs of our clients. We pursue a solid and low-risk business policy, which is particularly important during difficult market phases. We aim to continue our sound development, applying entrepreneurial skill, and to confirm the trust placed in us.

Yours faithfully,



Matthias Graf von Krockow

FORMAL RECEPTION IN LUXEMBOURG



15 OCTOBER 2007

## Formal reception at Luxembourg's Neumünster Abbey

In order to be able to fully exploit international growth opportunities in the future, Sal. Oppenheim moved the Group headquarters to Luxembourg with effect from 1 July 2007. On 15 October, the personally liable partners of the newly formed Sal. Oppenheim jr. & Cie. S.C.A. officially introduced themselves to representatives of the Luxembourg government, the European parliament and the financial centre of Luxembourg at a formal reception in the historical setting of Luxembourg's Neumünster Abbey.

As the seat of many EU institutions and home to over 150 banks, Luxembourg is an ideal location for the further expansion of our international business. It gives Sal. Oppenheim the opportunity to develop its tried and tested integrated asset management and investment bank business model both within Europe and beyond. With this strategy, the Bank is responding to the demands of a client base for which international standards have long been a matter of course. Sal. Oppenheim already generates more than a third of its revenue in markets outside of Germany. This should increase to around 50% in the medium term.

Matthias Graf von Krockow, spokesman for Sal. Oppenheim's personally liable partners, expressed his thanks for the warm welcome to Luxembourg in his speech to around 400 guests representing politics, business and the community, and spoke of another clear example of our ties to the Grand Duchy: Sal. Oppenheim plans to support future generations in the financial sector with a donation of € 1 million to the Luxembourg School of Finance (LSF) foundation. The LSF's best research publication will be awarded the Oppenheim Prize each year from now on.

FIG. 01 NEUMÜNSTER ABBEY PROVIDES A HISTORICAL SETTING FOR THE FORMAL RECEPTION ON 15 OCTOBER 2007 IN LUXEMBOURG

FIG. 02 FRIEDRICH CARL FREIHERR VON OPPENHEIM, CHAIRMAN OF THE SHAREHOLDERS' COMMITTEE

FIG. 03 FROM LEFT TO RIGHT: CHRISTOPHER FREIHERR VON OPPENHEIM, PERSONALLY LIABLE PARTNER, JEAN-CLAUDE JUNCKER, PRIME MINISTER OF THE GRAND DUCHY OF LUXEMBOURG, LUC FRIEDEN, MINISTER OF JUSTICE AND MINISTER FOR THE BUDGET

FIG. 04 FROM LEFT TO RIGHT: DETLEF BIERBAUM AND DIETER PFUNDT, PERSONALLY LIABLE PARTNERS

FIG. 05 GEORG BARON VON ULLMANN, CHAIRMAN OF THE SUPERVISORY BOARD

FIG. 06 FRIEDRICH CARL JANSSEN, PERSONALLY LIABLE PARTNER

FIG. 07 JEAN-CLAUDE JUNCKER, PRIME MINISTER OF THE GRAND DUCHY OF LUXEMBOURG

FIG. 08 MATTHIAS GRAF VON KROCKOW, SPOKESMAN FOR SAL. OPPENHEIM'S PERSONALLY LIABLE PARTNERS

FIG. 09 PRESENTING THE CHEQUE TO LUCIEN THIEL, PRESIDENT OF THE LUXEMBOURG SCHOOL OF FINANCE FOUNDATION

## Business Activities

BUSINESS DIVISIONS

## Asset Management

**SAL. OPPENHEIM'S SUCCESS AS AN INTEGRATED ASSET MANAGEMENT AND INVESTMENT BANK IS DUE not least to the close cooperation between the Asset Management and Investment Banking divisions. In order to increase the benefits for our clients from this intensive expertise transfer, we joined together the Asset Management and Private Banking units at the end of 2007, which had previously worked largely separately. Christopher Freiherr von Oppenheim is responsible for this division, which works in cooperation with both the internal Investment Banking division and leading external product specialists in order to be successful in the market.**

### INSTITUTIONAL ASSET MANAGEMENT

In asset management, the service offering of a global asset management provider is available to Sal. Oppenheim clients. This means a wide variety of institutional and mutual funds and other asset management mandates, which are the result of an active, fundamentally designed investment process followed in a strictly disciplined manner.

The fact that this concept was successful again in 2007 is highlighted by the encouraging increase in assets under management by our investment companies in Germany, Luxembourg and Ireland by € 8.3 billion, almost 20%, to € 51.4 billion.

The global network of financial markets meant that the crisis on the US mortgage market last year was not limited to the USA. The majority of the world's key markets were affected – to varying degrees. The effects of this subprime crisis were also felt in all segments of the bond market. Although our Bank was not involved with the US mortgage or securitisation markets, we were indirectly affected by the crisis due to the traditionally strong fixed income exposure of our Asset Management. However, we are satisfied with the investments on the bond market, which are, on balance, positive.

As a result of the turbulence, many investors – particularly private investors – remained understandably on the defensive, and were unable to overcome their restraint towards stock investments even when the environment improved later in the year. On the other hand, investors were more open to higher-risk investment forms in the institutional business again, investing increasingly in mutual funds.

Consequently, development in our mutual fund business was very encouraging – assets under management passed the € 20 billion mark for the first time. Oppenheim Fonds Trust GmbH (OPFT) acquired net new assets considerably above its market share.

The retail business of Luxembourg-based Oppenheim Asset Management Services S.à r.l. (OPAM) also recorded significant growth, with a total net sum of around € 6.2 billion in new funds invested.

In contrast, German sister company Oppenheim Kapitalanlagegesellschaft mbH (OKAG) had to post redemptions, although the shifting of client assets within the Sal. Oppenheim Group meant that in particular OPAM's money market fund profited from this.

On the institutional market, Sal. Oppenheim reported net new business of around € 790 million in 2007. This led to encouraging growth in assets under management, to € 31.3 billion. In particular, the master investment company concept (Master KAG) has gained strength in the past year. The increase in demand resulted in a shift of new business from OKAG to the benefit of its sister company Oppenheim Capital Management GmbH (OCM).

Alternative Investments succeeded in keeping to a minimum the impacts of the subprime crisis on the investment products we sell. Our London equity investment Integrated Alternative Investments (IAM), which specialises in the design and management of funds of hedge funds, expanded further with the majority takeover of Altigefi in Paris, and now manages assets worth over € 2 billion.

Although we strategically reduced our interest in the very successful Oppenheim Immobilien-Kapitalanlagegesellschaft mbH (OIK) to 6% in January 2007, there has been no change in our intensive cooperation. OIK is the market leader in real estate institutional funds in Germany with a fund volume of around € 10 billion. The Wiesbaden-based company, which is now 94%-owned by IVG Immobilien AG, recently changed its name to IVG Institutional Funds GmbH. The former OIK remains our preferred partner for the implementation of special real estate solutions for our clients in institutional asset management.

We also further improved services for our institutional clients in technical terms last year, with new fund accounting software and an internet portal for institutional client reporting.

	2007	2006
	€ M	€ M
Income	230	168
Expenses	-109	-90
Risk costs	0	0
<b>Profit/(loss) from operating activities</b>	<b>121</b>	<b>78</b>
Cost/income ratio	48.3%	53.7%

INSTITUTIONAL ASSET MANAGEMENT SEGMENT REPORT IN ACCORDANCE WITH IFRS



*Private Banking Survey 2008*, thereby again improving its position.

*For the fourth year in a row, the English-language finance magazine "Euromoney" judged Sal. Oppenheim the best German private bank. Sal. Oppenheim also placed first as private bank with the best ultra-high net worth service (for assets of more than € 30 million), in the "Euromoney*



*"Capital" magazine recognised Oppenheim Fonds Trust GmbH (OPFT) as "Climber of the Year" in the mutual fund business. OPFT clearly improved its position more than all other companies and in comparison to the previous year by moving up from 21st place to 7th place in the annual "Capital" rating of investment companies.*

#### PRIVATE ASSET MANAGEMENT

In the reporting year, we continued to gain many new clients in Germany and abroad, thanks to our expertise, and further increased assets under our management. Together with Investment Banking, we developed an integrated asset planning programme for our clients, which made a significant contribution to this success. In view of the mounting economic worries in the US, we increasingly changed client portfolios over to more cautious investment alternatives. Although this partly missed the year-end rally, the first few months of 2008 revealed that the restraint was more and more justified.

The traditional securities business inclined further towards fund solutions in the reporting year. Fund structures for asset allocation which determine far in excess of 80% of the overall performance of a security investment are now accepted and are offered in a cost-efficient manner. Holders of large assets are also increasingly demanding this form of investment. In autumn 2007, we developed a modular fund concept with two components. The first component relates to managing equity, bond and alternative investment asset classes within separate funds. The second relates to active control of the weighting of the equity and bond ratios in an overall portfolio via an asset allocation fund. The result is that the client receives an individual overall portfolio which has the input of Sal. Oppenheim's expertise both at asset class level and in terms of active weighting. This concept has been very well received by both existing and new clients and is therefore to remain one of the focal points of our offering in 2008.

In response to the brisk demand for closed-end investment offers, we developed product innovations such as new forms of corporate investment in mezzanine financing, marketable private equity investments and liquid and closed-end investments in ships. Private equity is a familiar and popular concept for our clients due to their entrepreneurial background. We intend to continue active development in alternative investments in 2008. Moreover, we expect the issues of sustainability and renewable energies to gain further weight in liquid and closed-end investments in 2008.

We established a subsidiary in Asia in 2007 – Oppenheim Asia Invest – at our family office in Hong Kong, which supports the expansion of our clients into China, for example via private equity, hedge fund and real estate investments in the Asian market. In addition, the Sal. Oppenheim subsidiary works together with Investment Banking to connect Chinese contacts with German companies. The Bank's presence in the region will enable us to actively tap the potential there in the next few years for our clients. Short-term overheating must be taken into account, although it will only play a minor role in the long term.

The systematic professional and personal strengthening of our family office business over a number of years allowed us to expand our status as one of the top names for individual asset management and advisory services for high net-worth families and entrepreneurs in 2007. Our German family office subsidiary, Oppenheim Vermögenstreuhand (OVT), closed the year with volume inflow of 40%. We also systematically expanded our family-office offering in Switzerland. The Sal. Oppenheim Group and the Dr. Landert Group are bundling their expertise in advisory services for families under the name Oppenheim Landert Family Office. The Landert Group, founded in 1977, comprises three companies which offer investment research, advisory and asset management services and have assets under management of several billion euros. This joint venture significantly broadened our range of services in Switzerland.

In order to keep up with the growth of our company, we employed additional staff at all of our locations. Two-thirds of the new employees work in client support and one-third in the centralised specialist units, such as Portfolio Management or Real Estate.

The Hamburg branch office was reinforced through new management and experienced client advisors and will be the North Germany branch in future. Sal. Oppenheim aims to become sustainably involved in the region. The same applies to our Düsseldorf branch office, where we also concluded a generation change, while significantly expanding the advisory and investment management capacities.

	2007	2006
	€ M	€ M
Income	240	217
Expenses	-130	-120
Risk costs	-9	-1
<b>Profit/(loss) from operating activities</b>	<b>101</b>	<b>96</b>
Cost/income ratio	54.6%	55.4%

PRIVATE ASSET MANAGEMENT SEGMENT REPORT IN ACCORDANCE WITH IFRS

**INTEGRATION OF ASSET MANAGEMENT**

Consolidating Asset Management and Private Banking into one division was an important step. The mandates of the two units often have similar requirements, so a merger was logical. This will provide both our private and institutional clients with access to the full range of expertise in asset allocation, and top-quality solutions tailored to their needs for all investment issues.

This has strengthened portfolio management considerably in both staff and conceptual terms, enabling us to carry out our mandates in the interests of our demanding clients. The Bank's branch offices which were again expanded last year now have a sound regional network and are competent points of contact for private and institutional clients, for Investment Banking and marketing products to other financial service providers.

**OUTLOOK 2008**

Since global uncertainties remain an issue, we expect volatility on the capital markets to persist next year. We therefore expect the focus to remain on investment concepts with capital protection and conservative strategies. Despite the current turbulence on the capital markets, which we believe is temporary, we consider inflows in existing and new investment funds both in institutional and private asset management to be realistic for 2008. We and our clients will also be concerned with the new investment income tax rule this financial year as a result of the corporate tax reform in Germany.

BUSINESS DIVISIONS

## Investment Banking

**INVESTMENT BANKING CONSTITUTES SAL. OPPENHEIM'S SECOND CORE BUSINESS AREA ALONGSIDE ASSET Management.** *Our teams of product and industry specialists offer clients across Europe customised financial plans. In advising our clients, our many years of comprehensive experience combined with product and industry expertise are a key feature distinguishing us from the competition. Sal. Oppenheim today ranks among the leading investment banks in German-speaking countries, providing a genuine alternative to the major domestic and international banks. 2007 highlights included numerous completed transactions, the opening of the Equity Sales office in Paris and important awards.*

**CORPORATE FINANCE**

—> **MERGERS & ACQUISITIONS**

Sal. Oppenheim asserted and further expanded its position as a leading provider of M&A advisory services in Germany and Switzerland. Evidence of this can be found in the Thomson Financial League Tables for 2007, in which Sal. Oppenheim again placed eighth, both in terms of the number of M&A transactions announced as well as those completed in Germany – 25 and 26 deals respectively. In Switzerland, Sal. Oppenheim successfully placed fifth in the Merger Market League Tables, with six deals. The total volume of the transactions concluded in German-speaking countries was over € 13 billion.

Private equity funds consulting continued to be of major importance to the Bank in the past year. Of particular mention is the Bank's support of highly publicised transactions, such as its advisory services to EQT on the acquisition of CBR Holding GmbH, to HgCapital on its acquisition of the SLV Group, the support it provided to Andlinger & Co. in its sale of MCE AG, and its advisory services to Industri Kapital in its acquisition of Schenck Process. In addition to these purchase mandates, consulting on cross-border sales or dual-track mandates also increasingly played a major role, for example from Montagu in its sale of HCT to Applied Materials.

In 2007, the Bank also began to focus more on advising listed companies, e.g. Douglas Holding or Lanxess, as well as international groups such as Novartis or Vattenfall. Sal. Oppenheim also acted as an independent advisor to Techem AG's supervisory board and prepared fairness opinions on the public takeover bids by Macquarie and BC Partners. Important family businesses and their partners or shareholders continue to be a particularly important strategic target group, to which we offer comprehensive advice concerning all aspects of business and private assets.

As part of our internationalisation strategy, Sal. Oppenheim concluded a strategic partnership with the US investment bank MillerBuckfire. This was backed by the acquisition of a 10% stake in the company. The strategic cooperation focuses on cross-border M&A transactions between the US and German-speaking countries as well as the joint establishment of a financial restructuring consulting business in German-speaking countries.

	2007	2006
	€ M	€ M
Income	117	102
Expenses	-60	-45
Risk costs	-2	-12
<b>Profit/(loss) from operating activities</b>	<b>55</b>	<b>45</b>
Cost/income ratio	51.6%	49.8%

## CORPORATE FINANCE SEGMENT REPORT IN ACCORDANCE WITH IFRS

## —&gt; EQUITY CAPITAL MARKETS

Despite an overall positive market environment, 2007 was characterised by considerable volatility for issuers. The majority of IPOs took place in a time frame from March to July. With its support of ten new issues (seven lead manager mandates, five of which as bookrunner) and a pro rata issue volume of over € 1 billion, Sal. Oppenheim has expanded its position as one of the leading underwriters in German-speaking countries.

In terms of the number of transactions, the Bank headed the IPO League Table for the regulated capital markets of Germany, Austria and Switzerland in 2007 together with Deutsche Bank and Credit Suisse, and is ranked eighth in terms of pro rata issue volume.

Sal. Oppenheim was ranked first on the League Table for IPOs of Chinese companies in the European capital market in terms of the number of transactions, and fourth in terms of pro rata issue volume. As the sole bookrunner, Sal. Oppenheim successfully advised on the first two IPOs of Chinese companies on the Prime Standard of the Frankfurt Stock Exchange, with ZhongDe Waste Technology AG and Asian Bamboo AG. Moreover, ZhongDe Waste Technology AG is one of the three companies listed for the first time in 2007 whose share price rose above its issue price, thus currently displaying markedly positive performance.

In May 2007, Sal. Oppenheim acted as joint global coordinator and joint bookrunner for Wacker Construction Equipment AG's IPO on the Prime Standard of the Frankfurt Stock Exchange. Sal. Oppenheim assumed further bookrunner mandates for the IPOs of the Austrian Kapsch TrafficCom AG

in official trading on the Vienna Stock Exchange (Prime Market segment) and the Italian Cosmo Pharmaceuticals S.p.A. in the main segment of the SWX Swiss Exchange. Sal. Oppenheim also played a leading role in supporting 22 secondary placements and six capital increases on German-speaking and the Greek capital markets.

—> STRUCTURED FINANCE & REAL ESTATE

Sal. Oppenheim established the Structured Finance unit as part of Structured Finance & Real Estate in the fourth quarter of 2007, with the aim of becoming a reliable and innovative partner for structuring and arranging financing.

The Bank attracted a structured finance team well known to the market, as part of a targeted approach to expand its offerings to include the Leveraged Finance, Special Situations, High Yield and Principal Finance product areas. These generate fixed-income products, among other things, giving our investors an expanded range of investment options. Our special business, which recorded a significant increase in the reporting year, was integrated into this unit.

Our experts in real estate investment banking remained the leading German advisors on complex real estate transactions in the past financial year. In the first six months of 2007, the capital market business in particular boomed, with convertible and hybrid bond issues for IVG Immobilien AG amounting to € 400 million and € 200 million respectively, as well as CA Immo's capital increase of € 676 million, and Patrizia's of € 104 million, for which Sal. Oppenheim served as joint bookrunner and joint lead manager, respectively.

The second half of the year was dominated by M&A and portfolio transactions. These included advisory services to the Federal Republic of Germany on the sale of 100% of the shares in Vivico Real Estate with a volume of more than € 1 billion; the disposal of a mixed real estate portfolio of VPV Versicherung with a volume of around € 260 million; as well as the disposal of the Hellweg Group home improvement stores, a transaction valued at approximately € 350 million.

The advisory services we provided to the supervisory board of Deutschen Wohnen AG in the takeover of GEHAG were of particular note. Our real estate experts prepared a fairness opinion which included a review of the adequacy of the share exchange ratio on this € 1.8 billion transaction. For 2007, the transaction volume in the real estate unit totalled close to € 5 billion.

FINANCIAL MARKETS

—> EQUITY SALES

In Equity Sales, now with just under 50 sales managers from nine countries, Sal. Oppenheim has a reputation as an effective and well-known provider of advisory services to institutional investors on German, Swiss and Austrian equity investments. Moreover, the Bank expanded its expertise in the Greek and the Turkish capital markets, and successfully carried out the first transactions of Chinese issuers. We welcomed more than 4,000 fund managers and analysts at more than 600 roadshows worldwide in 2007.



SIMPLE. INTELLIGENT. DERIVATIVE SECURITIES.

*As an issuer of derivative securities, Sal. Oppenheim again received a number of awards also for its innovation and product variety – for example, in the “ZertifikateAwards 2007” as well as by the trade magazines “FOCUS Money” and “DER AKTIONÄR”.*

—> EQUITY TRADING & DERIVATIVES

Once again in 2007, Sal. Oppenheim ranked among the leading providers of derivative securities. The Bank also considerably expanded its market position outside Germany – in Switzerland, Italy and Austria. With the expansion of the product offering, increasing the number of securities to over 25,000, we continued to assert our market leadership in reverse convertibles while maintaining a top position in certificates.

With the introduction of new option models, the Bank issued correlation products, which are simultaneously based on a number of underlyings, for the first time. In doing so, the experience from Switzerland could also be used in the other markets. The Bank continued to focus on PROTECT certificates, which have enabled investors to achieve positive returns even in sideways markets for six years now, in all countries. For strategy certificates, the Bank focuses on promising market sectors addressing future-oriented issues, such as climate change, energy, water and new materials.

Moreover, the Bank developed new distribution channels and concluded many cooperations with sales partners. Activities in structuring for third-party banks and active certificate distribution with discount brokers were further expanded.

Comprehensive sales and marketing measures increased the visibility of our Bank. Sal. Oppenheim again received many important awards in German-speaking countries for its certificates. At the “Certificate Awards” in Italy, Sal. Oppenheim was selected as issuer of the year and issuer with the most innovative product offerings.

Proprietary trading and securities lending transactions continued to focus on European small and mid-cap equities in the reporting year. The number of actively managed products increased to eight certificates.

Designated sponsor activities continued to focus largely on shares of MDAX, TecDAX and SDAX companies in 2007. The number of mandates was increased from eight to 50. The Bank thus has one of the largest designated sponsor desks on the German market.

In November 2007, Sal. Oppenheim launched the SOAR European Equity Fund for private and institutional investors. The fund, which is domiciled in Ireland, invests in European small and mid-cap equities and is the second single strategy hedge fund after the Sal. Oppenheim Figaro Currency Fund, launched in the currency business in 2005. Sal. Oppenheim in Zurich provides advisory services for both funds.

	2007	2006
	€ M	€ M
Income	187	195
Expenses	-155	-115
Risk costs	-10	6
<b>Profit/(loss) from operating activities</b>	<b>22</b>	<b>86</b>
Cost/income ratio	98.7%	59.1%

## FINANCIAL MARKETS SEGMENT REPORT IN ACCORDANCE WITH IFRS

## → FOREIGN EXCHANGE

Since the late summer of 2007, Foreign Exchange has been confronted with the global impacts of the US subprime crisis. Despite this development, we posted excellent earnings in proprietary trading, largely due to our strong position in leveraged products on currencies. We rank among the top five on that market with very stable earnings based on an enhanced range of offerings. Moreover, we won our first FX advisory mandates and significantly expanded the volume of our special product Dynamic Hedging. 2007 was a very successful year for our FX experts.

## OUTLOOK

For 2008, we expect our good advisory business for private equity funds in the mid-market segment (transaction volumes from € 100 million to € 750 million) to continue, not least by increasing our share in follow-up and repeat mandates. We will continue to strengthen our advisory activities in mergers and acquisitions for listed companies (DAX, MDAX, TecDAX) in line with our sector focuses. As part of the further expansion of our international activities, we aim to open a branch office staffed by a local M&A team in Milan in 2008.

Moreover, Sal. Oppenheim expects a total of around 10 to 15 IPOs on the Prime Standard of the Frankfurt Stock Exchange in a capital market environment that should improve during the course of the year. As for sectoral focus, we expect IPO activity to come particularly from the alternative energies, environmental technology, retail and technology sectors. The vast majority of IPOs will also account for an issue volume of between € 70 million and € 300 million in 2008. In addition to that, some large-volume IPOs are possible.

After the first successful IPOs of Chinese companies, issuers from the emerging markets, in particular from China and possibly also from Russia, will provide an additional boost to IPOs in Germany. IPOs from six to eight Chinese companies with issue volumes of up to € 500 million could be expected.

The Equity Sales unit is to be expanded at the Paris and Milan locations. Distribution activities of the newly established French research product will begin in the first quarter of 2008.

Sal. Oppenheim will continue its expansion in derivative securities in Switzerland, Italy and Austria. Moreover, we will also start business activities in the United Arab Emirates, particularly in Dubai. Particularly on the German market, sales and marketing activities will focus on multi-underlying derivative securities and products with capital protection.

COMPETENCE CENTRES

## Research

**OPPENHEIM RESEARCH GMBH SUPPORTS THE DECISION-MAKING PROCESSES OF INVESTMENT BANKING and Asset Management.** *Diligent generation, processing and focused communication of economic knowledge are the success factors for qualified analysis and advisory services. Research is a competence centre across the Group, and its analyses of economic parameters and micro- and macroeconomic issues are available to both internal and external parties.*

66 people were employed by Oppenheim Research GmbH in Cologne and Frankfurt in financial year 2007, with a further 15 in Vienna, Paris and Zurich. Our Research covers four areas: the economics department, Investment Banking Research – which prepares primary analyses for equities, and the two segments of buy-side research – investment research and quantitative analysis for private asset management and institutional clients.

### ECONOMIC ANALYSIS

The economics department's tasks include capital market analyses and forecasts for the key figures such as interest rates, exchange rates, economic growth and inflation. The statements support portfolio decisions and investment recommendations, and are an integral part of the opinion-forming process at the Bank. We produce macroeconomic forecasts, particularly for Europe, the US and EU candidate countries.

The economic analysis also forms a vital basis for the definition of the investment universe for the international bond portfolio. We are planning to expand the scope of analysis in future, both in regional terms and in relation to additional asset classes. The results from research are compiled in studies on a regular basis and made available to clients of the Bank.

### PRIMARY ANALYSIS

Investment Banking Primary Analysis focuses on equity, stock and capital market issues, as well as on evaluating company business models. The results are largely based on information and data sourced independently. The forecasts, market assessments and market and company models produced form the basis for investment decisions and recommendations. The aim of Primary Analysis is to make industry and capital market expertise available to the entire value chain of the investment bank.

Primary Analysis is represented at offices in Frankfurt am Main, Cologne, Zurich and Vienna, and since 2007 also in Paris. 45 employees currently analyse over 280 companies. In addition, a strategy team addresses cross-market issues. The main focus of our activities is on local knowledge of the German, Swiss and Austrian markets. Another focal point is SMEs and sectoral issues in the Auto/Industrials, Chemicals/Healthcare, Technology/Telecommunications, Financial Services/Real Estate, Consumer/Retail and Utilities/Logistics sectors. The research activities in 2007 comprised support for around 30 IPOs, placements and corporate actions for German, Greek, Austrian, Chinese and Swiss companies.

A new cross-border production infrastructure and an analysis database were also introduced. In 2008, the spotlight will be trained on setting up a new logistics industry group, forming a research nucleus in Paris, and further expanding corporate finance and placement activities for international equities. The Bank occupies a leading position in German-speaking countries with its research activities. Following Sal. Oppenheim's award from the German analysts' conference in 2006, we were named leading German research company for highly qualified investment recommendations by Starmine/Thomson Financial in 2007.

#### EQUITY INVESTMENT ANALYSIS

Equity Investment Analysis collaborates closely with the traditional active equity management function of Oppenheim Kapitalanlagegesellschaft mbH. The main task of Investment Analysis is providing support for institutional asset management with equity selection.

The focus here is on fundamental analysis. The core components of analyst activities are developing investment ideas and monitoring active positions of strategy portfolios such as Opportunity and Value, and the blue chip portfolios Europa 50 and Euroland 50. Although the main emphasis is on large caps, attractive companies from the mid and small-cap segments are also included. The key factors in this respect are an attractive risk-reward profile and minimum liquidity.

#### QUANTITATIVE ANALYSIS

Based on the three-pillar concept of our investment process, Quantitative Analysis focuses on strategic asset allocation as the first pillar in the value chain. The end products fall into the investment concepts and quantitative special analysis categories. The investment concepts comprise strategic benchmarking advice and the financial engineering of dynamic normal allocation of symmetric and asymmetric products.

The quantitative special analyses are concerned with the interdependencies between the three pillars – strategy, tactics and selection. Better risk models and finely-tuned simulation techniques allowed the quality of quantitative analysis to be further improved. New financial market products are increasingly raising the requirements for the software environment. For this reason, the model environment was transferred to a more efficient simulation platform, parallel to operating business.

COMPETENCE CENTRES

## Bank Services

**BANK SERVICES ENSURES THAT PROCESSES RUN SMOOTHLY AND PROFESSIONALLY, AND IS RESPONSIBLE for the infrastructure of operating activities. The close cooperation between Bank Services and the business divisions once again made a substantial contribution to Sal. Oppenheim's success in 2007. The Finance, Corporate Investments & Controlling, Product Services and Operations, Corporate Communications and PR, Legal and Tax, Internal Audit and Facility Management units form a key foundation for everyday operations.**

### CORPORATE INVESTMENTS & CONTROLLING

Corporate Investments & Controlling supports management with performance and risk management of Sal. Oppenheim Group equity investments. Corporate Investments & Controlling coordinates all tasks from entering into investments, through ongoing risk and performance monitoring, to the sale of investments. Equity investment management is supported by the AMI shareholding management information system (Anteilsbesitz-Management-Informationssystem). All relevant information on equity investments for the Sal. Oppenheim Group is maintained in this software system. All data is recorded historically, so it can be retrieved for any date. Data can be retrieved and assessed in a customised format or as standardised reports or master data sheets.

Corporate Investments & Controlling's main areas of responsibility are as follows:

- (1) Assessing investment proposals and preparing position papers for the acquisition and disposal of equity investments.
- (2) Providing up-to-date monitoring with regular reports of the economic development of investments using quantitative and qualitative indicators.
- (3) Providing support for the management team in the execution of supervisory board mandates.
- (4) Support for the management with calculating the equity investment risk within the risk-bearing capacity concept.
- (5) Submitting the investment-related reports to the Commission de Surveillance du Secteur Financier (CSSF) in accordance with the Banking Act (Bankgesetz – BankG).
- (6) Ensuring that sufficient legal and financial documentation is provided for all equity investments.
- (7) Dealing with ad hoc topics relating to equity investments.

Corporate Investments & Controlling works closely with Group Legal & Tax, Group Development, Group Finance and the Equity Investment Office of Sal. Oppenheim jr. & Cie. KGaA.

#### PRODUCT SERVICES AND OPERATIONS

Sal. Oppenheim continued to expand its existing business divisions in 2007, and advanced the internationalisation process. The focus of the activities was on bundling the management functions in the new Group parent company Sal. Oppenheim jr. & Cie. S.C.A.

In view of the new group structure, Bank Services is developing into a shared service centre. The aim is to establish central services to replace the decentralised functional production. In 2007, group-wide applications such as Citrix and VM-Ware virtualisation technology were made available. This software allows every workstation to access central applications. Furthermore, centralised technology projects have been initiated, such as establishing an open, service-based architecture to minimise the complexity of communication (SOA data bus), and introducing group-wide platforms for order processing and risk management.

#### CORPORATE COMMUNICATIONS AND PR

Financial year 2007 was shaped by key events and innovations for Corporate Communications. It started with the presentation of Sal. Oppenheim's new logo, the first step in a group-wide corporate design change process. Completion of this process is planned for the first half of 2008. The Bank showed itself to be innovative in internal communication, too, with the introduction of an electronic employee magazine on the intranet. The third issue came out in December.

The relocation to Luxembourg and increasing internationalisation led to a considerable increase in attention from the economic press. In addition to the in-depth reports in the German press, comprehensive contributions in the international media also addressed the expansion of business. The level of media presence for Sal. Oppenheim analysts was also high, with over 2,000 quotes in the press and on TV and radio in 2007.

The Bank has already presented its new design at numerous events. The investment conference and the German Polomasters tournament on the island of Sylt produced new attendance records. The Bank's commitment to the Rheingau Music Festival and the Frieder Burda Museum was equally well received.

#### LEGAL AND TAX

One of the key focal points for Legal and Tax was supervising the restructuring of the Group which resulted from the relocation of the parent company to Luxembourg. The department also provided support in the international expansion of the Sal. Oppenheim Group through increased group investments in CAM Private Equity und Verwaltungs-GmbH, Cologne, and VCM Capital Management GmbH, Munich. Another important project was the group-wide implementation of the European Markets in Financial Instruments Directive (MiFID). Support was provided for several IPOs at the level of Sal. Oppenheim jr. & Cie. KGaA, including the first IPO by a Chinese company. The Legal department was nominated in the category for "In-house team of the year – banks and financial service providers" in the JUVE Awards 2007.

COMPETENCE CENTRES

## Our Employees

**THE GROUP'S ANNUAL AVERAGE NUMBER OF EMPLOYEES IN 2007 WAS 3,769, OF WHICH 1,843 WERE WITH BHF-BANK AG (PREVIOUS YEAR: 1,803) AND 1,926 WITH SAL. OPPENHEIM (PREVIOUS YEAR: 1,687). THE GROUP WILL CONTINUE TO PERCEPTIVELY PURSUE ITS GROWTH COURSE IN 2008.**

Financial year 2007 was a remarkable year in terms of staff development in Germany and Luxembourg. There were not only the 270 new hires in the Sal. Oppenheim subgroup but also a large number of internal changes with more than 715 personnel measures. More than 50 employees agreed to relocate to Luxembourg along with the headquarters. The number of employees in Luxembourg rose correspondingly year-on-year, by 45% to 301, including new recruitments. Thanks to the extraordinary commitment of the employees involved from Germany and Luxembourg, the restructuring of the Group and group management units was successful.

Another focal point of the staff development was the joining together of the Asset Management and Private Banking divisions, which previously worked largely separately, into an integrated Asset Management division. Christopher Freiherr von Oppenheim is responsible for this division, which works in cooperation with both our Investment Banking division and leading external product specialists in order to be successful in the market.

The reporting year's many changes are once again evidence of how flexibly and quickly our family business adapts to new circumstances, and of the high degree of motivation that all colleagues demonstrated in cooperating in this change process.

### STAFF DEVELOPMENT

Staff development is a reflection of the successful growth in our core business divisions Asset Management and Investment Banking. The Bank's employees made intensive use of the opportunities on offer for further education. They took a total of 3,800 training days for specialist seminars in 2007. Our employees' interest in their own further development underscores the Bank's strategy of continually improving the quality of advisory services and products through employee advancement and training.

### SAL. OPPENHEIM ACADEMY SUCCESSFULLY CONTINUED

Nine events were held for our private client advisors during the reporting year. The seminars each offered twelve advisors professional and personality-focused content, and involved, in particular, training in the holistic asset concept and increased awareness of the benefits of the integrated asset management and investment bank structure.

As a result of the positive feedback, the Academy has since been expanded to include the relationship managers in Investment Banking. The first event was already held with great success in the last quarter of 2007.

**MANY THANKS TO OUR EMPLOYEES**

Sal. Oppenheim has its staff to thank for their particular commitment and exceptional motivation in driving the extraordinary success of financial year 2007, as well as its clients for their trust. Our employees have earned the respect and recognition of the partners, Supervisory Board and Shareholders' Committee, who owe equal gratitude for the constructive attitude and cooperation of the employee representatives.

**ANNIVERSARIES**

Celebrating their 50-year anniversaries::

- Alfred Milenz, Betriebsrat, Cologne
- Ludwig Schubert, Oppenheim Vermögenstreuhand GmbH, Frankfurt am Main

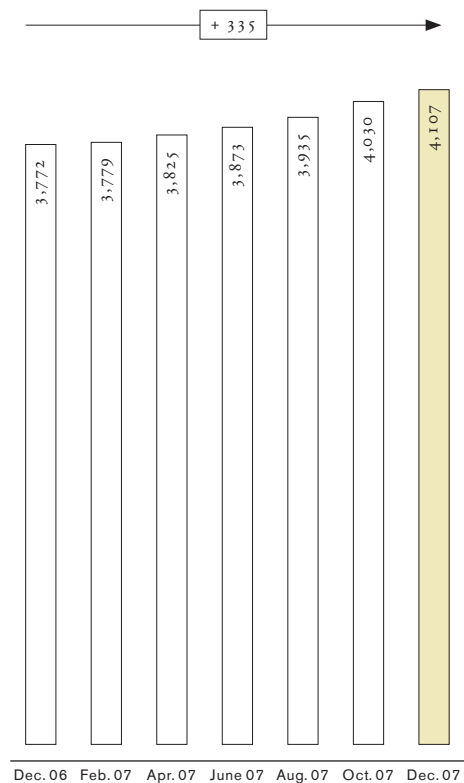
Celebrating their 40-year anniversaries:

- Ursula Opladen, Product Services & Operations, Cologne

Celebrating their 25-year anniversaries:

- Werner Philipp, Product Services & Operations, Cologne
- Georg Schmitt, Product Services & Operations, Cologne
- Gabrielle Gregoire, Product Services & Operations, Cologne
- Angelika Tholuck, Monega, Cologne
- Stephan Graf Waldendorff, Oppenheim Kapitalanlagegesellschaft mbH, Cologne
- Birgit Wittke, Product Services & Operations, Cologne
- Franz Fuchs, Oppenheim Kapitalanlagegesellschaft mbH, Cologne
- Petra Hindrichs, Facility Management, Cologne
- Ursula Degen, Product Services & Operations, Cologne

**EMPLOYEE DEVELOPMENT  
IN THE SAL. OPPENHEIM GROUP**



## Sal. Oppenheim Group

**SAL. OPPENHEIM JR. & CIE. S.C.A., BASED IN LUXEMBOURG, HAS BEEN PARENT COMPANY OF THE SAL. Oppenheim Group since 1 July 2007. The company is the result of the merger between the former holding company Sal. Oppenheim International S.A. and Sal. Oppenheim jr. & Cie. (Luxembourg) S.A. Sal. Oppenheim has made allowance for the increasing internationalisation of the markets with its relocation of the headquarters to Luxembourg, thereby reinforcing the basis for maintaining independence.**

### SAL. OPPENHEIM JR. & CIE. KGAA

Prior to the relocation of group headquarters to Luxembourg, all group activities were bundled at Sal. Oppenheim jr. & Cie. KGaA. Since 1 July 2007, Cologne-based Sal. Oppenheim jr. & Cie. KGaA has been a wholly-owned subsidiary of the newly formed Sal. Oppenheim jr. & Cie. S.C.A. Because of this special situation, the company's business performance is detailed in a separate report on the Sal. Oppenheim jr. & Cie. KGaA subgroup.

### —> BUSINESS ACTIVITIES

Both Private Banking and Asset Management report sustained growth and new record levels of assets under management. In order to provide the Bank's clients – private and institutional alike – with access to an even broader spectrum of expertise, we merged the Private Banking and Asset Management divisions, which previously operated largely separately, into a joint Asset Management division at the end of financial year 2007, headed by Christopher Freiherr von Oppenheim.

Sal. Oppenheim jr. & Cie. KGaA asserted and expanded its leading position in Germany in the central units of Investment Banking, Corporate Finance and Financial Markets. Numerous successfully concluded transactions, the positioning as leading issuer for Chinese IPOs in the European capital market, and important awards were the milestones of the past year.

### BHF-BANK AG

BHF-BANK is wholly owned by Oppenheim Beteiligungs-AG, a 100% subsidiary of Sal. Oppenheim jr. & Cie. KGaA, Cologne. BHF-BANK operates on the market as an independent institution as part of the two-bank strategy. Pre-tax net income at BHF-BANK was € 91 million as at 31 December 2007. In accordance with IFRS, this meant that the BHF-BANK subgroup contributed € 59 million to the consolidated net income of the Sal. Oppenheim Group in financial year 2007. The widely diversified earnings, the solid risk structure and the high asset quality are reflected in the results seen in all business divisions.

## —&gt; SEGMENT REPORT

Despite lower profits from seed financing, Asset Management & Financial Services generated net income of € 42 million in 2007. The division's subsidiaries in particular improved on their prior-year results. Investment company FRANKFURT-TRUST increased the volume of assets under management considerably, both for mutual funds and institutional mandates. Together with its subsidiary FRANKFURT-TRUST Invest Luxemburg, it achieved net inflow of funds of € 4 billion. The assets under management in funds and advisory mandates grew from € 13.2 billion to € 17.7 billion. The equity investment in Financière Atlas was sold during the year to the group parent company.

Frankfurter Service Kapitalanlage-Gesellschaft expanded its position as specialist in fund administration and reporting. Its assets under administration increased to € 28 billion.

As at the end of the year, Frankfurter Fondsbank had a total volume under management of € 15.6 billion in 919,000 securities accounts. This underlined its market leadership in client business in Germany, and reinforced its good competitive position among brokerage platforms.

BHF-BANK further expanded its market position with respect to custody and derivatives services again in 2007: the volume of assets under custody rose by € 22.6 billion to € 303.5 billion.

The Private Banking division further strengthened and enhanced its market position and expanded its earnings by 30.3% to € 43 million. A substantial increase in income by 19.8% to € 115 million played a key role in this development. This was due primarily to net commission income from asset management and the securities business, as well as business with alternative investments. Assets under management increased considerably in the reporting year. BHF-BANK reported encouraging net new assets in all areas – advisory, asset management and special support, such as the Frankfurt Family Office. The domestic and international networks were further expanded with the new branch offices in Nuremberg and Baden-Baden (from 1 January 2008), and a branch in Geneva.

The Financial Markets division contributed € 20 million to net income in 2007, which was considerably lower than the previous year's healthy figure of € 42 million. Performance differed greatly between the areas. As in the previous year, equities trading profited from the bull situation on the international stock markets and the consistently high turnover in the securities business. Fears of inflation in the euro and US dollar areas emerging in the first half of the year, along with the subprime crisis in the remainder of the year, affected BHF-BANK's fixed-income trading portfolios and the capital market business operated by subsidiaries BHF-BANK International and BHF-BANK (Jersey). Their results were impacted by the indirect consequences of the subprime crisis, in the form of increased liquidity premiums and credit spreads, although these companies have neither direct nor indirect subprime investments.

With income of € 61 million, the Corporates area generated earnings of around € 26 million, as against € 23 million in the previous year. The recovery in Corporate Finance led to a significant increase in both the net interest income and the net commission income contribution.

Because of BHF-BANK's conservative credit risk policy, the division did not have to make any allocations to the provision for loan losses in 2007.

	Asset Management	Private Banking	Corporates	Financial Markets	Other/consolidation	BHF (total)
	€ M	€ M	€ M	€ M	€ M	€ M
<b>2007</b>						
Income	111	115	61	80	9	376
Expenses	-69	-72	-35	-60	-60	-296
Risk costs	-	-	-	-	11	11
<b>Profit/(loss) from operating activities</b>	<b>42</b>	<b>43</b>	<b>26</b>	<b>20</b>	<b>-40</b>	<b>91</b>
Cost/income ratio	62.2%	62.2%	57.4%	75.0%	-	81.5%

<b>2006</b>						
Income	112	96	56	99	32	395
Expenses	-72	-63	-33	-57	-74	-299
Risk costs	-	-	-	-	11	11
<b>Profit/(loss) from operating activities</b>	<b>40</b>	<b>33</b>	<b>23</b>	<b>42</b>	<b>-31</b>	<b>107</b>
Cost/income ratio	64.3%	65.6%	58.9%	65.6%	-	79.1%

## SEGMENT REPORT OF BHF-BANK IN ACCORDANCE WITH IFRS

## → CONSOLIDATED BALANCE SHEET

The total assets of the BHF-BANK subgroup increased by € 1.3 billion to € 19 billion in financial year 2007. The total assets of BHF-BANK AG amounted to € 17.2 billion, after € 13.7 billion in 2006. BHF-BANK International S.A. and BHF-BANK (Jersey) Ltd. made a significant contribution of a combined € 5.4 billion to the subgroup's total assets (previous year: € 5.2 billion). BHF-BANK's equity amounted to € 617 million, and its return on equity was 13.7%.

## → OUTLOOK 2008

BHF-BANK is well positioned as a bank for companies and entrepreneurial families with its client-focused business model. The sales power in Asset Management & Financial Services is to be enhanced all along the fully offered value chain, and the product range further expanded.

The Bank will expand capacity in the Sales and Financial Engineering areas of the Financial Markets division in 2008. Research will be concentrated more on the small and mid-cap segment. In the Corporates area, BHF-BANK expects to generate further growth from business with small and medium-sized owner-run companies, and from export financing. The objective in Private Banking for the current financial year is to improve its strong market position with high-net-worth private clients. Furthermore, private client business will continue to develop its international client base in particular.

#### BANK SAL. OPPENHEIM JR. & CIE. (ÖSTERREICH) AG

The Austrian branch, founded in 2001 and headquartered in Vienna, was converted into a full-service bank in the form of a public limited company in 2006. This not only reflected the dynamic growth of the Bank in Austria, but also created a unit responsible for the expansion into central and eastern Europe. In this context, Sal. Oppenheim Austria had already opened a representative office in Prague, the Czech Republic, in 2005. The next steps are the opening of a representative office in Poland and a branch office in Hungary in 2008.

As a full-service bank, Sal. Oppenheim jr. & Cie. (Österreich) AG has the international expertise of the whole Group, adapted to the needs of the local markets. With 74 people currently employed in Austria and eastern Europe, Sal. Oppenheim Austria focuses on comprehensive and tailored solutions in the core business divisions Asset Management and Investment Banking.

#### —> BUSINESS PERFORMANCE 2007

In the reporting year, total assets under management by Sal. Oppenheim in Austria, in both retail and institutional business, increased by 7,7% to € 4.2 billion. Pre-tax profit of € 2.86 million was 8% above the prior-year figure. Total assets recorded at the end of the year were € 229 million, which represents an increase of 103% over the previous year.

Business with high-net-worth private clients and foundations was propelled further in asset management by the employment of new asset management concepts and tailored structured products. This included our products for the Czech market also being offered in the local currency. The attraction of Austria's tax conditions for international private clients boosted this encouraging development.

Four high placements at the 2007 Certificate Awards provided impressive confirmation of Sal. Oppenheim's leading role in the structured product sector in Austria: 2nd out of 28 national and international issuers in the "Overall winner" category; 1st in the "Bonus & Express certificate" category; 1st in the "Discount certificates and reverse convertibles" category; 2nd in the "Info & Service" category.

In a challenging market environment, the number of clients was successfully expanded also in corporates, pension managers, banks, insurance companies and the public sector, due to the employment of

absolute return strategies with a focus on sustainability. Other success factors included widely diversified real estate portfolios, currency strategies and investments in bonds from growth countries.

In Corporate Finance, we provided support for numerous successful transactions, including the IPO of Kapsch TraffiCom AG, and the capital increase of CA Immo Anlagen AG, as both joint lead manager and joint bookrunner, and for the sale of MCE AG by Andlinger & Co. to DBAG. Coverage in Equity Research was expanded to include 33 companies.

#### —> OUTLOOK 2008

Sal. Oppenheim Austria will accelerate the development in Investment Banking in 2008, to expand its successful dovetailing concept for Private Banking and Investment Banking. The first steps in this project will be establishing an equity sales team in Vienna, and setting up corporate finance business in central and eastern Europe.

The expansion of its presence in the defined core markets of central and eastern Europe is designed to exploit the market potential of these regions in a strategic and targeted fashion. Opening ceremonies are planned in Warsaw and Budapest for the first half of 2008.

#### BANK SAL. OPPENHEIM JR. & CIE. (SWITZERLAND) LTD

Zurich-based Bank Sal. Oppenheim jr. & Cie. (Switzerland) Ltd focuses on asset management for private clients and investment banking for institutional clients. The branch office in Geneva offers asset management services only.

The Swiss asset manager offers its discerning domestic and international clientele a comprehensive and customised range of support and advisory services. Investment Banking focuses on research, as well as on sales of Swiss and German equities and structured products. With its sister company Sal. Oppenheim jr. & Cie. Corporate Finance (Switzerland) Ltd., formed two years ago, advisory business for M&A, real estate and other capital market transactions is also being significantly strengthened and expanded.

Sal. Oppenheim today ranks among the leading investment banks in German-speaking countries, providing a serious alternative to the major domestic and international banks. After successfully expanding its investment banking business further in 2007, Sal. Oppenheim has now also entered the top bracket of investment banks in Switzerland.

Private Banking and Investment Banking experienced a significant increase in staff again in 2007 (20%), taking the total number of employees to 191 at the end of the year.

#### —> BUSINESS PERFORMANCE 2007

The bank's net income fell by 4% in 2007 to CHF 27.5 million. Total assets amounted to CHF 803.0 million at the end of the year. Once again it was the Private Banking division which showed positive development. Both the encouraging 16.7% increase in private client assets under management (11.8% net inflow of funds), and the increase in active advisory services contributed to a rise in commission income, and as a result to this success. Sales of structured products in Switzerland and Italy also played their part in the success story.

Three IPOs were successfully carried out in cooperation with Sal. Oppenheim jr. & Cie. Corporate Finance (Switzerland) Ltd. in the capital market business.

## → COOPERATION WITH RENOWNED FAMILY OFFICE

The Sal. Oppenheim Group and the Zollikon-based Dr. Landert Group are bundling their strengths in comprehensive asset advisory and management services for families under the name Oppenheim Landert Family Office. The stakeholders in the joint venture include the Oppenheim family (41%), Bank Sal. Oppenheim jr. & Cie. (Switzerland) Ltd (10%) and Dr. Landert (49%). The transaction was concluded at the end of 2007. The new company will support both existing Landert Group clients and new clients.

This comprehensive offering will close a key gap in Switzerland. We will thus reach a new target group, and we have found an ideal partner in the Dr. Landert Group.

## → OUTLOOK 2008

Sal. Oppenheim jr. & Cie. (Schweiz) AG plans to continue its high-quality integrated advisory services and support for private clients in 2008. In addition to Europe, this will involve tapping further into the important and attractive Latin American market in particular, with Brazil as focal point. Moreover, following the successful recruiting of a designated team, we aim to tap into the promising Greek market. We also plan to take up business in Lugano in the second half of the year when a new branch is due to open there. A new derivatives trading platform is planned in Zurich for the Investment Banking division, with a view to further strengthening the market position of the successful structured product business.

## SAL. OPPENHEIM JR. &amp; CIE. CORPORATE FINANCE (SWITZERLAND) LTD.

In the second year of the company's existence, corporate finance activities in Switzerland experienced a noticeable upturn. Revenue increased more than twofold. The company carried out its first IPO as lead manager in cooperation with the Swiss subsidiary bank. Three further IPOs confirmed our position as a recognised provider of capital market services.

We also executed a large number of M&A transactions. We were placed fifth in the Merger Market League Tables, with six deals in Switzerland. Real estate investment banking also experienced great growth momentum with the launch of a Luxembourg fund of funds and the successful execution of three large real estate transactions. Especially the annual management fees in fund management made a particular improvement in what was otherwise a volatile revenue structure.

In all, Sal. Oppenheim jr. & Cie. Corporate Finance (Switzerland) Ltd. executed 29 transactions in Switzerland in the first two years of its existence. This is an excellent result which confirms our goal of becoming a leading investment bank in Switzerland.

## SAL. OPPENHEIM JR. &amp; CIE. BETEILIGUNGEN S.A. (LUXEMBOURG)

Sal. Oppenheim jr. & Cie. Beteiligungen S.A. (Luxembourg) is a wholly-owned subsidiary of Sal. Oppenheim jr. & Cie. KGaA, Cologne. It bundles the key minority shareholdings in listed companies in Germany. These include:

- IKB Deutsche Industriebank AG, Düsseldorf
- IVG Immobilien AG, Bonn
- Börse Düsseldorf AG, Düsseldorf

#### SERVICES GÉNÉRAUX DE GESTION S. A.

Based in Luxembourg and part of the Sal. Oppenheim Group since 2005, Services Généraux de Gestion S.A. (SGG) has specialised in family office services and support for corporate and institutional clients for decades. It is among the leading trust companies in the financial centre Luxembourg, and has proved to be a valuable member of the Sal. Oppenheim Group. SGG's services are a key component of the integrated offering of the Sal. Oppenheim Group. Existing activities in markets such as Luxembourg, Belgium, the Netherlands, Switzerland and southern Europe were developed by SGG in the reporting year. Furthermore, the company is now one of the leading service providers for SICARs (venture capital investment companies).

We expect SGG's positive business performance to continue, fuelled not least by the two new investment vehicles adopted by Luxembourg legislature for private and institutional clients in 2007. The SPF (Société de Gestion de Patrimoine Familial) is an asset management company for high-net-worth private clients, and the SIF (Specialised Investment Fund) is an institutional fund created for both institutional and well-informed private investors. With its comprehensive knowledge in the area of structuring, SGG is ideally positioned to offer its clients the complete range of services.

#### FINANCIÈRE ATLAS S. A.

In April 2007, Sal. Oppenheim increased its 10% stake in the French asset management company Financière Atlas S.A. to 100%. Sal. Oppenheim acquired 80% of shares in the company from Frankfurt-based BHF-BANK; the remaining 10% were shares directly held by the management of Financière Atlas. Financière Atlas was founded in 1988 and gained BHF-BANK as a strategic shareholder shortly afterwards in 1991. The company's focus is on designing and marketing funds and structured investment products to predominantly institutional clients. Financière Atlas has an excellent position in the French financial world, thanks to its close cooperation with insurance companies, pension schemes, banks and financial intermediaries. The acquisition therefore represents a key strengthening of Sal. Oppenheim Group's European asset management platform. Financière Atlas is responsible for an investment volume of over € 1 billion, of which more than € 350 million is assets invested in own products. In addition, an investment volume of over € 750 million in the company's alternative investments area is managed by the 49% subsidiary Altigefi S.A. Sal. Oppenheim's complete acquisition of Financière Atlas reinforced its presence on the French market and in Paris, after a specialist investment banking team for brokerage and equity sales services was established for French institutional clients in Paris a few months previously.

#### SAL. OPPENHEIM (HONG KONG) LIMITED

Sal. Oppenheim (Hong Kong) Limited was founded in Hong Kong in June 2007 as a wholly-owned subsidiary of Sal. Oppenheim jr. & Cie. S.C.A. The new company focuses on Asian alternative investments, in particular private equity and hedge funds. The first investment opportunities have already been identified with the new team of specialists. It will therefore be possible to provide Sal. Oppenheim clients with access to Asian special investments in the near future.

## Corporate Governance

**SAL. OPPENHEIM JR. & CIE. S.C.A. IS COMMITTED TO THE PRINCIPLES GOVERNING THE RESPONSIBLE management and control of the Company. Although the Corporate Governance Code does not apply to the Company as it is not a listed company, we advocate the aims of such a code relating to transparency in management and effective control, as far as the legal form of a société en commandite par actions (S.C.A.) and its bodies do not prescribe otherwise.**

### COMPANY'S BOARDS AND COMMITTEES

The Company is represented by the management, which comprises the Personally Liable Partners of the S.C.A. and other managing directors.

Other bodies include the Shareholders' Committee of the Supervisory Board, which is entitled to form committees, and the Shareholders' Annual General Meeting.

By virtue of their status under company law, the Personally Liable Partners are responsible for managing the Bank and the Group as a whole, and for everything outside of day-to-day management.

The Personally Liable Partners are both management and owners in that they are liable to the extent of all their assets for the liabilities of the Company.

The management is responsible for the Bank's daily business, and has prepared a schedule of responsibilities for this purpose. The management team currently consists of eleven members, and has formed the following sub-committees: the Credit Committee and the Management Committee, which comprises two Personally Liable Partners and six further managers. The Shareholders' Committee performs the tasks assigned to it by the Articles of Association and the Shareholders' General Meeting and represents the limited liability shareholders vis-à-vis the Personally Liable Partners, unless the shareholders' General Meeting or the Supervisory Board is required to take responsibility. The Shareholders' Committee and the Personally Liable Partners have jointly stipulated that the approval of the Shareholders' Committee is required for transactions exceeding normal parameters.

The Shareholders' General Meeting decides on the approval of the annual financial statements, the appropriation of unappropriated profit and the discharge of the other boards and committees. The resolution on the approval of the annual financial statements and resolutions regarding amendments to the Articles of Association require the consent of the Personally Liable Partners. The Supervisory Board is responsible for monitoring the Bank's business.

The Supervisory Board has an Audit Committee consisting of three members. It deals with issues relating to internal auditing and compliance in the Group and in the Company's banking business. The Audit Committee also works directly with the independent auditor.

## KALEIDOSCOPE

## Event highlights of 2007

2007 was characterised by a great number of musical, artistic and sporting events. Moreover, the Bank organised numerous conferences and symposia on current financial and economic issues for clients, shareholders and employees.

08.–09.03.2007

**35TH INVESTMENT CONFERENCE**

More than 450 institutional investors attended Sal. Oppenheim's 35th Investment Conference in Cologne. The guest speakers in addition to the Asia specialist Pamela Chan, Partner at Lloyd George Management, Hong Kong, were Professor Dr. Axel A. Weber, President of Deutsche Bundesbank, and Professor Martin Wolf, Associate Editor and Chief Economics Commentator at the Financial Times, London. One highlight of the event was the panel discussion on the topic: "German Economy – Engine for Europe?"

08.–09.03. 35TH INVESTMENT CONFERENCE FOR INSTITUTIONAL INVESTORS, COLOGNE  
"German Economy – Engine for Europe?"

14.05. CONCERT AT THE PHILHARMONIE, COLOGNE  
New York Philharmonic

23.05. MUSEUM FRIEDER BURDA, BADEN-BADEN  
Preview of the exhibition "Warhol, Rausschenberg, Lichtenstein, Twombly, Kiefer. From the Marx collection."

04.06. PRIVATE BANKING LECTURE, COLOGNE  
"Climate change and its consequences"

08.–10.06. SAL. OPPENHEIM CUP 2007, PRAGUE  
Polo tournament at Farma Levin

09.06. SAAR MUSIC FESTIVAL, SAARBRÜCKEN  
Concert by the Philharmonia Orchestra

10.06. OPPENHEIM UNION RACE, COLOGNE  
Traditional horse racing in Cologne-Weidenpesch

18.06. RUHR PIANO FESTIVAL, DÜSSELDORF  
Piano concert in the Robert-Schumann Hall, Museum Kunst Palast

24.06. SAL. OPPENHEIM CUP, VIENNA  
Polo tournament in the grounds of Ebreichsdorf Castle

07.07. VINTAGE CAR RALLY, DIJON  
"Classic cars in Burgundy"

05.08.2007

**SAL. OPPENHEIM GOLD CUP, SYLT**

The German Polo Masters Sylt was the centre of the international polo world for the tenth time. Eight top teams with around 180 thoroughbred Argentinean ponies competed for the Sal. Oppenheim Cup. With 12,000 visitors, the high goal tournament set a new attendance record. The special atmosphere between the dunes and the sea, the international flair and the high level of the games gave the tournament a very special appeal. The Bank, which was the title sponsor for the second time, invited 800 clients and business associates to its VIP tent on the final day.

- 22.07. RHEINGAU MUSIC FESTIVAL, ELTVILLE  
Concert series in the basilica of Eberbach Monastery
- 03.–05.08. GERMAN POLO MASTERS – SAL. OPPENHEIM GOLD CUP, SYLT  
High Goal Polo Tournament
- 06.–11.08. JUGENDPOLO, BERLIN  
German youth polo championships
- 06.09. SCULPTURE BY VOLKER BARTSCH, BERLIN  
Formal unveiling of the work entitled “Perspectives”
- 07.09. OPPENHEIM CUP, HILLESHEIM  
Golf tournament
- 26.09. CELLO-FESTIVAL DER KRONBERG ACADEMY, FRANKFURT AM MAIN  
Concert at the Alte Oper
- 15.10. FORMAL RECEPTION AT THE ABTEI NEUMÜNSTER, LUXEMBOURG  
Presentation of Sal. Oppenheim jr. & Cie. S.C.A.
- 16.10. OPPENHEIM COMPANY TALKS, MUNICH  
„Global competition: technology leadership through education and research!“
- 26.11. TALKS AT THE GOSSLERHAUS, HAMBURG  
Lecture series



06.09.2007

**SCULPTURE BY VOLKER BARTSCH**

The “Perspectives” sculpture by artist Volker Bartsch is a gift from Sal. Oppenheim jr. & Cie. to the Free University of Berlin. Measuring approximately twelve meters and weighing 15 tons, the piece is currently Germany’s largest and most complex bronze sculpture. The Free University of Berlin has dedicated the work of art to those students of the university who were arrested by the East German secret police (Stasi) at the beginning of the 1950s for alleged espionage and counter-revolutionary activity, secretly taken to the Soviet Union, and shot dead in Moscow.



15.10.2007

**FORMAL RECEPTION IN LUXEMBOURG**

During a formal reception at Neumünster Abbey in Luxembourg, the partners of the Sal. Oppenheim jr. & Cie. S.C.A. private bank welcomed around 400 invited guests, thus officially introducing themselves to the representatives of the government and the financial centre of Luxembourg. In order to fully exploit international growth opportunities in the future, Sal. Oppenheim moved the group headquarters to Luxembourg with effect from 1 July 2007. The personal welcome from His Excellency Jean-Claude Juncker, Prime Minister of the Grand Duchy of Luxembourg, was a special honour and a pleasure.

# Group Management Report

## GROUP MANAGEMENT REPORT

## Business Performance

**DESPITE THE TENSIONS ON THE FINANCIAL MARKETS, THE SAL. OPPENHEIM GROUP MANAGED TO continue its positive performance in 2007. Profit from operating activities was € 333 million (previous year: € 309 million), of which € 301 million was contributed by Sal. Oppenheim, and € 59 million by BHF-BANK. Group management costs totalled € 27 million. Net income for the period amounted to € 255 million. Income was generated in the amount of € 1,262 million, 16% up on the previous year. Total assets rose by 16% to € 41 billion. The volume of assets under management rose by € 14 billion to € 152 billion.**

	2007	2006	+/-	+/-
	€ M	€ M	€ M	%
Net interest income	250	242	8	3
Provision for loan losses	-10	-2	-8	>100
Share of the profit or loss of associates and joint ventures accounted for using the equity method	81	47	34	72
Net commission income	633	528	105	20
Net trading income	-37	151	-188	-
Net income/(loss) from non-current financial assets	317	118	199	>100
Administrative expenses	-929	-782	-147	19
Other operating income and expenses, net	28	7	21	>100
<b>Profit/(loss) from operating activities</b>	<b>333</b>	<b>309</b>	<b>24</b>	<b>8</b>
Income taxes	-78	-68	-10	15
<b>Net income/(loss) for the period</b>	<b>255</b>	<b>241</b>	<b>14</b>	<b>6</b>

## INCOME STATEMENT 1 JANUARY TO 31 DECEMBER 2007

### NET INTEREST INCOME

Net interest income amounted to € 250 million, and in addition to the traditional components from lending and money market business, also includes interest income and expense from banking book securities. € 162 million of net interest income was attributable to Sal. Oppenheim and € 104 million to BHF-BANK. Interest expense at group level was € 16 million.

#### PROVISION FOR LOAN LOSSES

Provision for loan losses amounted to € 10 million. While allowances for impairment losses on loans and advances increased € 11 million in net terms, provisions for loan losses fell by € 1 million due to reversals. Additions to allowances for impairment losses on loans and advances relate primarily to the increase in the general allowances for doubtful accounts. The vast majority of the loan portfolio comprises Investment Grade borrowers.

#### SHARE OF THE PROFIT OR LOSS OF ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

The share of the profit or loss of associates and joint ventures accounted for using the equity method of € 81 million was largely attributable to our equity investments in IVG Immobilien AG, Oppenheim-Esch Holding GbR and Deutsche Hypothekenbank AG (Actien-Gesellschaft). € 74 million is attributable to Sal. Oppenheim and € 7 million to BHF-BANK.

#### NET COMMISSION INCOME

Net commission income, which was already at a high level in the previous year, increased 20% to € 633 million. This growth was driven by commission income from the securities business and asset management. Equity sales and corporate finance business were also successful. € 405 million of the total net commission income was generated by Sal. Oppenheim and € 228 million by BHF-BANK.

#### NET TRADING INCOME

Net trading income totalled € -37 million. € 27 million of this amount is attributable to Sal. Oppenheim and € -64 million to BHF-BANK. It must be taken into consideration that the cost of hedging the banking book assets was reported under Net trading income in accordance with IFRS; however, profit from the assets in the amount of € 52 million was reported under Net income/(loss) from non-current financial assets. The volume of retail derivatives issues increased considerably once again. At Sal. Oppenheim, the focus is on equity retail derivatives business, while BHF-BANK concentrates on fixed income and currency trading.

#### NET INCOME/(LOSS) FROM NON-CURRENT FINANCIAL ASSETS

Net income from non-current financial assets totalled € 317 million, of which € 64 million was attributable to profit from banking book securities. The remaining € 253 million was largely attributable to the disposal of 10.6% of the shares in IVG Immobilien AG resolved in May 2007, the second tranche of the sale agreed in 2006 of a further 18.9% stake in IVG Institutional Funds GmbH (formerly Oppenheim Immobilien-Kapitalanlagegesellschaft mbH), and the 25.0% stake in Deutsche Hypothekenbank (Actien-Gesellschaft), held as a financial investment. A negative effect was the write-down of our 5% stake in IKB Deutsche Industriebank AG, to the year-end price. € 258 million of the net income from non-current financial assets is attributable to Sal. Oppenheim and € 59 million to BHF-BANK.

#### ADMINISTRATIVE EXPENSES

Administrative expenses increased by 19% to € 929 million. This was primarily due to higher provisions for profit-based remuneration and an increase in the number of employees by 355. We employed a workforce

averaging 3,769 in the Group in the reporting year. Personnel expenses increased correspondingly by 18% to € 551 million. Other administrative expenses increased to € 337 million, largely as a result of investments in the further improvement of IT security and expenses incurred in connection with the relocation of the Group's headquarters to Luxembourg. Depreciation and amortisation totalled € 41 million. € 621 million of administrative expenses are attributable to Sal. Oppenheim, € 297 million to BHF-BANK, and € 11 million to the Group.

#### CONSOLIDATED NET INCOME

Consolidated net income before taxes was € 333 million. After current income tax expenses of € 44 million, and deferred tax expenses of € 34 million, net income for the period totalled € 255 million. The share of profit attributable to minority interests amounted to € 5 million.

	2007	2006	+/-	+/-
	€ M	€ M	€ M	%
Cash and cash equivalents	475	361	114	32
Assets held for trading	13,472	9,335	4,137	44
Positive fair values from hedge accounting	31	26	5	19
Financial assets designated at fair value through profit or loss (fair value option)	3,190	3,484	-294	-8
Loans and advances to banks	10,170	9,241	929	10
Loans and advances to customers	7,116	6,231	885	14
Allowances for impairment losses on loans and advances	-167	-159	-8	-5
Non-current financial assets and investments accounted for using the equity method	5,531	6,023	-492	-8
Property, plant and equipment	322	246	76	31
Other assets	950	559	391	70
<b>Assets</b>	<b>41,090</b>	<b>35,347</b>	<b>5,743</b>	<b>16</b>
Liabilities held for trading	12,439	9,818	2,621	27
Negative fair values from hedge accounting	17	60	-43	-72
Deposits from banks	5,206	7,548	-2,342	-31
Deposits from customers	19,614	14,426	5,188	36
Debt securities	676	715	-39	-5
Provisions	85	109	-24	-22
Other liabilities	693	541	152	27
Subordinated capital	186	195	-9	-5
Equity	2,174	1,935	239	12
<b>Liabilities and equity</b>	<b>41,090</b>	<b>35,347</b>	<b>5,743</b>	<b>16</b>

#### BALANCE SHEET AS AT 31 DECEMBER 2007

**TOTAL ASSETS**

The Group's total assets amount to € 41.1 billion, an increase of € 5.7 billion compared to the previous year. € 4.6 billion of this growth relates to Sal. Oppenheim and € 1.1 billion to BHF-BANK, and reflects the positive operating development of the first half of the year. € 22.1 billion of total assets are attributable to Sal. Oppenheim and € 19.0 billion to BHF-BANK.

**ASSETS HELD FOR TRADING**

Assets held for trading increased from the previous year's figure by € 4,137 million to € 13,472 million. They include bonds and fixed-income securities at € 4,175 million, equities and other non-fixed income securities at € 3,693 million, and positive fair values from derivative financial instruments at € 5,591 million.

**FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

Financial assets designated at fair value through profit or loss decreased by € 294 million to € 3,190 million. This item includes, in particular, bonds totalling € 2,209 million and equities and other non-fixed income securities totalling € 895 million.

**LOANS AND ADVANCES**

Loans and advances to banks amounted to € 10,170 million at the balance sheet date, an increase of 10%. This item includes liquidity provided to us that was not channelled into other asset items. Due to the tension in the money market, the ensuing considerations regarding credit quality, and growing needs for collateralisation, the repo volume increased again. The growth in unsecured money market business was comparatively low. Money market transactions were concluded on a short-term basis as far as possible, to ensure sufficient flexibility for the outflow of funds. Loans and advances to customers rose by 14% to € 7,116 million. € 4,129 million of this amount is attributable to business with corporate clients, and € 2,932 million to private client business. The remaining € 55 million is primarily attributable to public-sector clients.

**ALLOWANCES FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES**

Allowances for impairment losses on loans and advances were up slightly on the prior year at € 167 million, € 124 million of which was attributable to specific valuation allowances and € 43 million to general allowances for doubtful accounts.

**NON-CURRENT FINANCIAL ASSETS**

Non-current financial assets including investments accounted for using the equity method fell by € 492 million to € 5,531 million. € 3,918 million of this amount is attributable to fixed-income securities, and € 383 million to equities and other non-fixed-income securities. Equity investments include in particular the 10% stake in IVG Immobilien AG.

**OTHER ASSETS**

Other assets totalling € 950 million include income tax refund claims at € 381 million, and intangible assets at € 304 million.

**LIABILITIES HELD FOR TRADING**

Liabilities held for trading increased substantially by € 2,621 million to € 12,439 million. These include trading book bonds and notes issued of € 6,611 million, and negative fair values from derivative financial instruments of € 5,700 million.

**LIABILITIES**

Deposits from banks fell by € 2,342 million to € 5,206 million. These relate primarily to money market deposits at BHF-BANK. Client deposits rose considerably once again with growth of € 5,188 million to € 19,614 million, accounting for almost half of total liabilities and equity. These deposits remain the Group's main refinancing instrument and reflect the trust placed in our Bank. Debt securities represent another refinancing instrument, with a volume of € 676 million.

**OTHER LIABILITIES**

Other liabilities totalled € 693 million. These include current and deferred income tax liabilities of € 247 million, and minority interests qualified as debt of € 76 million.

**SUBORDINATED CAPITAL**

The subordinated capital of € 186 million relates solely to BHF-BANK and contains subordinated liabilities only.

**EQUITY**

The € 239 million increase in equity to total € 2,174 million is primarily due to the consolidated net income of € 255 million.

**PERFORMANCE INDICATORS**

The Bank uses the cost/income ratio as a key performance indicator. The calculation of the cost/income ratio includes all of the pre-tax income statement items, with the exception of impairments and the proceeds from the sale of equity investments. Administrative expenses are weighed against income items. This produces a cost/income ratio of 92.3% for the reporting year. Return on equity is another key indicator. To calculate return on equity, net income for the period before taxes is weighed against equity. The annual result is assumed to have been continuously generated throughout the year for the purpose of the calculation. Thus, equity as at 1 January 2007, less dividends paid, plus half of the annual net income, forms the basis for the calculation. This produces return on equity of 16.4%. The overall ratio in accordance with Principle I under the German Banking Act (Grundsatz I) and the related risk assets serve as further key performance indicators. At the end of 2007, the ratio was 11.8% with risk assets of € 17.5 billion. Equity is composed primarily of tier 1 capital.

**SUPPLEMENTARY REPORT**

No transactions occurred after the close of the financial year that significantly affected the operating results, the financial position, or the net assets of the Group.

GROUP MANAGEMENT REPORT

## Outlook for 2008

**FOR 2008, SAL. OPPENHEIM EXPECTS THE GLOBAL ECONOMY TO WEAKEN AND THE SITUATION ON THE capital markets to remain uncertain until mid-year. Recovery on the stock markets and low-level normalisation in international securitisation markets, however, is considered likely in the second half of the year.**

### MACROECONOMIC EXPECTATIONS

According to the International Monetary Fund, the global economy is expected to stay on its growth course. Despite a downward revision to the forecasts, the economy is expected to grow at a rate of 3.7% in 2008, which is still a satisfactory level. Economic prospects appear bleaker primarily for the USA. The emerging markets remain robust, thus constituting a counterbalance to this development. However, particularly in China, there is danger of overheating.

In the industrialised countries, the financial market crisis is increasingly leaving marks on the real economy. Sentiment indicators have considerably worsened, especially in the US and Japan.

Positive news from the real economy still continues to dominate in the eurozone. Export demand for infrastructure goods remains high, and machinery and equipment investment continues to develop dynamically, providing an accelerated boost for capacity expansions. Unemployment is at its lowest level in over 15 years, which is providing private consumption with impetus.

Nevertheless, uncertainties remain high and are increasing as a result of the financial market crisis, the high price of oil, and a strong euro. Also overall, earnings momentum will slow down.

Risks of inflation remain. Increased energy and food prices are impacting consumer prices. As a result of higher salary demands, second-round effects in Germany can no longer be excluded.

Caught in the tension of a possible economic cool-down and inflation risks that are not yet contained, interest rate policy of the central banks will be made on the strength of economic data. The European Central Bank (ECB) will come under increasing pressure to deviate from its hard line policy due to reduced economic momentum. In our base scenario, however, we expect the key rates to remain unchanged for the time being. Against the backdrop of the risks in financial and real economies which recently increased again, we cannot rule out further rate cuts in the US before the end of 2008.

### SAL. OPPENHEIM IN FINANCIAL YEAR 2008

Our integrated asset management and investment banking business model with its clear client focus, income diversification, and strict risk control will continue to be a success in 2008. It has also proved to be robust and reliable in a volatile market environment. Sal. Oppenheim and the BHF-BANK each continue to each enjoy distinct market presence under the “two-bank strategy”. This is reflected in the good result.

As a result of relocating the group parent company to Luxembourg, opening additional branch offices in Paris (2007) and Milan (2008), as well as acquiring additional foreign equity investments (Switzerland, Hong Kong, France, USA), earnings generated outside Germany will increase overproportionally.

Net income for the year 2007, which includes the disposal of equity investments, is at a very high level. In view of the persisting financial market crisis, we do not believe any further increase possible in the operating results excluding disposal proceeds for 2008.

Sal. Oppenheim will continue to focus primarily on the needs of its clients, providing all the resources necessary to this end. The high amount of inflows are just one reflection of the high degree of trust our clients have placed in us.

As in the second half of 2007, the continuing financial market crisis also carries a significant risk in 2008. Where provisioning for credit risks is concerned, we expect few changes to expenses in the future.

Sal. Oppenheim's financial strength enables sustained consistent growth.

### ASSET MANAGEMENT

After merging Asset Management and Private Banking into a new Asset Management division, our goal for 2008 is to further develop our service offerings to meet client needs in an optimal manner. In this regard, the close cooperation with Investment Banking is a major competitive advantage.

In 2008, risk diversification and risk reduction will be of significant importance. We will offer our clients attractive products focused on stable capital appreciation to address heightened investor nervousness. Investment concepts with dynamic capital protection or dynamic asset allocation based on conservative strategies are well suited to this end.

We expect net new assets in both institutional and retail business in 2008. We expect investment for the purpose of pension provision to be a strong growth driver. Moreover, under the corporate tax reform, 2008 will be characterised by the new investment income tax rule. We expect mainly equity funds to benefit from the future final withholding tax.

We will continue to strengthen our marketing base in 2008.

#### INVESTMENT BANKING

In 2008, Investment Banking will strengthen its position in German-speaking countries and also internationally.

For 2008, we assume continued good advisory business for private equity funds in the mid-market segment with transaction volumes ranging from € 100 million to € 750 million. We will continue to enhance our advisory activities in mergers and acquisitions for listed companies in Germany in line with our sector focuses. As part of the further expansion of our international activities, we aim to open a branch office staffed by a local M&A team in Milan in 2008.

Moreover, during the course of the year, we expect a total of around 10 to 15 IPOs on the Prime Standard of the Frankfurt Stock Exchange in an improving capital market environment. After the first two successful IPOs of Chinese companies, issuers from the emerging markets, in particular from China and possibly also from Russia, will provide an additional boost to IPOs in Germany.

The establishment of Equity Sales units at the Paris and Milan locations will sustainably enhance the Bank's placement power, while significantly increasing its expertise in European equities. Distribution activities of the newly established French research product will begin in the first quarter of 2008. Sal. Oppenheim will continue its expansion in derivative securities in Switzerland, Italy and Austria. Moreover, we will also start business activities in the United Arab Emirates, particularly in Dubai. On the German market, sales and marketing activities will focus on multi-underlying derivative securities and products with capital protection.

Due to the persisting tension on the financial markets, we have already taken precautions against further burdens on net trading income.

No special events materially affecting the net assets, financial position and results of operation occurred after the balance sheet date.

## GROUP MANAGEMENT REPORT

## Risk Management

**THE FOCUS OF RISK AND EARNINGS MANAGEMENT IN THE SAL. OPPENHEIM GROUP IS ON STABILISING earnings power, thus making a significant contribution to maintaining stability and continuity. Risk strategies, process organisation, and risk measurement and monitoring mechanisms apply to all of the Sal. Oppenheim Group's business divisions. Our risk management analysis focuses on the Sal. Oppenheim Group and the two sub-Groups Sal. Oppenheim and BHF-BANK.**

### RISK STRATEGIES

The Group business strategy is determined by the Group management and revised annually. The Group risk strategy is derived from it. On the basis of the business strategy and the planning in each business area, the aggregate risk cover required to achieve the projected results is allocated in a bottom-up process; aggregate risk cover represents the risk capital made available by the Group. Clearly defined limits have been set Group-wide for the types of risk considered important, i.e. equity investment, market and credit risk, as well as operational risk, and ongoing checks and monitoring are performed to ensure compliance.

### RISK-BEARING CAPACITY

The components of economic capital and aggregate risk cover derived as a percentage thereof are determined by Group management and confirmed by the supervisory body.

A portion of aggregate risk cover is allocated to the sub-Group companies. Risk limits for types of risk and business divisions are derived taking into consideration the respective business plans within the sub-Group companies.

Group management is responsible for ensuring that the risks taken in the Sal. Oppenheim Group are backed by available aggregate risk cover at all times. Aggregate risk cover and utilisation of the risk limits are subject to constant comparison and reporting.

The risk-bearing capacity and aggregate risk cover concept applied in the Sal. Oppenheim Group since 2005 was revised as scheduled and developed in 2007.

#### CAPITAL RESOURCES

As at the balance sheet date, regulatory capital amounted to € 2,073 million. The comfortable capital base of the Sal. Oppenheim Group and sub-Group is also reflected in the above-average solvency ratio of 11.8%, compared with the required regulatory level of 8%.

#### RISK MANAGEMENT STRUCTURE

Group Risk Management coordinates risk management across the Group and is responsible for the aggregation of the sub-Groups' risk information. BHF-BANK AG operates as a legally separate bank in daily operating business, independent of Sal. Oppenheim jr. & Cie. KGaA. The Group companies are responsible for managing and controlling risks that they have taken themselves, by means of a structured process. This process is based on strategies and guidelines adopted by Group management.

#### → GROUP CHIEF RISK OFFICER

The Group Chief Risk Officer (GCRO) is a personally liable partner of Sal. Oppenheim jr. & Cie. S.C.A. and responsible for risk management activities.

#### → GROUP RISK MANAGEMENT

This function is responsible for identifying, measuring, monitoring and controlling risks resulting from the Sal. Oppenheim Group's business activities for the Group Chief Risk Officer (GCRO). Group Risk Management conducts independent risk analyses on the basis of the aggregated risk information from Group companies.

#### → RISK CONTROL

The risk control units of the respective Group companies are responsible for quantifying the risks taken, and for the quality and accuracy of data relating to risk. The methods used are aligned and further developed in cooperation and in line with Sal. Oppenheim Group specifications.

#### MARKET RISKS

Market risk constitutes the risk of loss from own risk positions entered into, due to changes in market prices. Traditional price risks (interest rate, equity, currency and commodity risk), option-specific risks (delta, gamma, vega, theta and rho risk) and other market price risks (spread risk and basis risk) have to be taken into account here.

## —&gt; MARKET RISK STRATEGY

The suitability and reliability of the methods and processes is subject to regular review.

For new business activities, a concept must be worked out including an analysis of the risk associated with these activities. Trading is only permitted in products and on markets which have been approved as part of the product launch process.

## —&gt; MARKET RISK ORGANISATION

The structure and organisation of operations comprises risk management and control processes for all market risks. The processes are clearly established, communicated and documented at Group level and throughout the Group companies in accordance with the supervisory requirements.

The structure and organisation of operations is subject to regular checks and assessments by the Group's internal audit department and by the Group companies.

## —&gt; MEASUREMENT AND ASSESSMENT OF MARKET RISKS

The trading book positions entailing market risks are assessed on a daily basis. The banking book positions entailing market risks are assessed on a regular basis, both daily and monthly, depending on relevance. The following minimum requirements apply to Group monitoring:

- > Value at Risk: confidence level of 99%, minimum holding period of one day, 250-day historical observation period,
- > Daily calculation of a clean P/L (assessment of a day's positions under the market conditions of the next day),
- > Worst-case/stress scenarios: scenarios are defined on the basis of specific changes to the risk parameters or historically derived market movements.

The market risk quantification methodology used by each Group company takes account of its respective business focus. Monte Carlo simulations are used for equity-related transactions in the Sal. Oppenheim sub-Group, and historical simulations are used in the interest rate and currency asset classes. In the BHF-BANK sub-Group, market risks in all asset classes are determined using a risk model authorised by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin).

Product area	2007	2006*
	€ M	€ M
Interest-related transactions	3.2	2.4
Currency-related transactions	1.7	0.7
Equity-related transactions	8	5
<b>Total</b>	<b>12.9</b>	<b>8.1</b>

\*The VaR figures for 2006 were calculated for the former Group Sal. Oppenheim jr. & Cie. KGaA

#### VALUE AT RISK FOR THE TRADING BOOK AS AT 31 DECEMBER 2007

THE VALUE AT RISK FIGURE IS CALCULATED USING THE FOLLOWING PARAMETERS:  
HOLDING PERIOD OF ONE DAY, CONFIDENCE LEVEL OF 99%, HISTORICAL OBSERVATION PERIOD OF ONE YEAR.

Product area	2007	2006*
	€ M	€ M
Interest-related transactions	5.6	2.1
Currency-related transactions	0.6	0.2
Equity-related transactions	9.6	9.7
<b>Total</b>	<b>15.8</b>	<b>12.0</b>

\*The VaR figures for 2006 were calculated for the former Group Sal. Oppenheim jr. & Cie. KGaA

#### VALUE AT RISK FOR THE BANKING BOOK AS AT 31 DECEMBER 2007

THE VALUE AT RISK FIGURE IS CALCULATED USING THE FOLLOWING PARAMETERS:  
CONFIDENCE LEVEL OF 99%, HISTORICAL OBSERVATION PERIOD OF ONE YEAR.

#### —> MARKET RISK LIMITS AND OPERATIONAL MANAGEMENT

Risk management is based on an appropriate, uniform, multi-tier limit system. Limits (i.e. largely VaR limits, sensitivity limits and stop-loss limits) are approved at least once a year. When limits are exceeded, established escalation procedures come into play, which ensure that steps are taken quickly to reduce risk.

All risks are monitored once a day (end-of-day process), several times a day (separate limits are approved for intraday monitoring by responsible partners and/or Executive Board members), or for longer observation periods.

#### → MARKET RISK REPORTING

Comprehensive and transparent risk reporting serves to appropriately manage Group risks. The management information system is adjusted in line with changes in requirements on a continual basis. The figures calculated by the individual Group companies are aggregated daily by the Group's risk control department and made available to Group management. A detailed report covering the current risk position and operating results of the respective Group company is also discussed by management on a monthly basis.

#### LIQUIDITY RISKS

Liquidity risk in its narrow sense means the risk that the Bank may not have sufficient funds to fulfil its payment obligations. Such payment obligations result from deposits being called, trading transactions being settled, interest payments and loan granting, among other reasons.

Liquidity risks in a broader sense include:

- inability to source sufficient liquidity at the expected conditions when required (refinancing risk), and
- inability to liquidate or close transactions at all, or only with losses, due to inadequate market depth or market disruptions (market liquidity risk).

#### → LIQUIDITY RISK ORGANISATION

Liquidity risk management has a decentralised structure in the Sal. Oppenheim Group, which means the sub-Groups (Sal. Oppenheim and BHF-BANK) are responsible for managing the risks they have taken themselves. This includes responsibility for implementing regulatory requirements.

#### → LIQUIDITY RISK MEASUREMENT

Principle II governing liquidity (Grundsatz II), with the current ratio (Liquiditätskennzahl) as central assessment criterion, forms the basis for liquidity risk determination for both sub-Groups from a supervisory point of view. In addition, liquidity requirement (surplus), liquidity status, liquidity projection and capital commitment balance are determined on a regular basis (once/several times a day); liquidity requirement may not exceed the available refinancing funds.

The liquidity situation is also analysed through simulated crisis scenarios which examine various risk situations. Refinancing risk is taken into consideration here in that some extreme crisis situations without the possibility of refinancing are analysed.

→ LIQUIDITY MANAGEMENT

Liquidity management entails financing foreseeable liquidity requirements under normal market conditions, at standard market rates.

The majority of liquidity in each of the sub-Groups is controlled through traditional money-market trading and repo transactions, as well as via client deposits and own issues of structured bonds and borrower's notes. Unforeseen liquidity restraints can also be countered in the form of a portfolio of securities eligible as collateral with Deutsche Bundesbank.

The liquidity risk of traded products (market liquidity risk) is monitored and duly considered in the context of market risk control.

Even under the effects of the lending market crisis, the established procedures and the instruments and processes used proved appropriate. The Sal. Oppenheim Group was not faced with liquidity restraint at any time.

→ LIQUIDITY RISK REPORTING

The management teams of the sub-Groups and the Sal. Oppenheim Group receive daily reports on the respective sub-Group's liquidity and refinancing situation based on key figures, and is also provided with an outlook for the next few business days.

Reports are also issued on a monthly and quarterly basis.

**CREDIT RISKS**

The Sal. Oppenheim Group defines counterparty risks as possible declines in the value of loans, securities or derivatives. The counterparty risk is evaluated in the context of the Group's total exposure, which aggregates the risks of individual counterparties or the borrower entity. Bank guarantees are also included in the total exposure, converted at the credit conversion factor.

The table shows the gross exposure for the Sal. Oppenheim Group as a whole. The subsequent tables show the gross exposure for the two sub-Groups, Sal. Oppenheim jr. & Cie. KGaA and BHF-BANK AG. The gross exposure of Sal. Oppenheim jr. & Cie. S.C.A. as an operating entity, and of Bank Sal. Oppenheim jr. & Cie. (Switzerland) Ltd and Bank Sal. Oppenheim jr. & Cie. (Österreich) AG can be disregarded with respect to materiality.

Portfolio	Group	of which SOP	of which BHF	Other*
	€ M	€ M	€ M	€ M
Private clients	3,544.1	3,089.8	422.0	32.3
Corporates	5,769.3	2,092.3	3,677.0	0.0
Banks	12,247.8	4,554.0	7,397.2	296.6
Eligible as collateral for borrowings from Bundesbank	1,070.7	349.7	368.7	352.3
Other	21.5	21.5	0.0	0.0
Intensified loan management	237.5	206.6	30.9	0.0
<b>Total</b>	<b>22,890.9</b>	<b>10,313.9</b>	<b>11,895.8</b>	<b>681.2</b>

\*Other aggregates gross exposure by sub-portfolios for Group companies Sal. Oppenheim jr. & Cie. S.C.A. as an operating entity, Bank Sal. Oppenheim (Austria) and Bank Sal. Oppenheim (Switzerland)

#### GROSS EXPOSURE BY SUB-PORTFOLIO AS AT 31 DECEMBER 2007

Credit risk strategy defines risk identification, risk measurement and risk management procedures, as well as limitation and escalation mechanisms. The product launch procedure applies to business activities in new products or markets in the same manner as for market risks.

The group lending procedures in place ensure that credit risks are assessed for each individual exposure. The credit assessment results in a rating. In accordance with the internal competence structure, the responsible decision makers in the Group companies and at Group level for amounts that exceed pre-determined limits authorise credit lines. Group Credit Risk Management closely monitors exposures that are of major significance to the Sal. Oppenheim Group.

There is a uniform procedure that regulates the acceptance and valuation of collateral across the Group.

Collateral Management, which is part of the Risk Management department, is responsible for managing and monitoring standardised collateral agreements for OTC trading transactions. Corresponding netting agreements are concluded and taken into consideration.

→ RATING SYSTEMS

The Sal. Oppenheim Group has internally developed rating procedures for all the main types of counterparty risk in the corporate client, bank and private client areas. The regulatory framework was taken into account in developing these rating systems.

Using these rating models, the respective client rating is calculated on the basis of quantitative and qualitative information. The processes used ensure that the ratings are reviewed at least once a year. Changes in creditworthiness that result in rating changes are implemented ad hoc.

→ DEALING WITH DEFAULTED EXPOSURES AND WORKOUT

Within the respective credit department, Special Services, which has been entrusted with intensified loan management, is the specialised internal service area responsible for:

- early identification of problem exposures (banks, corporate and private clients), and
- monitoring the intensified loan management exposures remaining under front-office management.

The aims of Special Situations are to avoid, reduce and qualitatively improve risk exposure of performing loans as well as to restructure and workout defaulted exposures in a manner that maximises recovery value and is time and cost-effective.

In line with the accounting standard IFRS 7, the carrying amount of total loans and advances, which without a workout would have caused specific valuation allowances to be established, is to be disclosed for the workout portfolio. The Sal. Oppenheim Group has no such cases.

→ DERIVATIVES

In the case of derivative instruments, counterparty risks are measured using the mark-to-market method. This method is based on current market prices. At rates of 98.9% (Sal. Oppenheim jr. & Cie. KGaA) and 98.5% (BHF-BANK AG), the derivatives portfolio focuses on counterparties with investment-grade ratings.

→ OVERALL PORTFOLIO

Overall, the Sal. Oppenheim Group's lending and derivatives portfolios have a diversified structure. As regards subprime risks, the Bank analysed its existing exposures, and overall found there to be no exposure containing a particularly high risk.

In contrast to the previous gross exposure tables, the table below shows not only the traditional credit risk, but all counterparty risks including nostro securities.

Equivalent S&P rating	Cash loans and advances and bank guarantees	OTC derivatives	Security holdings, repos, reverse repos and securities lending	Total	in %
	€ M	€ M	€ M	€ M	
AAA	1,299	33	5,362	6,694	19.9
AA	6,482	791	4,122	11,395	33.8
A	4,992	842	2,637	8,471	25.1
BBB	3,013	58	1,026	4,097	12.2
Non-investment grade	1,413	20	147	1,580	4.7
Other*	164	0	1,298	1,462	4.3
<b>Total</b>	<b>17,363</b>	<b>1,744</b>	<b>14,592</b>	<b>33,699</b>	<b>100.0</b>

\*Other consists mainly of nostro exposures (equities, fixed-income securities and covered bonds) the credit ratings of which lie in the upper investment grade range

#### COUNTERPARTY RISKS INCLUDING NOSTRO SECURITIES ACCORDING TO CREDIT RATING AND PRODUCT AS AT 31 DECEMBER 2007

In order to address risk concentration, portfolio diversification is already taken into account when lending decisions are made. As at 31 December 2007, there were no large exposures carrying risk that would have resulted in a particular concentration of risk from assets or off-balance-sheet business.

Size range (in € M)	Exposure
	€ M
0 – 5	3,378.9
5 – 15	2,621.1
15 – 25	1,898.6
25 – 50	3,271.6
50 – 100	4,671.9
100 – 200	4,305.1
> 200	2,062.5
<b>Total</b>	<b>22,209.7</b>

#### GROSS EXPOSURE BY SIZE RANGE AS AT 31 DECEMBER 2007

## —&gt; LOAN PORTFOLIO MANAGEMENT

The Sal. Oppenheim Group performs the internal management of the loan portfolio based on a loan portfolio model, which is used to calculate the Credit Value at Risk (CVaR) of the Group's total loan portfolio. With a confidence level of 99.95%, CVaR represents the maximum risk of loss. As at 31 December 2007, this totalled € 341.2 million. The CVaR is calculated on the basis of the internal portfolio model.

Group Credit Risk Management analyses the detailed results calculated in order to actively steer processes and to develop recommendations for handling credit risks.

Portfolio	CVaR
	€ M
Private Banking	73.9
Corporates	181.3
Banks	74.8
Eligible as collateral for borrowings from Bundesbank	1.3
Other/NB	0.4
Intensified loan management	9.5
<b>Total</b>	<b>341.2</b>

## CREDIT VALUE AT RISK BY SUB-PORTFOLIO AS AT 31 DECEMBER 2007

## —&gt; BASEL II

The Sal. Oppenheim Group continues the path taken the previous year, thus remaining with the standardised approach to credit risk in accordance with the options for measuring capital offered under Basel II. However, the instruments under the IRB foundation approach are used for internal management purposes.

As a result of the relocation of the parent company's registered office to Luxembourg, Sal. Oppenheim will base risk assessment on the Internal Capital Adequacy Assessment Process (ICAAP).

## EQUITY INVESTMENT RISK

Equity investment risk means the risk of fluctuating market prices for Sal. Oppenheim Group equity investments. At the Group companies, the relevant types of risk (e.g. market or credit risks) are directly recorded at individual institution level. For other investments, the equity investment risk is quantified using the VaR method and compared to the risk limits derived using the aggregate risk cover model.

Corporate Investments & Controlling calculates and analyses equity investment risk and reports to management on a monthly basis.

If certain risk thresholds or concentrations are reached, different options for courses of action are available to management.

### COUNTRY RISKS

There are no significant country risks for the Sal. Oppenheim Group, with the exception of Group company BHF-BANK AG. Aggregate exposure to countries or debtors with an Institutional Investor Rating of less than 60 points after deductions of valuable collateral such as Hermes, bank or export guarantees amounted to € 0.13 million (Sal. Oppenheim jr. & Cie. KGaA) and € 319 million (BHF-BANK AG) at the end of 2007. Country risks are managed using country limits, which serve to restrict transfer and conversion risk, as well as political and economic risk involved with transactions with borrowers from the respective countries. Limit monitoring, which is the back office's responsibility, involves comparison of the net risk of each country with that country's limit. In the event that a country's situation significantly deteriorates, the country limit is adjusted accordingly.

### OPERATIONAL RISKS

According to the Basel Committee on Banking Supervision, operational risks are defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.

This definition includes legal and reputational risks, but excludes strategic risks, thus expanding the supervisory framework.

#### → OPERATIONAL RISK STRATEGY

The Group operational risk strategy is defined through principles and methods specific to managing operational risks in the Sal. Oppenheim Group.

#### → OPERATIONAL RISK ORGANISATION

The structure and organisation of operations comprise the organisation and design of risk management and control processes for all operational risks. The processes are clearly established, communicated and documented at Group level and throughout the Group companies.

Operational risk management has a decentralised structure. The Group companies are individually responsible for managing operational risks as well as for meeting all relevant regulatory requirements.

#### → OPERATIONAL RISK MEASUREMENT APPROACH

The Sal. Oppenheim Group applies the basic indicator approach to measuring the capital to be allocated to cover operational risks. With the basic indicator approach, capital must be available that is equal to the average amount over the past three years of a fixed percentage of the positive annual gross income.

The process for collecting data relating to losses has been implemented across the Group. A daily reporting process is in place throughout the Bank, which includes negative reports.

#### → RISK INVENTORY, DOCUMENTATION, REPORTING

In the reporting year, specific risk inventories or relevance tests from earlier risk inventories were performed at Group level in several phases. Further measures are:

- Identification of potential operational risks
- Holding risk workshops
- Evaluating reports of operational risks in order to work out courses of action for prevention.

The detailed monthly reporting on incidents relevant to operational risk to the manager responsible for risk management is centrally determined by Group Operational Risk and was enhanced in the reporting year.

#### COMPLIANCE AND ANTI-MONEY LAUNDERING

The excellent reputation enjoyed by the Sal. Oppenheim Group as a whole and by its individual subsidiaries, is a main pillar of the Bank's business success. A sound reputation forms the basis for client confidence in the services offered by the Sal. Oppenheim Group. This confidence goes hand in hand with confidence in the integrity and the specialised know-how of bank employees as well as in the high quality of our products. For this reason, key principles of compliance for the Sal. Oppenheim Group are ensuring employee integrity and maintaining service and product quality. Compliance is primarily aimed at maintaining and continuously improving the Bank's reputation.

Ensuring the Bank's integrity and that of its employees is accomplished by adhering to compliance-relevant legislation. It is also achieved by conveying adequate knowledge of the compliance legislation to be adhered to as well as by monitoring the resultant compliance guidelines and principles.

#### —> LUXEMBOURG LAW

In accordance with Luxembourg legislation, the Group parent company has set up a compliance policy and charter for itself. The compliance policy and the principles it contains apply for all Group companies. The national compliance guidelines are also observed.

#### —> COMPLIANCE STEERING COMMITTEE

The aim of the committee is to identify, analyse and control compliance risks at Group level and to minimise them as far as possible.

#### —> UNIFORM GROUP LEVEL FRAMEWORK FOR ACTION

At Group level, uniform understanding of the identification of compliance risks, the specification of the respective degree of risk as well as the appropriate minimisation measures is necessary. A uniform action framework for identifying and controlling compliance risks has been set up. This Group-wide action framework contains guidelines and methodical procedures to ensure uniform understanding of individual compliance risks and how to manage them.

#### —> CONTINUOUS ANALYSIS PROCESS

Compliance continuously analyses the Group's legal and business environment for early identification and minimisation of compliance risks that arise.

## → MIFID

In this context, it is particularly necessary to mention, for 2007, the required changes within the business and workflow processes of the Group and in the Group companies as a result of MiFID. The changes were implemented in due time across the Group to the extent they were legally required.

## → ANTI-MONEY LAUNDERING

Using the risk analyses in the individual Group companies undertaken thus far as a basis, Compliance has established a uniform methodology of risk analysis to identify potential risks of the Bank being misused for money laundering. The relevant units are required to identify and analyse their individual potential money laundering risks and implement the necessary minimisation measures for the risks determined, based on this methodology.

## OUTLOOK FOR 2008

For 2008, the Sal. Oppenheim Group aims to continue to expand both domestically and internationally, despite volatile markets and the expectations of a weakening in global economic growth. In this context, existing business activities are to be expanded and new business activities undertaken. Risk Management will support this development in 2008 on the basis of the applicable principles; capital limits will be monitored closely and regularly, so there will be no significant changes to the Bank's risk profile.

This applies in particular to the handling and monitoring of credit and equity investment risk. The established processes, the credit rating systems which are subject to continuous improvement, highly qualified analysts and a focus on client relationships with high credit ratings, allow risks to be identified and dealt with appropriately. This ensures continuous development of the loan portfolio. With this background, despite loan and investment volume increasing in line with the Bank's growth, we do not expect any significant increase in risk.

No substantial VaR limit increases have been approved for market risks in 2008, given the difficult market environment expected. On the contrary, the capital available for market risks was actually reduced.

Furthermore, Risk Management must master a number of tasks in 2008, some of which follow as examples:

- Further development of methods and tools for risk measurement, in particular the development of procedures for assessing creditworthiness for newly added business areas and activities.
- Expansion of the risk management activities at foreign subsidiaries, as a result of the efforts to expand trading activities there.
- Adjustment and expansion of the Group-relevant MIS infrastructure.
- Expansion and development of responsibilities, structures and processes in Group risk management.

Risk management will also contribute to Sal. Oppenheim Group's secure and continuous expansion in 2008.

## Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

FOR THE SAL. OPPENHEIM JR. & CIE. S.C.A. GROUP, LUXEMBOURG, FOR THE PERIOD FROM 1 JANUARY 2007 UNTIL 31 DECEMBER 2007

	Notes	2007	2006
		€ M	€ M
Interest income		1,298	997
Interest expense		-1,048	-755
Net interest income	33	250	242
Share of the profit or loss of associates and joint ventures accounted for using the equity method	34	81	47
Provision for loan losses	35	-10	-2
Net interest income after provision for loan losses		321	287
Commission income		914	759
Commission expense		-281	-231
Net commission income	36	633	528
Net trading income	37	-152	210
Result from hedge accounting	38	-1	-2
Result from fair value option	39	116	-57
Net income/(loss) from non-current financial assets	40	317	118
Administrative expenses	41	-929	-782
Other operating income and expenses, net	42	28	7
<b>Profit/(loss) from operating activities</b>		<b>333</b>	<b>309</b>
Income taxes	43	-78	-68
<b>Net income/(loss) for the period</b>		<b>255</b>	<b>241</b>
Share of the profit attributable to minority interests		-5	-7
<b>Net income for the period after share of the profit attributable to minority</b>		<b>250</b>	<b>234</b>

CONSOLIDATED BALANCE SHEET

FOR THE SAL. OPPENHEIM JR. & CIE. S.C.A. GROUP, LUXEMBOURG, AS AT 31 DECEMBER 2007

ASSETS

	Notes	2007	2006
		€ M	€ M
Cash and cash equivalents	10, 45	475	361
Assets held for trading	11, 46	13,472	9,335
Positive fair values from hedge accounting	09, 47	31	26
Financial assets designated at fair value through profit or loss (fair value option)	12, 48	3,190	3,484
Loans and advances to banks	13, 49	10,170	9,241
Loans and advances to customers	13, 50	7,116	6,231
Allowances for impairment losses on loans and advances	14, 52	-167	-159
Non-current financial assets	15, 54	5,387	5,597
Investments accounted for using the equity method	16, 55	144	426
Property, plant and equipment	17, 56	322	246
Intangible assets	18, 57	304	98
Income tax assets	29, 59	381	280
Other assets	20, 60	265	158
Non-current assets held for sale	21, 61	0	23
<b>Total assets</b>		<b>41,090</b>	<b>35,347</b>

LIABILITIES AND EQUITY

	Notes	2007	2006
		€ M	€ M
Liabilities held for trading	22, 62	12,439	9,818
Negative fair values from hedge accounting	09, 63	17	60
Deposits from banks	23, 64	5,206	7,548
Deposits from customers	23, 65	19,614	14,426
Debt securities	23, 66	676	715
Provisions	24, 25, 67	85	109
Income tax liabilities	29, 68	247	165
Other liabilities	26, 69	446	376
Subordinated capital	27, 70	186	195
Equity	28, 71		
a) Issued capital		900	900
b) Capital reserve		200	200
c) Revenue reserves		692	525
d) Revaluation surplus		125	69
e) Foreign currency translation reserve		-9	-3
f) Net income for the period after share of the profit attributable to minority		250	234
g) Minority interests		16	10
		2,174	1,935
<b>Total liabilities and equity</b>		<b>41,090</b>	<b>35,347</b>

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

FOR THE SAL. OPPENHEIM JR. & CIE. S.C.A. GROUP, LUXEMBOURG, FOR THE PERIOD FROM 1 JANUARY 2007 UNTIL 31 DECEMBER 2007

	2007	2006
	€ M	€ M
Foreign currency translation	-6	-3
Changes in fair value from available-for-sale financial instruments	44	10
Actuarial gains and losses on defined benefit plans and associated plan assets	11	-18
Tax on items taken directly to or transferred from equity	7	5
<b>Income and expenses recognised directly in equity (after tax)</b>	<b>56</b>	<b>-6</b>
Consolidated net income after tax	255	241
<b>Total recognised income and expense for the period</b>	<b>311</b>	<b>235</b>
Attributable to Sal. Oppenheim Group shareholders	306	228
Attributable to minority interests	5	7

**CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SAL. OPPENHEIM JR. & CIE. S.C.A. GROUP, LUXEMBOURG, FOR THE PERIOD FROM 1 JANUARY 2007 UNTIL 31 DECEMBER 2007

	2007	2006
	€ M	€ M
<b>Net income/(loss) for the period</b>	<b>255</b>	<b>241</b>
Non-cash items included in net income for the period and reconciliation to cash flow from operating activities		
Depreciation, amortisation of / impairment and reversal of impairment losses on loans and advances, property, plant and equipment and non-current financial assets	105	45
Changes in provisions	-20	-119
Changes in other non-cash items	352	-238
Net gains/(losses) from the sale of non-current financial assets, property, plant and equipment and intangible assets	-376	-121
Other adjustments, net	-1,123	127
<b>Subtotal</b>	<b>-807</b>	<b>-65</b>
Changes to assets and liabilities relating to operating activities adjusted by non-cash items		
Loans and advances to banks	-928	-2,177
Loans and advances to customers	-874	-382
Securities (other than non-current financial assets)	-2,506	-71
Other operating assets	-163	96
Deposits from banks	-2,371	596
Deposits from customers	5,218	2,393
Debt securities	-39	-29
Liabilities held for trading	1,571	1,031
Other operating liabilities	14	-120
Interest and dividends received	1,496	1,137
Interest paid	-1,048	-755
Income tax paid	-89	-17
<b>Cash flow from operating activities</b>	<b>-526</b>	<b>1,637</b>
Cash receipts from sales of		
Non-current financial assets	3,816	3,577
Property, plant and equipment	8	1
Intangible assets	3	1
Cash payments for acquisitions of		
Non-current financial assets	-3,451	-4,948
Property, plant and equipment	-79	-23
Intangible assets	-30	-17
Effects of changes in the scope of consolidated financial statements		
Cash receipts from sales of previously consolidated companies and other business units	750	86
Cash payments for acquisitions of consolidated companies and other business units	-240	-167

**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**

FOR THE SAL. OPPENHEIM JR. & CIE. S.C.A. GROUP, LUXEMBOURG, FOR THE PERIOD FROM 1 JANUARY 2007 UNTIL 31 DECEMBER 2007

	2007	2006
	€ M	€ M
Cash flow from investing activities	777	-1.490
Dividends paid	-75	-49
Changes in funds from other financing activities, net	-9	-123
Cash flow from financing activities	-84	-172
Cash and cash equivalents as at 1 January	361	381
Cash flow from operating activities	-526	1.637
Cash flow from investing activities	777	-1.490
Cash flow from financing activities	-84	-172
Effects of changes in the scope of consolidated financial statements	-53	5
Cash and cash equivalents as at 31 December	475	361

Please refer to the notes to the statement of cash flows in chapter 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## I. General

### I.1 BASIS OF PREPARATION

The consolidated financial statements of Sal. Oppenheim jr. & Cie. S.C.A. for the 2007 financial year have been prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union (EU), as well as with the interpretations set out by the International Financial Reporting Interpretation Committee (IFRIC), and thus conform to the IFRS applicable in the EU.

The consolidated financial statements comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement and the notes. The Group management report meets the requirements of section 110 of the Law of 17 June 1992 relating to annual and consolidated accounts of Luxembourg incorporated credit institutions.

For purposes of clarity, amounts are stated in millions of euros (€ m).

On 29 April 2008, the personally liable partners of Sal. Oppenheim jr. & Cie. S.C.A. approved the consolidated financial statements for presentation to the General Meeting. The General Meeting is obliged to examine the consolidated financial statements and pass a resolution on the approval of the 2006 accounts.

#### **01\_Applied IFRS and IAS standards, and SIC and IFRIC interpretations**

The consolidated financial statements as at 31 December 2007 are based on the following IFRS/IAS standards:

IFRS 3	Business Combinations
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IAS 1	Presentation of Financial Statements
IAS 7	Cash Flow Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 21	The Effects of Changes in Foreign Exchange Rates

IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property

We did not take into account IFRS 1, 2, 4 and 6 or IAS 2, 11, 20, 26, 29, 33, 34 and 41 when preparing our consolidated financial statements, as they are not relevant to the Sal. Oppenheim Group or to these financial statements.

In conjunction with the applied standards, we also took into account the following relevant IFRIC and SIC interpretations:

IFRIC 4	Determining whether an Arrangement Contains a Lease
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
SIC 12	Consolidation – Special Purpose Entities
SIC 15	Operating Leases – Incentives
SIC 25	Income Taxes – Changes in the Tax Status of an Entity or Its Shareholders
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
SIC 32	Intangible Assets – Web Site Costs

IFRIC 1, 2, 5, 6, 7, 8 and 11, and SIC 7, 10, 13, 21, 29 and 31 were not relevant to the Group.

The following new or revised standards issued by the IASB had to be adopted as of 1 January 2007:

- IFRS 7 Financial Instruments: Disclosures
- Amendments to IAS 1 Presentation of Financial Statements – Equity Disclosure

The application of IFRS 7 on disclosure of financial instruments is mandatory for the first time for financial year 2007 and will result in additional disclosure requirements, particularly regarding risks associated with financial instruments. These are presented in part in the risk report within the management report, as well as in the Notes. The previous industry-specific standard IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions has been superseded. With regard to consistent presentation, former requirements will continue to be applied in part. The IASB published further amendments to IAS 1 complementing IFRS 7, resulting in amended or extended disclosure requirements for equity.

The publication of IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 will be mandatory with effect from 1 January 2009 but will not result in material changes for the Sal. Oppenheim Group.

## 1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 02\_Accounting policies

The accounts for the Sal. Oppenheim Group were prepared in accordance with uniform Group accounting policies. Any options exercised are explained in detail under each balance sheet item.

The consolidated financial statements are based on the going concern principle. Income and expenses are recorded pro rata temporis and recognised in profit or loss in the period to which the respective transactions are attributable.

Assumptions and estimations must be made to a certain extent when preparing the consolidated financial statements in accordance with IFRS. All assumptions and estimations underlying the accounting process are assessed on an ongoing basis and are based on either historical experience or expected future events. All estimations and assumptions are made in line with the relevant IFRS or IAS standards and are explained under the descriptions of the individual accounting policies for each balance sheet item.

In the reporting year, the liabilities from finance lease agreements reported under Deposits from customers were reclassified to Other liabilities. Previous year figures were adjusted accordingly.

### 03\_Restructuring of the Sal. Oppenheim Group

The Sal. Oppenheim Group was restructured in the 2007 financial year. Bank Sal. Oppenheim jr. & Cie. (Luxembourg) S.A. merged with Sal. Oppenheim International S.A. to form the new Group parent company Sal. Oppenheim jr. & Cie. S.C.A. based in Luxembourg. The former Group parent company Sal. Oppenheim jr. & Cie. KGaA was subsequently integrated into Sal. Oppenheim jr. & Cie. S.C.A. The restructuring of the Sal. Oppenheim Group was an intra-Group transaction. The restructuring has resulted in the Group equity structure being changed due to a new legal shell with the book values of assets and liabilities remaining unchanged. Sal. Oppenheim jr. & Cie. S.C.A. has therefore prepared its consolidated financial statements as at 31 December 2007 based on the values of the consolidated financial statements of Sal. Oppenheim jr. & Cie. KGaA as at 31 December 2006.

#### o4\_Scope of consolidated financial statements

In addition to the Group parent company, Sal. Oppenheim jr. & Cie. S.C.A , 26 domestic (previous year: 21) and 58 foreign subsidiaries (previous year: 52) in which the Bank directly or indirectly holds a majority of the capital or voting rights, or over which the Bank has control, were included in the scope of the consolidated financial statements. In addition, 12 special-purpose entities and investment funds (previous year: six) were included in the consolidated financial statements in accordance with IAS 27 in conjunction with SIC 12, as the majority of the risks and rewards from these companies are attributable to the Bank.

In financial year 2007, the following companies were founded, each of which are wholly owned by the Sal. Oppenheim Group:

- > FARAMIR Beteiligungs- und Verwaltungs GmbH, Cologne
- > Sal. Oppenheim Investments GmbH, Cologne
- > 4IP FUND MANAGEMENT S.A., Luxembourg
- > Sal. Oppenheim Healthcare Beteiligungs GmbH, Cologne (formerly: METIS Beteiligungs- und Verwaltungs GmbH)
- > Sal. Oppenheim Corporate Finance North America Holding, LLC, Wilmington
- > Sal. Oppenheim Alternative Investments S.A., Luxembourg
- > Sal. Oppenheim (Hong Kong) Limited, Hong Kong
- > Sal. Oppenheim Special Situations S.A., Luxembourg

During the current financial year, the share in CAM Private Equity Consulting & Verwaltungs-GmbH, Cologne, was increased from 15.0% to 63.8%. Thus, the company was fully consolidated for the first time. Simultaneously, the indirect share of 63.8% in CAM Private Equity Schweiz AG, Zurich, acquired through this transaction, was also fully consolidated for the first time.

Shareholdings in Financière Atlas S.A., Paris, increased to 100.0% after a 9.2% acquisition. Further shares were also acquired in Bank Sal. Oppenheim jr. & Cie. (Switzerland) Ltd, thus increasing shareholdings from 89.8% to 100.0%. Furthermore, the shareholding in Oppenheim Fonds Trust GmbH, Cologne (formerly: Oppenheim Pramerica Fonds Trust GmbH), increased through acquisition to 100.0%.

Shareholdings in Bank Sal. Oppenheim jr. & Cie. (Österreich) AG were reduced to 87% through the sale of shares.

In December 2007, 10.0% of capital shares in newly-formed Oppenheim-OEH S.A., Luxembourg, were acquired. In accordance with contractual regulations, the majority of rewards were attributable to Sal. Oppenheim jr. & Cie. S.C.A., so the company was also fully consolidated.

In July 2007, BHF-BANK AG acquired a 59.0% stake in VCM Capital Management, Munich. This company is therefore included in the consolidated financial statements for the first time. At the same time, BHF Private Equity Treuhand- und Beratungsgesellschaft mbH, Frankfurt am Main, which previously held 10% of VCM Capital Management GmbH, was fully consolidated. In the current financial year, BHF-BANK International S.A., Luxembourg, has acquired 100% of shares in BHF LUX IMMO S.A., Luxembourg.

Services Généraux de Gestion S.A. acquired 100% of shares in the following companies, which were all fully consolidated:

- > Walespart Holding S.A., Luxembourg
- > TEXTO INTERNATIONAL S.A., Luxembourg
- > KANAKA HOLDING S.A., Luxembourg
- > DELFAS S.A., Luxembourg

The stakes in YABORANDI Holding S.A., AVALONE Company S.A. and MALTAMAR Investment S.A. were sold in the reporting year.

Financière Atlas S.A. reduced its stake in Altigefi S.A. by 2.0% to 49.0%. A 33.3% share was acquired in Alternative Investment Strategies Mauritius Ltd., Mauritius. The two companies will be included using the equity method in accordance with IAS 28.

Please refer to note 06 Disclosures on material acquisitions in the consolidated financial statements regarding the effects of significant changes in the scope of the consolidated financial statements.

In financial year 2007, the following investment funds were included in the scope of consolidated financial statements; each of the funds is wholly owned by the Sal. Oppenheim Group:

- > SOAR European Equity Fund plc, Dublin
- > OP Strategieportfolio I, Cologne
- > OP Strategieportfolio II, Cologne
- > OP Strategieportfolio III, Cologne
- > OP Strategieportfolio IV, Cologne
- > OP Strategieportfolio V, Cologne
- > FT ABS Institutional, Luxembourg

Five companies or investment funds (previous year: 13) were deconsolidated due to the discontinuation of their business activities or their minor significance for the net assets, financial position and results of operation of the Group. These companies are:

- > POSEIDON Vermögensverwaltungsgesellschaft mbH, Cologne
- > SAMOS Vermögensverwaltungsgesellschaft mbH, Cologne
- > OP-Fonds PISA, Cologne
- > Oppenheim ABS Plus, Luxembourg
- > Zweite Industrie-Beteiligungs-Gesellschaft mbH, Frankfurt am Main

In addition, 15 companies (previous year: 11) were included at equity.

As a result of the expansion in the scope of business, VCM VI Institutional PE GmbH & Co. KG, Munich, and Investcorp Coinvestment Partners I L.P., New York, were included in the consolidated financial statements for the first time. The Group holds a 25.0% share in VCM VI Institutional PE GmbH & Co. KG, Munich, and a 20.1% share in Investcorp Coinvestment Partners I L.P., New York. A 33.3% share in MS "CONELBE" 1240 Bereederungsgesellschaft mbH & Co. KG, Bremen, was also acquired. All companies were included as associates in the consolidated financial statements for the first time.

Increasing the share in CAM Private Equity Consulting & Verwaltungs-GmbH to 63.8% resulted in indirectly acquiring 31.9% in BVT-CAM Private Equity Management & Beteiligungs GmbH, Grünwald, and in BVT-CAM Beteiligungs GmbH, Grünwald, respectively, as well as 41.6% in CAM-Fairview Private Equity Partners LP, Farmington. These companies were included at equity in the consolidated financial statements for the first time.

Oppenheim Asset Management Services S.à r.l., Luxembourg (formerly Oppenheim Pramerica Asset Management S.à r.l.), which was previously included at equity, is now fully consolidated due to the acquisition of shares. Please refer to note 06 Disclosures on material acquisitions in the consolidated financial statements.

In the current year, 10.6% of shares in IVG Immobilien AG, Bonn, and the stake in Deutschen Hypothekenbank (Actien-Gesellschaft), Hanover, were sold.

With respect to the effects of the deconsolidation of the companies, please refer to note 40 Net income/ (loss) from non-current financial assets.

The total number of companies included in the consolidated financial statements is shown in the table below:

	2007	2006
Number of fully consolidated companies	97	80
Number of companies included using the equity method	15	11
<b>Total number of companies included</b>	<b>112</b>	<b>91</b>

165 subsidiaries and associated companies (previous year: 125) that have no significant impact on the presentation of the Group's net assets, financial position and results of operation have not been included in the scope of consolidated financial statements. These companies account for less than 2% of the Group's total assets.

A detailed list of consolidated companies and investment funds can be found in note 88. The consolidated companies prepared their annual financial statements as at 31 December 2007.

#### **05\_Basis of consolidation**

The first-time consolidation of Group companies is based on the purchase method. This means that the acquired subsidiary's assets, liabilities and contingent liabilities identified under IFRS 3 are restated at fair value at the time of acquisition, allowing for deferred taxes, and compared with the cost of the acquisition of the company (purchase price allocation).

Goodwill arising on a business combination is recognised at cost, less any impairment, under Intangible assets. Goodwill is subsequently subject to an impairment test at least once a year. Please refer to note 18 Intangible assets for a more detailed explanation of the impairment test. Negative goodwill from consolidation is recognised immediately in profit or loss.

Please refer to note 06 Disclosures on material acquisitions in the consolidated financial statements for information on major company acquisitions in financial year 2006.

Any inter-company assets and liabilities are eliminated, as are inter-company expenses and revenues, and intra-Group profits.

Joint ventures and associated companies were accounted for in accordance with IAS 31 and IAS 28 using the equity method, with assets included at restated values, and reported separately on the balance sheet under Investments accounted for using the equity method (see note 16). The first-time measurement of any difference between the cost of acquisition and the share of equity attributable to the stake acquired is based on the principles of purchase price allocation applicable to full consolidation.

Shares in minor subsidiaries not included in the scope of consolidated financial statements are recognised in accordance with IAS 39 at fair value or, if none can be reliably determined, at cost under Non-current financial assets.

#### **06\_Disclosures on material acquisitions in the consolidated financial statements**

##### **CAM Private Equity Consulting und Verwaltungs-GmbH, Cologne**

With the sale and purchase agreement dated 26 June 2007, Sal. Oppenheim jr. & Cie. S.C.A., Luxembourg, acquired 48.8% of the shares in CAM Private Equity Consulting und Verwaltungs-GmbH, Cologne. This increased the shareholding of the Group to 63.8%.

In connection with this acquisition, predominantly client relationships were identified and capitalised as intangible assets. The difference between the cost and the net fair value of the identifiable assets, debt and contingent liabilities at the time of acquisition was € 39 million. This amount is reported as goodwill under Intangible assets and is subject to an annual impairment test according to IAS 36. The company is allocated to Other in segment reporting.

The company contribution to consolidated net income in the reporting year amounted to € -5 million.

**Oppenheim Fonds Trust GmbH, Cologne**

With the sale and purchase agreement dated 5 July 2007, Sal. Oppenheim jr. & Cie. S.C.A., Luxembourg, acquired 50.0% of the shares in Oppenheim Pramerica Fonds Trust GmbH, Cologne. Together with the shares already held, Sal. Oppenheim jr. & Cie. S.C.A. now holds 100.0% of shares. The name of the company was changed to Oppenheim Fonds Trust GmbH following the acquisition. The company has been fully consolidated since the previous year in accordance with IAS 27.

A purchase price of € 23.8 million including ancillary costs was paid for the newly acquired shares. Purchase price allocation included identifying client relationships which met the criteria for recognition under Intangible assets in accordance with IFRS. However, based on the business model, these client relationships do not have a useful life, so the economic benefit of the relationships separable from goodwill cannot be reliably estimated. As a result, the fair values calculated for the client relationships are reported as goodwill. Goodwill from the first-time consolidation of Oppenheim Fonds Trust GmbH amounted to € 20 million and is reported under Intangible assets. This will be subject to an annual impairment test, within the meaning of IAS 36. The company is allocated to Asset Management in segment reporting.

The company's contribution to consolidated net income in the reporting year amounted to € 4 million.

**Oppenheim Asset Management Services S.à r.l., Luxembourg**

With the sale and purchase agreement dated 5 July 2007, Sal. Oppenheim jr. & Cie. S.C.A., Luxembourg, acquired 50.0% of the shares in Oppenheim Pramerica Asset Management S.à r.l., Luxembourg. Together with the shares already held, Sal. Oppenheim jr. & Cie. S.C.A. now holds 100.0% of shares. The name of the company was changed to Oppenheim Asset Management Services S.à r.l. following the acquisition. The company was previously included as an associate in the consolidated financial statements, and is now fully consolidated.

The cost of the acquired shares totalled € 64 million including ancillary costs. Purchase price allocation included identifying client relationships which met the criteria for recognition under Intangible assets in accordance with IFRS. However, based on the business model, these client relationships do not have a useful life, so the economic benefit of the relationships separable from goodwill cannot be reliably estimated. As a result, the fair values calculated for the client relationships are reported as goodwill. Goodwill from the first-time consolidation of Oppenheim Asset Management Services S.à r.l. amounted to € 61 million and is reported under Intangible assets. This will be subject to an annual impairment test, within the meaning of IAS 36. The company is allocated to Asset Management in segment reporting.

The company contribution to consolidated net income in the reporting year amounted to € 6 million.

**VCM Capital Management GmbH, Munich**

In July 2007, BHF-BANK AG acquired a 59.0% stake in VCM Capital Management GmbH, Munich. This acquisition increased the shareholding of the Group to 69.0%.

The additional put and call options on the remaining minority interests of 31.0% agreed as part of the merger were accounted for as anticipated acquisition of minority interests, so a stake of 100.0% was consolidated in the reporting year.

In connection with this acquisition, client relationships were identified and capitalised as intangible assets. The company is allocated to Other in segment reporting. The share capital percentage is equivalent to the proportion of voting rights.

The difference between the cost and the net fair value of the identifiable assets, debt and contingent liabilities at the time of acquisition amounted to € 13 million, and is recognised under Intangible assets. This goodwill will be subject to an annual impairment test, within the meaning of IAS 36.

Since its first-time consolidation, VCM Capital Management GmbH has generated net income for the period of € 1 million.

#### **Bank Sal. Oppenheim jr. & Cie. (Switzerland) Ltd**

With the sale and purchase agreement dated 5 March 2007, Sal. Oppenheim jr. & Cie. S.C.A., Luxembourg, acquired a further 10.2% of the shares in Sal. Oppenheim jr. & Cie. (Switzerland) Ltd, and thus now holds 100.0% of shares.

Cost totalled € 17 million. Goodwill from the first-time consolidation of the remaining acquired shares amounted to € 9 million, and is reported under Intangible assets. This will be subject to an annual impairment test, within the meaning of IAS 36.

#### **BHF LUX IMMO S.A.**

In July 2007, BHF-BANK International S.A. acquired a 100.0% stake in BHF LUX IMMO S.A. for € 9 million. In connection with this acquisition, hidden reserves of € 12 million were realised in relation to land and premises under Property, plant and equipment. The real estate company is part of the Financial Markets & Corporates division. Since its first-time consolidation in July 2007, BHF LUX IMMO S.A. has generated a net loss for the period of € 119,000.

#### **07\_Foreign currency translation**

Foreign currency denominated monetary assets and liabilities, as well as unsettled foreign currency spot contracts and non-monetary items carried at fair value, were translated at mean exchange rates, and outstanding forward contracts were translated at the forward rate prevailing on the balance sheet. Non-monetary items carried at cost were translated using historical exchange rates.

Effects resulting from the translation of balance sheet items are recognised in profit or loss.

Annual financial statements prepared by consolidated subsidiaries in foreign currencies are translated into euros for the consolidated financial statements in accordance with IAS 21 using the concept of functional currency. The same method was applied to the translation of adjustments to the carrying amount of foreign companies included using the equity method. The translation of assets and liabilities is based on the mean exchange rate at the balance sheet date, whereas the income statement is translated using the annual average exchange rate, and net income recognised directly in equity is converted using historical exchange rates.

Exchange rate gains/losses arising on consolidation are recognised directly in equity (revaluation surplus). Where companies are deconsolidated, the corresponding cumulated exchange differences are reversed to profit or loss.

### **o8\_Financial instruments: recognition and measurement (IAS 39)**

IAS 39 prescribes principles for recognising and measuring financial assets and liabilities. On first-time recognition, financial assets and liabilities are to be assigned, according to their features and purpose, to one of the following categories:

- Financial assets/financial liabilities at fair value through profit or loss
- Held-to-maturity investments
- Loans and receivables
- Available-for-sale financial assets
- Other liabilities

#### **Financial assets/financial liabilities at fair value through profit or loss**

The category Financial assets/financial liabilities at fair value through profit or loss is broken down into Held for trading and Financial assets/liabilities designated at fair value (fair value option).

Held for trading comprises financial instruments that were primarily acquired with the intention of generating gains from short-term market price fluctuations or changes in the dealer's margin. Assets held for trading include, in particular, fixed-income securities, equities, borrower's note loans and all derivative financial instruments with positive fair values. Negative fair values from derivative transactions are recognised under Financial liabilities at fair value. Bonds issued and delivery obligations from short sales are also recognised under this item.

In addition, in accordance with the fair value option introduced in IAS 39, all financial instruments not acquired for the purposes of trading, which fall within the scope of IAS 39, and whose fair value can be reliably measured, may be designated at fair value, with value changes recognised in profit or loss. The requirements for such designation are met if the designated financial instruments are either structured financial instruments with one or more embedded derivatives requiring separation, or a group of financial instruments which are managed in accordance with a documented risk management or investment strategy, or which, if designated, eliminate measurement inconsistency.

The decision to exercise the fair value option is made at the time of acquisition. Subsequent redesignation of financial instruments into or out of this category is not possible.

We use the fair value option for equities and bonds which are hedged with derivatives, in order to avoid or reduce measurement differences from these securities, as well as for bond funds whose positions are managed on a fair value basis and whose performance is measured at fair value. Moreover, we also use the fair value option for equity investments, which are managed on a fair value basis.

The financial instruments allocated to this category are recognised at fair value in the balance sheet under Financial assets designated at fair value through profit or loss (fair value option) or Financial liabilities designated at fair value through profit or loss (fair value option). Market price fluctuations and gains or losses on disposal are recognised immediately in the income statement under Result from fair value option.

Interest and dividend payments for financial assets and liabilities held for trading, less refinancing costs, are recognised under Net trading income. Interest and dividend payments for assets and liabilities which were reported as financial assets or liabilities designated at fair value through profit or loss (fair value option) upon initial recognition are included under Net interest income.

Derivatives embedded in structured financial instruments which are to be separated in accordance with IAS 39, are also allocated to the held-for-trading category.

#### **Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity, which are quoted in an active market and were acquired with the positive intention and ability to hold to maturity can be classified as Held-to-maturity investments. These financial assets are carried at amortised cost. The Sal. Oppenheim Group did not use the category Held-to-maturity investments in 2007.

#### **Loans and receivables**

This category contains non-derivative financial assets with fixed or determinable payments which are not quoted in an active market and do not belong to any other category. These include both loans originated and purchased.

Loans and receivables are carried at amortised cost and reported under Loans and advances to banks and Loans and advances to customers. Premiums and discounts are deferred using the effective interest method and recognised as interest expense/income in the income statement.

Impairments due to changes in credit risk, causing the fair value to fall below amortised costs due to full or partial uncollectability of a financial asset, are included in the Provision for loan losses.

There are currently no loans outside this category in the Sal. Oppenheim Group. Borrower's note loans are also allocated to this category provided that they are not held for trading.

#### **Available-for-sale financial assets**

This category comprises all non-derivative financial assets that have not been allocated to any of the aforementioned categories. In the Sal. Oppenheim Group, these include, in particular, fixed-income securities, shares and equity investments.

At the time of acquisition, the financial assets are recognised at their fair value (at cost) plus any transaction costs incurred. Subsequent measurement is at fair value. Any changes in the value of available-for-sale assets arising from the subsequent measurement of financial assets are recognised directly in equity (revaluation surplus) after allowing for deferred tax, until the asset is sold or an impairment loss has to be recognised in profit or loss. If the reasons for impairment losses cease to exist in subsequent periods, such losses may only be reversed through the revaluation surplus, i.e. recognition directly in equity, in the case of equity instruments. For all other securities, a reversal of impairment losses is recognised in profit or loss. An impairment test is conducted at every balance sheet date. Any premiums and discounts are spread over the term and recognised under Net interest income using the effective interest method.

Available-for-sale assets are included under Non-current financial assets or Other assets. Any impairments due to changes in credit risk arising in connection with non-current financial assets are recognised under Net income/(loss) from non-current financial assets; similar impairments relating to Other assets are included under Other operating income and expenses, net.

#### **Other liabilities**

Available-for-sale assets are included under Non-current financial assets or Other assets. Any impairments due to changes in credit risk arising in connection with non-current financial assets are recognised under Net income/(loss) from non-current financial assets; similar impairments relating to Other assets are included under Other operating income and expenses, net.

#### **Recognition and derecognition of financial instruments**

Financial instruments are recognised for the first time upon entry into the contract. As far as the recognition of standard market purchases or sales of financial assets is concerned, IAS 39 provides for recognition either on the trade date or on the settlement date, with an option per category. The Sal. Oppenheim Group always recognises such transactions on the trade date, irrespective of the category.

Financial instruments are only partially or fully derecognised if the risks and rewards of ownership have been transferred to the new owner (risk and reward approach). As a result, lent securities are not derecognised, because both the market risk and the credit risk of the underlying security remain with the repo seller or borrower.

If, when assets are transferred, the transfer of risks and rewards is unclear, an examination is required to ascertain whether or not the transferor has retained control of the asset.

**Allocation to classes in accordance with IFRS 7**

As of financial year 2007, IFRS 7 sets forth binding disclosure requirements for financial instruments. Due to the classification of financial instruments prescribed by IFRS 7.6, we have allocated the financial instruments to the following classes:

Valuation	Classes (IFRS 7)	
	Balance sheet item	Measurement category (IAS 39)
Amortised cost*	Cash and cash equivalents	Loans and receivables
	Loans and advances to banks	Loans and receivables
	Loans and advances to customers	Loans and receivables
	Non-current financial assets	Available-for-sale financial assets
	Deposits from banks	Other liabilities
	Deposits from customers	Other liabilities
	Debt securities	Other liabilities
	Subordinated capital	Other liabilities
Fair value	Assets held for trading	Financial assets held for trading
	Liabilities held for trading	Financial liabilities held for trading
	Positive fair values from hedge accounting	
	Negative fair values from hedge accounting	
	Financial assets designated at fair value through profit or loss	Fair value option
	Non-current financial assets	Available-for-sale financial assets
	Other assets	Available-for-sale financial assets
Not measured in accordance with IAS 39	Irrevocable loan commitments	
	Contingent liabilities	
	Financial guarantees	
	Liabilities from finance lease agreements	
	Assets held for sale (IFRS 5)	

\*Including fair value changes to the hedged risk for hedged positions (fair value hedge)

The class definition is the result of assigning financial instrument categories in accordance with IAS 39 in conjunction with the corresponding balance sheet items.

The Sal. Oppenheim Group does not use the category Held-to-maturity investments.

Details on the nature and extent of risks resulting from financial instruments, as required by IFRS 7, are presented in the risk report if not presented in the Notes.

### 09\_Hedge accounting

At present, only BHF-BANK AG makes use of the option to use hedge accounting in accordance with IAS 39 in the Sal. Oppenheim jr. & Cie. S.C.A. consolidated financial statements. Of the various types of hedging relationships, BHF-BANK AG only implements fair value hedges.

This involves using derivatives to hedge the fair value of financial assets and liabilities. The risk of changes in fair value is particularly relevant for fixed-interest loans, securities and issued debt. In a fair value hedge, the hedging instrument is recognised at fair value under Positive or Negative fair values from hedge accounting. Changes in the fair value of hedging instruments are recognised in the income statement. Any changes in the fair value of the hedged assets or liabilities are also recognised, in the amount of the hedged exposure, in profit or loss. Any changes in the fair value of the hedging instruments and/or hedged assets and liabilities are recognised under the Result from hedge accounting as measurement gains/(losses) from hedging.

If the hedged asset or liability is carried at amortised cost in accordance with general accounting rules, the carrying amount is adjusted for the cumulative change in fair value resulting from the hedged exposure. If, at the start of the hedging relationship, there is already a difference between the amortised cost (carrying amount) and the fair value, this amount is also amortised into net interest income over the remaining life of the hedged financial instrument.

Qualification for hedge accounting is also subject to a series of additional conditions. These relate, in particular, to the documentation of the hedging relationship at inception, as well as the effectiveness of the hedge. Documentation of the hedging relationship includes a description of the hedging instrument and hedged item, as well as the hedged exposure and the method used to assess the effectiveness of the hedge. Within a single hedging relationship, for instance, one or more hedging instruments can be designated to hedge one or more equivalent hedged assets, liabilities, forecast transactions or firm commitments (homogeneous sub-portfolios). Hedging instruments must be designated for their entire life. In order for a hedging transaction to be effective at Group level as well, hedging instruments and hedged items must be concluded with external third parties.

The hedging relationship must be highly effective, both at inception and over its entire life, i.e. changes in fair value of the hedging instrument and the hedged item must balance almost completely. The effectiveness of the hedge must be tested regularly throughout its life. A hedge is deemed highly effective if the ratio of fair value changes is between -0.8 and -1.25.

At BHF-BANK AG, hedge accounting is used only in respect of the hedging of interest rate risks by means of fair value hedges. The hedging of interest rate risks relates solely to long-term fixed-interest debt (own issues). The only hedging instruments used are interest rate swaps, which transform fixed-interest payments into variable-interest payments. Fair value hedging is used for both individual transactions and homogeneous sub-portfolios. All fair value hedges are subject to ex ante effectiveness evaluation in the form of a sensitivity analysis of the hedging instrument and the hedged item, including a homogeneity test in the case of sub-portfolios. The ex post effectiveness evaluation is performed on the basis of a statistical method (linear regression analysis).

**10\_Cash and cash equivalents**

All assets are carried at face value.

**11\_Assets held for trading**

Securities, loans and advances, foreign currency assets and precious metals held for trading, as well as all derivative financial instruments with positive fair values are measured at fair value.

Exchange-traded products are recognised at their trading price. Non-listed products are measured using the net present value method or another suitable valuation model (e.g. option pricing models).

All realised and unrealised gains/losses are recognised in profit or loss and stated under Net trading income. Net trading income also includes interest and dividend income from financial assets and liabilities held for trading, as well as refinancing costs.

**12\_Financial assets designated at fair value through profit or loss (fair value option)**

This balance sheet item on the statement of financial position includes financial assets that are designated at fair value through profit or loss upon initial recognition.

Assets designated at fair value are measured in the same way as assets held for trading in note 11.

**13\_Loans and advances to banks and customers**

Loans and advances to banks and customers which are neither held for trading nor quoted on an active market, are carried at amortised cost. As the difference between the amount received and the amount repayable, premiums and discounts are deferred using the effective interest method and recognised in profit or loss as interest expense/income. Impairments are recognised in profit or loss. They are deducted from loans and advances, and reported separately as provision for loan losses.

**14\_Allowances for impairment losses on loans and advances**

The risks in lending business are addressed through specific valuation allowances and general allowances for doubtful accounts. Impairment is calculated on the basis of the discounted cash flow method.

Any need for provisioning in relation to individual exposures is determined using a catalogue of criteria to assess whether there is substantial objective evidence of loan impairment. Such evidence is deemed to exist concerning a specific debtor, if the loan is more than 90 days overdue or a default on the loan is highly probable or has already occurred (e.g. due to a debt waiver or the institution of insolvency or restructuring proceedings against the debtor).

In the event that potential impairment is identified, the estimated recoverable amount is calculated and compared with the carrying amount. The estimated recoverable amount is measured as the present value of all expected interest and principal payments plus proceeds from the disposal of collateral, discounted at the original effective interest rate of the loan. The amount by which the carrying amount exceeds the estimated recoverable amount is accounted for as an impairment.

Uncollectible loans are directly written off. Receipts from written-off loans are recognised as income. All other impairments are recorded in an allowance account.

General allowances for doubtful accounts are made on the basis of portfolios of assets with similar credit risk characteristics. The level of portfolio impairments is determined by the underlying default probabilities and recovery rates.

### 15\_Non-current financial assets

Non-current financial assets includes all bonds and other fixed-income securities, shares and other non-fixed-income securities, equity investments, shares in non-consolidated subsidiaries as well as investment property, which are not classified as Assets held for trading or Financial assets designated at fair value through profit or loss (fair value option).

Available-for-sale financial instruments are recognised and measured at fair value. In cases where fair value cannot be reliably measured, such assets are carried at cost.

Temporary fair value changes are recognised directly in equity (revaluation surplus) after allowing for deferred tax. Impairments due to changes in credit risk, by contrast, are recognised in profit or loss under Net income/(loss) from non-current financial assets. For fixed-income securities, the recognition of impairments in profit or loss is based on the same criteria as for Loans and receivables. Please refer to the notes on Allowances for impairment losses on loans and advances. In accordance with IAS 39, a significant or prolonged decline in fair value below cost is objective evidence of an impairment in the case of equity instruments. In these cases the net losses previously recognised in equity are to be transferred from the revaluation surplus to the income statement.

If the causes for impairment losses cease to exist in subsequent periods, the reversal of impairment losses for shares and equity investments results in a corresponding increase in the revaluation surplus (recognition directly in equity). For fixed-income securities, the reversal of impairment losses is recognised in profit or loss under Net income/(loss) from non-current financial assets.

Interest income from bonds, including premiums or discounts spread over the term, is recognised under Net interest income.

Land, buildings or parts of buildings held for the purpose of generating rental income or capital appreciation, but not for own use or sale in the context of ordinary business, are recognised as Investment property (Non-current financial assets) in accordance with IAS 40, and carried at cost. Buildings under Investment property are depreciated using the straight-line method over a useful life of 50 years. We report the rental income from these investment properties under Other operating income. Depreciation and impairments are recognised under Net income/(loss) from non-current financial assets.

For information on changes in non-current financial assets, please refer to note 54.

### 16\_Investments accounted for using the equity method

Investments in associates and joint ventures are carried at amortised cost using the equity method. Upon acquisition, the investments are recognised at cost, and subsequently increased or decreased by the share attributable to the Sal. Oppenheim Group of net income for the period of the associated company or joint venture. Distributions received from companies accounted for using the equity method also diminish the carrying amount. The annual adjustment of carrying amounts is recognised in the Share of profit or loss from associates and joint ventures accounted for using the equity method.

Goodwill from companies accounted for using the equity method is included under Investments accounted for using the equity method. The Sal. Oppenheim Group currently holds no shares in listed associated companies or joint ventures.

Every balance sheet date, a check is carried out using objective evidence in accordance with IAS 36, to ascertain whether the carrying amount of the shares in investments accounted for using the equity method is impaired.

For a breakdown of investments accounted for using the equity method, please refer to note 88. The changes in investments accounted for using the equity method are available under note 55 or note 58.

### 17\_Property, plant and equipment

Land and buildings for own use, and operating and office equipment are recognised under Property, plant and equipment. They are measured at cost less straight-line depreciation according to their expected useful life. Useful life is determined on the basis of physical life, technical advancement and legal and contractual limitations. Subsequent expenditure is only capitalised provided it increases the economic benefit of the respective asset. Maintenance measures for property, plant and equipment are reported as expenses in the year in which they are carried out.

All property, plant and equipment is depreciated over the following periods:

	Estimated useful life
Buildings	30 and 50 years
Operating and office equipment	3 to 23 years

Additional impairments are accounted for in the form of write-downs. Once the reasons for impairment losses cease to exist, they are reversed up to a maximum of the amortised cost amount.

Depreciation is recognised under Other administrative expenses. Gains or losses on the disposal of property, plant and equipment are included under Other operating income or Other operating expenses.

With respect to investment property, please refer to note 15. For information on finance lease assets please refer to note 19.

Please refer to notes 56 and 58 for information on changes in non-current assets.

### 18\_Intangible assets

This item primarily includes goodwill from full consolidation, acquired and leased software and client relationships. Internally generated intangible assets are not relevant to the Group.

Goodwill carries an indefinite useful life. All goodwill assets are assessed annually to determine their future economic benefits. For this purpose, the goodwill assets are allocated, at the time of acquisition, to the cash-generating units intended to profit from the synergies of the business combination. A cash-generating unit is defined as the smallest identifiable group of assets within the Sal. Oppenheim Group that generates cash inflows that are largely independent of the cash inflows from other assets. For impairment

testing purposes, the expected cash flows from the most recent management projections at the level of the cash-generating unit are used, and discounted with specific growth rates and cost of equity. A write-down is performed if the assets, including goodwill, less the debt of the cash-generating unit exceed the recoverable amount (value in use) calculated in accordance with the criteria above. Write-downs resulting from the impairment test are recognised under Other operating expenses. A reversal of impairment losses is not possible.

Please refer to note 57 regarding the individual assumptions used for the impairment tests in financial year 2007.

An additional impairment test will be carried out during the year if events occur which indicate a sustained value decrease. Acquired software is carried at amortised cost and amortised over a period of three to seven years. With respect to finance lease software assets, please refer to note 19.

Amortisation of intangible assets is recognised under Other administrative expenses.

Purchase price allocation in accordance with IFRS 3 in connection with company acquisitions included identifying and capitalising client relationships which have a contractually specified limited useful life. These can be amortised using the straight line method over a maximum of the term of the contract or over a shorter expected economic useful life.

Amortisation of capitalised client relationships is recognised under Amortisation and impairments on intangible assets in Other administrative expenses. Please refer to note 57 or note 58 for information on changes in intangible assets.

### 19\_Leases

IAS 17 distinguishes between operating leases and finance leases. A lease is classified as a finance lease if it substantially transfers all the risks and rewards incident to ownership of the asset to the lessee. Otherwise, the lease is deemed an operating lease.

All consolidated companies, without exception, are lessees, using primarily finance leases for hardware and software, and operating leases for vehicles and photocopiers.

Leasing payments made on operating leases are included in rental payments under Administrative expenses.

Under finance leases, leased assets are recognised at inception of the lease at their fair value or, if lower, at the present value of the outstanding lease payments, under Property, plant and equipment or, for intangible assets, under Intangible assets.

The leased assets are depreciated over the subsequent years in line with their useful life. At inception, outstanding lease payments are recognised as a liability.

Payments made on finance leases are apportioned between the finance charge and the reduction of the outstanding liability; the finance charge is allocated to the periods during the lease term, subject to a constant rate of interest.

**20\_Other assets**

Other assets is a compound item for all remaining assets not attributable to the foregoing asset items, and which have minimal significance when considered individually.

**21\_Non-current assets held for sale**

Assets which are held for sale expected within the next twelve months after the balance sheet date are reported as Non-current assets held for sale. The assets are recognised at the lower of the adjusted carrying amount at the time of reclassification, and the net realisable value.

A list of the assets allocated to this item can be found in note 61.

**22\_Liabilities held for trading**

Derivative financial instruments with negative fair value, as well as delivery obligations under short sales are recognised at fair value as Liabilities held for trading. Bonds issued by the Bank are also recognised under this item.

Trading prices are used for measuring exchange-traded products. Non-listed products are measured using the net present value method or other suitable valuation model (e.g. option pricing models).

Net trading income in the income statement includes all realised and unrealised gains/losses, as well as trading-related interest and dividend income and refinancing costs.

**23\_Liabilities**

All liabilities, with the exception of liabilities held for trading, are classified as Other liabilities. Liabilities are carried at amortised cost. As the difference between the amount received and the amount repayable, premiums and discounts are deferred using the effective interest method and recognised in profit or loss as interest expense/income.

**24\_Employee benefits**

Both direct pension commitments (book reserve schemes), which are classified as defined benefits plans, and indirect, defined contribution plans, are made available to the employees of several Group companies, particularly to those of Sal. Oppenheim jr. & Cie. KGaA, as well as those of BHF-BANK AG and its subsidiaries. The contributions for these are paid to BVV Versicherungsverein des Bankgewerbes a.G. (Pensionskasse) or BVV Versorgungskasse des Bankgewerbes e.V., Berlin.

The payments to the pension schemes are expensed as incurred and do not entail any provisions. The level of provisions for defined benefit plans is based on the number of years of service and the pensionable salary level.

Besides general pension commitments, Sal. Oppenheim jr. & Cie. KGaA and several other German subsidiaries provide additional individual benefits through the conversion of cash payments to pension contributions. During financial year 2005, this model was replaced by a new occupational pension model (AV OPP 2005), which is also based on the conversion of salary payments to pension contributions.

With effect from 1 January 2005, Sal. Oppenheim jr. & Cie. KGaA and several other German subsidiaries closed all previous, primarily employer-funded pension schemes. For all employment contracts concluded prior to this date, the old plans will continue unchanged; for contracts as of 1 January 2005, a new model applies exclusively, allowing all employees to convert salary components into pension contributions. Depending on the length of employment, the employer makes a contribution to the plan based on a percentage of the amount converted. In financial year 2005, all funds for the refinancing of old and new pension commitments were transferred to Sal. Oppenheim Treuhand e.V., in order to qualify as plan assets in accordance with IFRS.

In line with a contractual trust arrangement (CTA), assets were transferred to BHF Pension Trust e.V. on 16 January 2006, in order to secure the pension liabilities of BHF-BANK AG and five German subsidiaries of the BHF-BANK sub-Group. The assets transferred were classified as plan assets in accordance with IAS 19.7. The market value of the plan assets and pension liabilities were netted.

Pensions for the majority of employees at BHF-BANK AG and its German subsidiaries are covered by Versorgungsverein der BHF-BANK e.V., in the form of a support fund (Unterstützungskasse). Based on their salary class, employees acquire a so-called “basic building block” each year, which later serves to define their monthly pension entitlement. This future benefit can be enhanced with a self-financed building block (salary conversion) of up to 50% of the basic building block. If this option is exercised, the resulting pension entitlement is doubled with the granting of a supplementary building block of equal amount. The obligations of the Versorgungsverein are determined actuarially in the same manner as for book reserve schemes, for which pension provisions are recognised, and are covered for the most part by the scheme assets. The scheme assets are treated as plan assets, measured at fair value and offset against pension liabilities.

The personally liable partners of Bankhaus Sal. Oppenheim jr. & Cie. KGaA, Cologne, receive individual pension commitments. These are financed internally through the scheduled accumulation of pension provisions. No separate entity or fund has been created for these pension liabilities which would satisfy the IAS 19 requirements for plan assets (“wholly unfunded plan”).

The measurement of pension provisions for defined benefit plans is based on actuarial assessment in accordance with IAS 19, using the projected unit credit method. Demographic parameters such as mortality, invalidity, retirement age and staff turnover, as well as financial parameters including current market rates of interest, future wage and salary increases and career trends, are taken into account in the calculation.

Pensions and similar commitments were recognised in accordance with the amended IAS 19 for the first time in the previous year. The option included in the standard to recognise actuarial gains and losses directly in equity was exercised.

Other pension costs were recognised in profit or loss and comprise several components. Service cost represents the increase in present value of defined benefit obligations resulting from employee service in the reporting year. The interest cost on the present value of the obligation is also recognised in profit or loss because the benefits are one period closer to settlement. The pension costs calculated in this way are reduced by the net income expected from plan assets.

In Germany, calculations are based on the following actuarial assumptions:

	2007	2006
	%	%
Biometric values	Reference table 2005G Prof. Dr. Heubeck	Reference table 2005G Heubeck
Technical interest rate	5.00	4.25
Escalation rate	1.0 to 1.7	1.5 to 2.0
Salary escalation or benefit escalation rate for active employees and early retirees	2.2 to 2.5	2.0 to 2.5
Expected return on plan assets	4.0 to 5.0	2.8 to 3.0

Provisions for commitments similar to pensions include provisions for part-time retirement and early retirement schemes. These are recognised under Other provisions and are also determined using actuarial methods based on the aforementioned assumptions.

#### 25\_Other provisions

Other provisions includes provisions for uncertain liabilities to third parties, as well as provisions for anticipated losses from onerous contracts, recognised at the best estimate of the expenditure required to settle the obligation.

Long-term provisions are recognised at present value, based on the relevant market interest rate.

Instances in which products and services have been received or supplied, but final settlement has not yet been completed and a marginal uncertainty exists as to the amount and timing of such settlement (accruals), are accounted for in the amount of the corresponding obligations under Other liabilities.

#### 26\_Other liabilities

Other liabilities is a compound item for all remaining liabilities not attributable to the foregoing liability items, and which have minimal significance when considered individually.

#### 27\_Subordinated capital

As Subordinated liabilities, we recognise those liabilities that rank behind all other non-subordinated creditor claims for satisfaction in the event of insolvency or liquidation.

#### 28\_Equity

Issued capital includes the share capital and silent holdings. The Capital reserve is the result of payments made by the shareholders to strengthen the equity base. Revenue reserves are solely composed of Other revenue reserves. The results from the measurement of available-for-sale securities are recognised in Revaluation surplus. The Foreign currency translation reserve contains gains and losses from currency translation in the context of capital consolidation. Minority interests contains interests in subsidiaries held by non-Group shareholders.

### 29\_Taxes

Current income tax assets and liabilities are determined using prevailing tax rates. The calculated income tax assets and liabilities are not offset, and are recognised under Income tax assets or Income tax liabilities.

Deferred taxes are calculated as the difference between IFRS values and tax accounting values, on the basis of the current and future tax consequences of all transactions within the reporting period and all assets and liabilities contained in the annual financial statements.

Deferred tax assets and liabilities are accounted for on the basis of the country-specific income tax rates that are expected to apply in the respective period of their realisation. The calculation of deferred tax for Group companies based in Germany in the reporting year already takes the reduction of the income tax burden resulting from the 2008 Corporate Tax Reform Act in Germany into account. Deferred tax assets from unused tax loss carryovers are only recognised if it is probable that they can be used.

All deferred income taxes are recognised in profit or loss under Income taxes. All taxes deferred for temporary differences from available-for-sale assets that are not recognised in the income statement are recognised directly in equity (revaluation surplus). Deferred tax assets are presented under Income tax assets; deferred tax liabilities are presented under Income tax liabilities. In the event of changes to the tax rates, the relevant items are adjusted.

Other taxes are recognised under Other operating income and expenses, net.

### 30\_Trust activities

Trust assets and trust liabilities are not included in the balance sheet. Commissions paid for such activities are recognised in Net commission income. For further information on significant trust activities, please refer to note 77.

### 31\_Financial guarantees

According to IAS 39, a financial guarantee is a contract which requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Initial recognition is at the fair value at the time of initial recognition, which corresponds to the fair value of the agreed premium. In the total consideration, the fair value of the financial guarantee is nil, as the value of the agreed premium normally corresponds to the value of the guarantee obligation for arm's length agreements. In these cases, the financial guarantee is not included in the balance sheet. The premiums received are recognised in profit or loss corresponding to the risk trend.

If the guarantee is likely to be utilised (probability >50%), the premium is no longer recognised in profit or loss. The guarantee obligation is to be recognised as a liability on the basis of the best estimate for utilisation and reported in the Provision for loan losses on the income statement.

### **32\_Contingent liabilities**

Liabilities based on past events, but which have not yet required an outflow of resources, are presented under note 78 as off-balance-sheet liabilities.

A distinction is drawn between two forms of contingent liabilities: those that are possible obligations, subject to the occurrence of one or more uncertain future events, and those that are present obligations, but which are not likely to result in an outflow of resources, or which cannot be measured with sufficient reliability.

## 2. Notes to the Consolidated Income Statement

### 33\_Net interest income

Net interest income can be broken down as follows:

	2007	2006
	€ M	€ M
<b>Interest income</b>		
Interest income from lending and money market transactions	733	468
Interest income from fixed-income and book-entry securities (available-for-sale)	323	208
Interest income from fixed-income and book-entry securities (fair value option)	116	119
Interest income from balances with central banks	8	9
Interest income from hedge accounting adjustments amortised to profit and loss	22	42
Current income from equities (fair value option)	6	42
Current income from equity investments	39	25
Current income from equities (available-for-sale)	24	20
Current income from shares in affiliated companies	3	1
Other interest income	24	63
<b>Total interest income</b>	<b>1,298</b>	<b>997</b>
<b>Interest expense</b>		
Interest expense incurred on deposits from customers	-604	-352
Interest expense incurred on deposits from banks	-251	-211
Interest expense incurred on bonds and notes issued	-25	-20
Interest expense for hedge accounting adjustments amortised to profit and loss	-16	-17
Interest expense incurred on subordinated capital issued	-9	-13
Other interest expense	-143	-142
<b>Total interest expense</b>	<b>-1,048</b>	<b>-755</b>
<b>Net interest income</b>	<b>250</b>	<b>242</b>

### 34\_Share of the profit or loss of associates and joint ventures accounted for using the equity method

The share of the profit or loss of associates and joint ventures accounted for using the equity method was € 81 million in the reporting year (previous year: € 47 million). It largely relates, with € 43 million (previous year: € 20 million) to IVG Immobilien AG, Bonn, and with € 29 million (previous year: € 22 million) to Oppenheim-Esch Holding GbR, Troisdorf.

### 35\_Provision for loan losses

The provision for loan losses reflected in the income statement can be broken down as follows:

	2007	2006
	€ M	€ M
Additions to allowances for impairment losses on loans and advances	-19	-37
Reversal of allowances for impairment losses on loans and advances	8	22
Recoveries on loans and advances written-off	0	2
Additions to provisions for loan losses	-1	-2
Reversal of provisions for loan losses	2	13
<b>Total</b>	<b>-10</b>	<b>-2</b>

Additions to allowances for impairment losses on loans and advances relate primarily to the increase in the general allowances for doubtful accounts.

### 36\_Net commission income

Net commission income can be broken down as follows:

	2007	2006
	€ M	€ M
<b>Commission income</b>		
Securities business	443	380
Asset management	282	231
Advisory business and brokerage	115	75
Foreign transactions, foreign exchange and payment transactions	20	18
Lending business	11	13
Trust business	1	9
Other	42	33
<b>Total commission income</b>	<b>914</b>	<b>759</b>
<b>Commission expense</b>		
Securities business	-97	-84
Asset management	-140	-112
Advisory business and brokerage	-10	-7
Foreign transactions, foreign exchange and payment transactions	-1	-1
Other	-33	-27
<b>Total commission expense</b>	<b>-281</b>	<b>-231</b>
<b>Net commission income</b>	<b>633</b>	<b>528</b>

Due to the increased significance of companies consolidated for the first time in the previous year, the breakdown of the income contributions by type of commission from these companies was revised during the reporting year. The relevant previous year figures were adjusted.

### 37\_Net trading income

Net trading income can be broken down as follows:

	2007	2006
	€ M	€ M
Foreign exchange	24	39
Equities and equity derivatives / equity index derivatives	-265	63
Bonds and interest rate derivatives	-26	76
Interest income from fixed-income securities (trading)	5	5
Dividend income from equities (trading)	112	26
Other trading income and expenses	-2	1
<b>Total</b>	<b>-152</b>	<b>210</b>

Net trading income contains results from derivatives, which serve as collateral for assets, which are not classified as held-for-trading. These assets are designated at fair value through profit or loss, or reported as non-current financial assets; the measurement gains/(losses) from these assets are recognised in the Result from fair value option or in Net income/(loss) from non-current financial assets.

### 38\_Result from hedge accounting

The Result from hedge accounting includes fair value hedges and amounted to € -1 million in the reporting year (previous year: € -2 million).

	2007	2006
	€ M	€ M
Result from fair value hedges	-1	-2
of which: Result from hedging instruments (derivatives)	-31	-48
of which: Result from hedged items	30	46
<b>Total</b>	<b>-1</b>	<b>-2</b>

### 39\_Result from fair value option

The Result from fair value option can be broken down as follows:

	2007	2006
	€ M	€ M
Shares	177	57
Bonds	-71	-118
Other trading income and expenses (FVO)	10	4
<b>Total</b>	<b>116</b>	<b>-57</b>

### 40\_Net income/(loss) from non-current financial assets

Net income/(loss) from non-current financial assets can be broken down as follows:

	2007	2006
	€ M	€ M
Gains/(losses) from the disposal of AFS securities	64	23
Gains/(losses) from the disposal of equity investments and shares in affiliated companies	56	47
Gains/(losses) from the disposal of associated companies	252	51
Impairments on equity investments, shares in affiliated companies and available-for-sale securities	-55	-3
<b>Total</b>	<b>317</b>	<b>118</b>

Gains/(losses) from the disposal of available-for-sale securities can be broken down into € 41 million from BHF-BANK AG, € 22 million from Sal. Oppenheim jr. & Cie. KGaA, and € 1 million from other Group companies.

The gains from the disposal of equity investments relate primarily with € 39 million to the sale of 18.9% of the shares in IVG Institutional Funds GmbH (formerly Oppenheim Immobilien-Kapitalanlagegesellschaft mbH), Wiesbaden, with € 6 million to Ampford Ltd., Jersey (sale of 1.0% of the shares), as well as with € 3 million each to BGLD Ltd., Jersey (0.3% of the shares), and Attica Holdings (UK) Limited, London (49.9% of the shares).

The gains from the disposal of associated companies largely relate with € 223 million to the sale of 10.6% of the shares in IVG Immobilien AG, Bonn, as well as with € 29 million to the sale of 25.0% of the share in Deutsche Hypothekbank (Actien-Gesellschaft), Hanover.

With € 32 million, the impairments relate to a write-down on a stake in IKB Deutsche Industriebank AG, Düsseldorf, to the year-end price. An additional € 11 million relate to BHF-BANK AG securities.

#### 41\_Administrative expenses

Administrative expenses, broken down into personnel expenses, other administrative expenses and depreciation and amortisation were as follows:

	2007	2006
	€ M	€ M
<b>Personnel expenses</b>		
Salaries	486	411
Social security contributions	40	37
Pension benefit expenses	25	20
of which BVV contributions	3	3
<b>Total personnel expenses</b>	<b>551</b>	<b>468</b>
<b>Other administrative expenses</b>		
IT costs	66	51
Advertising and promotional costs	48	36
Legal, auditing and consultancy costs	47	39
Occupancy costs	39	37
Communication and information costs	37	33
Business travel expenses	13	12
Securities settlement costs	12	10
Rental and maintenance expenses	12	10
Premiums and insurance policies	9	8
Underwriting business expenses	8	8
Automobile-related expenses	6	6
Rental payments under operating leases	4	2
Expenses related to other banking business	36	25
<b>Total other administrative expenses</b>	<b>337</b>	<b>277</b>
<b>Depreciation and amortisation</b>		
on operating and office equipment	17	16
on intangible assets	16	15
on finance-lease assets (property, plant and equipment)	5	4
on buildings	3	2
<b>Total depreciation and amortisation</b>	<b>41</b>	<b>37</b>
<b>Total administrative expenses</b>	<b>929</b>	<b>782</b>

#### 42\_Other operating income and expenses, net

Net other operating expense and income can be broken down as follows:

	2007	2006
	€ M	€ M
Income from the reversal of other provisions	6	5
Income from the disposal of property, plant and equipment	4	0
Income from service level agreements	3	2
Rental income	3	2
Gains from the disposal of venture capital investments	1	3
Other income	34	28
<b>Other operating income</b>	<b>51</b>	<b>40</b>
Management fees for funds of funds	-5	-5
Compensation payments	-4	-2
Expenses from additions to provisions	-4	-1
Other taxes	-2	-2
Losses from the disposal of property, plant and equipment	-1	-1
Impairments on venture capital investments	0	-6
Other expenses	-7	-16
<b>Other operating expenses</b>	<b>-23</b>	<b>-33</b>
<b>Other operating income and expenses, net</b>	<b>28</b>	<b>7</b>

#### 43\_Income taxes

The taxes owed or paid on income in the individual countries are recognised under Income taxes. Income tax expenses can be broken down as follows:

	2007	2006
	€ M	€ M
Current taxes on income	44	29
Deferred taxes from temporary differences	-10	39
Deferred taxes due to changes in tax rates	24	-1
Deferred taxes from impairments on tax refund claims	20	1
<b>Total</b>	<b>78</b>	<b>68</b>

The 2008 Corporate Tax Reform Act passed in Germany in 2007 affects the deferred taxes in Sal. Oppenheim's consolidated financial statements to a considerable extent.

As a result of the aforementioned new tax legislation, deferred income taxes were € 23 million lower for the Sal. Oppenheim jr. & Cie. KGaA sub-Group. Impairments on deferred tax assets due to tax loss carryforwards were recognised in the reporting year in the amount of € 20 million.

Current taxes amounting to € 44 million in the reporting year relate, in particular, to Bankhaus Sal. Oppenheim jr. & Cie. KGaA, Sal. Oppenheim jr. & Cie. S.C.A. and Bank Sal. Oppenheim jr. & Cie. (Switzerland) Ltd.

The expected income tax expense, calculated on the basis of the Group income tax rate of 39% for the IFRS consolidated net income before tax, can be reconciled to the actual taxes as reported in the income statement as follows:

	2007	2006
	€ M	€ M
Profit/(loss) from operating activities	333	309
Group income tax rate	39.0%	39.0%
Expected income taxes on profit/(loss) from operating activities	130	121
Effects of differences between tax rates	-60	-21
Effects of non-deductible operating expenses	35	33
Effects of tax-exempt income	-123	-38
Effects of taxes from previous years recorded in the reporting year	4	-1
Effects of non-deductible income taxes	13	3
Changes to permanent accounting-related effects	-1	-16
Effects of impairments and changes in recognition	60	0
Effects of changes in tax rates	28	-1
Other effects	-8	-12
<b>Income taxes</b>	<b>78</b>	<b>68</b>

Current income taxes were calculated on the basis of tax results from financial year 2007, which, in turn, were based on the relevant country's tax rate. Companies based in Luxembourg are subject to an overall tax rate of 29.6%. Companies based in Germany are subject to an overall tax rate of 40.0%. The overall tax rate in Switzerland is 21.2%.

The effects of differing tax rates for partnerships and investment companies from the tax rate applicable to the Group parent company and similar effects regarding foreign income taxes are reported accordingly in the reconciliation.

The significant change in the effects of tax-exempt income in the reporting year was a result of the high disposal gains from equity investments. The main changes to permanent accounting-related effects result largely from the decline in other impairments not recognised for tax accounting purposes in connection with equity investments. Significant changes in the effects of impairments and changes in recognition have resulted from loss carryforwards previously not recognised as well as impairments on existing loss carryforwards. The changes under the effects of changes in tax rates in the reporting year are the result of the tax rate being lowered by the 2008 Corporate Tax Reform Act in Germany.

#### 44\_Segment reporting

The aim of segment reporting, as required in accordance with IAS 14, is to allow better assessment of a company's income sources and its risks, and a differentiated appraisal of the Group's economic performance.

The segments are presented firstly by business division and then according to geographical markets. The breakdown into business divisions is based on the Sal. Oppenheim Group structure as at the end of the year, and reflects the type of products and services offered and the respective target client groups. The monthly management accounts provide the basis for segment reporting.

The first breakdown of the segment report is by business division; Asset Management, Private Banking, Corporate Finance, Financial Markets and Other/consolidation. The second breakdown is by region; Germany, Switzerland, Luxembourg and Other/consolidation.

Asset Management comprises in particular the activities of Oppenheim Kapitalanlagegesellschaft mbH, of Oppenheim Asset Management Services S.à r.l., of the Asset Management segments of Sal. Oppenheim jr. & Cie. KGaA and Sal. Oppenheim jr. & Cie. S.C.A., of Oppenheim Fonds Trust GmbH, of FRANKFURT-TRUST Investment-Gesellschaft mbH and of Financière Atlas S.A., as well as the income from equity investments generated by IVG Immobilien AG.

Private Banking focuses on advisory services for high-net-worth private clients and on small and medium-sized companies. Besides traditional asset management and advisory services, the areas of financial planning, estate planning, real estate investments, private equity and family office also play an important role. The services are provided at the headquarters in Luxembourg and at the subsidiaries in Germany, Switzerland and Austria.

The results from structured financing, Mergers & Acquisitions and Equity Capital Markets are summarised in the Corporate Finance segment. The segment also includes lending and deposit products, export financing and financing with Hermes guarantees.

The Financial Markets segment includes the results from equity, bond and currency trading. Within the area of derivative instruments, retail business with reverse convertibles and certificates plays a particularly significant role.

The Other/consolidation segment presents Group management costs, costs which cannot be clearly allocated to individual business divisions, and the results of strategic positions (sale of equity investments, banking book), as well as the results of fund investments in Alternative Investments.

**Presentation of income components and key figures**

The results from the various business divisions were broken down into net interest income, net commission income, net trading income, result from hedge accounting, result from fair value option, administrative expenses and net other operating income and expenses in accordance with the regulations relating to consolidated net income as set out in the IAS/IFRS standards.

Provision for loan losses includes specific valuation allowances for client exposures in the respective business divisions; changes in general allowances for doubtful accounts are reported in Other.

Assets and liabilities are shown at their value on the balance sheet date, 31 December 2007, and are allocated to the appropriate segment.

The carrying amount reported for investments accounted for using the equity method comprises the carrying amounts reported on the balance sheet for these equity investments.

Risk assets includes the assets on the balance sheet, off-balance-sheet transactions and derivatives from the individual segments according to risk weighting, as specified in Principle I (Grundsatz I).

The items entailing price change risks for the respective division are presented under Market risks. Capital is allocated, on a transaction basis, to the appropriate division in accordance with regulatory requirements. For the business activities of subsidiaries, the carrying amount of the equity investment is used. The remaining equity is allocated to Other. In the individual divisions, the average equity is reported.

The cost/income ratio is calculated on the basis of the ratio of administrative expenses to total operating income before risk provisions. Not included in the calculation are disposals of equity investments including investments in associates as well as impairments on equity investments and shares in affiliated companies.

The profitability of the regulatory capital corresponds to the ratio of the operating result before taxes to capital.

SEGMENT REPORT BY BUSINESS DIVISION

	Asset Management	Private Banking	Corporate Finance	Financial Markets	Other/ Consolidation	Group total
	€ M	€ M	€ M	€ M	€ M	€ M
<b>2007</b>						
Net interest income and share of the profit or loss from associates and joint ventures accounted for using the equity method	67	104	69	162	-71	<b>331</b>
Provision for loan losses	0	-9	-2	-10	11	<b>-10</b>
Net commission income	229	238	106	85	-25	<b>633</b>
Net trading income	19	10	-177	27	-31	<b>-152</b>
Result from hedge accounting	0	0	0	-1	0	<b>-1</b>
Result from fair value option	-11	1	181	-64	9	<b>116</b>
Net income/(loss) from non-current financial assets	16	2	-5	54	250	<b>317</b>
Administrative expenses	-178	-203	-95	-215	-238	<b>-929</b>
Other operating income and expenses, net	21	2	4	3	-2	<b>28</b>
<b>Profit/(loss) from operating activities</b>	<b>163</b>	<b>145</b>	<b>81</b>	<b>41</b>	<b>-97</b>	<b>333</b>
Assets	2,213	5,887	3,412	35,049	-5,471	<b>41,090</b>
Liabilities and equity	8,997	6,657	3,754	27,136	-5,454	<b>41,090</b>
Risk assets	1,983	4,915	2,905	8,177	-440	<b>17,540</b>
Market risks	4	2	0	16	39	<b>61</b>
Carrying amount of investments accounted for using the equity method	5	27	0	0	112	<b>144</b>
Equity	142	600	334	561	537	<b>2,174</b>
Cost/income ratio	54.8%	57.2%	51.9%	101.1%		<b>92.3%</b>
Pre-tax return on equity	114.7%	24.1%	24.2%	7.4%		<b>16.4%</b>

	Asset Management	Private Banking	Corporate Finance	Financial Markets	Other/ consolidation	Group total
	€ M	€ M	€ M	€ M	€ M	€ M
<b>2006</b>						
Net interest income and share of the profit or loss from associates and joint ventures accounted for using the equity method	46	85	51	152	-45	<b>289</b>
Provision for loan losses	0	-1	-12	6	5	<b>-2</b>
Net commission income	200	214	87	49	-22	<b>528</b>
Net trading income	11	10	-38	205	22	<b>210</b>
Result from hedge accounting	0	0	0	-2	0	<b>-2</b>
Result from fair value option	2	0	44	-114	11	<b>-57</b>
Net income/(loss) from non-current financial assets	3	0	11	6	98	<b>118</b>
Administrative expenses	-162	-183	-79	-173	-185	<b>-782</b>
Other operating income and expenses, net	19	4	4	-2	-18	<b>7</b>
<b>Profit/(loss) from operating activities</b>	<b>119</b>	<b>129</b>	<b>68</b>	<b>127</b>	<b>-134</b>	<b>309</b>
Assets	1,034	5,444	3,261	27,447	-1,839	<b>35,347</b>
Liabilities and equity	5,514	6,885	3,639	20,758	-1,449	<b>35,347</b>
Risk assets	1,675	4,490	2,864	7,127	-349	<b>15,807</b>
Market risks	3	1	0	11	24	<b>39</b>
Carrying amount of investments accounted for using the equity method	245	82	0	0	99	<b>426</b>
Equity	170	493	282	506	484	<b>1,935</b>
Cost/income ratio	58.4%	58.5%	53.4%	59.7%		<b>80.2%</b>
Pre-tax return on equity	69.6%	26.0%	24.2%	25.4%		<b>16.5%</b>

## SEGMENT REPORT BY GEOGRAPHICAL MARKETS

	Germany	Luxembourg	Switzerland	Other/ consolidation	Group total
	€ M	€ M	€ M	€ M	€ M
<b>2007</b>					
Net interest income and share of the profit or loss from associates and joint ventures accounted for using the equity method	375	-17	13	-40	<b>331</b>
Provision for loan losses	-10	0	0	0	<b>-10</b>
Net commission income	434	51	103	45	<b>633</b>
Net trading income	-171	8	9	2	<b>-152</b>
Result from hedge accounting	-1	0	0	0	<b>-1</b>
Result from fair value option	143	-24	0	-3	<b>116</b>
Net income/(loss) from non-current financial assets	115	239	0	-37	<b>317</b>
Administrative expenses	-737	-69	-95	-28	<b>-929</b>
Other operating income and expenses, net	2	11	0	15	<b>28</b>
<b>Profit/(loss) from operating activities</b>	<b>150</b>	<b>199</b>	<b>30</b>	<b>-46</b>	<b>333</b>
Total assets	37,626	7,021	1,124	-4,681	<b>41,090</b>
Risk assets	17,816	711	998	-1,985	<b>17,540</b>
Market risks	58	1	2	0	<b>61</b>
Carrying amount of investments accounted for using the equity method	110	0	0	34	<b>144</b>
Equity	1,558	317	218	81	<b>2,174</b>
Cost/income ratio	88.5%	239.4%	76.0%		<b>92.3%</b>
Pre-tax return on equity	9.6%	62.7%	13.8%		<b>16.4%</b>

	Germany	Luxembourg	Switzerland	Other/ consolidation	Group total
	€ M	€ M	€ M	€ M	€ M
<b>2006</b>					
Net interest income and share of the profit or loss from associates and joint ventures accounted for using the equity method	303	30	15	-59	<b>289</b>
Provision for loan losses	-12	2	8	0	<b>-2</b>
Net commission income	369	39	84	36	<b>528</b>
Net trading income	132	65	8	5	<b>210</b>
Result from hedge accounting	0	-2	0	0	<b>-2</b>
Result from fair value option	-3	-50	0	-4	<b>-57</b>
Net income/(loss) from non-current financial assets	82	25	0	11	<b>118</b>
Administrative expenses	-587	-39	-70	-86	<b>-782</b>
Other operating income and expenses, net	-8	4	-1	12	<b>7</b>
<b>Profit/(loss) from operating activities</b>	<b>276</b>	<b>74</b>	<b>44</b>	<b>-85</b>	<b>309</b>
Total assets	33,351	4,831	707	-3,542	<b>35,347</b>
Risk assets	15,129	841	680	-843	<b>15,807</b>
Market risks	38	0	1	0	<b>39</b>
Carrying amount of investments accounted for using the equity method	424	2	0	0	<b>426</b>
Equity	1,665	147	114	9	<b>1,935</b>
Cost/income ratio	74.1%	45.7%	66.3%		<b>80.2%</b>
Pre-tax return on equity	16.5%	51.0%	38.3%		<b>16.5%</b>

### 3. Notes to the Consolidated Balance Sheet

#### 45\_Cash and cash equivalents

	2007	2006
	€ M	€ M
Cash on hand	8	9
Balances with central banks	448	352
Public sector debt instruments and bills of exchange eligible for refinancing with central banks	19	0
Government bills and discount notes as well as similar public sector debt instruments	19	0
<b>Total</b>	<b>475</b>	<b>361</b>

#### 46\_Assets held for trading

	2007	2006
	€ M	€ M
Bonds and fixed-income securities	4,175	3,004
Bonds and notes	4,175	3,004
of public-sector issuers	469	847
of other issuers	3,706	2,157
Equities and other non-fixed-income securities	3,693	2,073
Positive fair values from derivative financial instruments	5,591	4,258
Borrower's note loans	13	0
<b>Total</b>	<b>13,472</b>	<b>9,335</b>

Deferred interest in the amount of € 58 million (previous year: € 35 million) is included in Bonds. Further information relating to derivatives can be found in note 74.

#### 47\_Positive fair values from hedge accounting

	2007	2006
	€ M	€ M
Positive fair values from hedge accounting	31	26
of which fair value hedges	31	26
<b>Total</b>	<b>31</b>	<b>26</b>

#### 48\_Financial assets designated at fair value through profit or loss (fair value option)

	2007	2006
	€ M	€ M
Bonds and fixed-income securities	2,209	2,839
Bonds and notes	2,209	2,839
of public-sector issuer	244	202
of other issuers	1,965	2,637
Equities and other non-fixed-income securities	895	590
Equity investments	86	55
<b>Total</b>	<b>3,190</b>	<b>3,484</b>

Deferred interest in the amount of € 51 million (previous year: € 55 million) is included in Bonds.

#### 49\_Loans and advances to banks

	2007	2006
	€ M	€ M
<b>DOMESTIC BANKS</b>	<b>535</b>	<b>660</b>
On demand	20	96
Other loans and advances	515	564
<b>FOREIGN BANKS</b>	<b>9,635</b>	<b>8,581</b>
On demand	2,179	2,486
Other loans and advances	7,456	6,095
<b>Total</b>	<b>10,170</b>	<b>9,241</b>

This item contains money market loans and advances to banks totalling € 6,095 million (previous year: € 5,686 million). A breakdown of residual maturities can be found in note 73.

As of the balance sheet date, there are no overdue or impaired loans and advances to banks.

## 50\_ Loans and advances to customers

	2007	2006
	€ M	€ M
<b>DOMESTIC CLIENTS</b>	62	21
Corporate clients	52	18
Private clients	9	3
Other clients	1	0
<b>FOREIGN CLIENTS</b>	7,054	6,210
Corporate clients	4,077	3,608
Private clients	2,923	2,536
Public-sector clients	48	62
Other clients	6	4
<b>Total</b>	<b>7,116</b>	<b>6,231</b>

Loans in the amount of € 295 million (previous year: € 397 million), included in Loans and advances to customers, were secured by mortgages or land charges. Note 73 contains a breakdown of residual maturities.

For information on credit quality, loans and advances to customers can be broken down as follows:

	2007	2006
	€ M	€ M
Neither overdue nor impaired	6,869	6,063
Overdue but not impaired	50	15
of which 3 to 6 months overdue	24	15
of which 6 months to 1 year overdue	25	0
of which more than 1 year overdue	1	0
Impaired	197	153
<b>Total</b>	<b>7,116</b>	<b>6,231</b>

Overdue loans and advances include loans and advances that have not yet been impaired but for which the debtor has not met contractual payment obligations. Impaired loans and advances include those loans and advances recorded at the loan amount granted, for which specific valuation allowances were made on the balance sheet date taking collateral received into account. Information on the amount of the allowances for impairment losses as well as the collateral received can be found in the details on allowances for impairment losses on loans and advances in note 52.

### 51\_Lending volume

	2007	2006
	€ M	€ M
Loans to banks	1,349	1,137
Loans to customers	6,873	6,141
<b>Total</b>	<b>8,222</b>	<b>7,278</b>

In contrast to Loans and advances to banks and customers, only such loans were included for which special loan agreements were concluded with the borrowers. Moreover, we do not report any repo transactions in the lending volume.

### 52\_Allowances for impairment losses on loans and advances

	Specific valuation allowances		General allowances for doubtful accounts		Total	
	2007	2006	2007	2006	2007	2006
	€ M	€ M	€ M	€ M	€ M	€ M
<b>As at 1 January</b>	<b>125</b>	<b>107</b>	<b>34</b>	<b>46</b>	<b>159</b>	<b>153</b>
Established	10	37	9	0	19	37
of which affecting net interest income	4	0	0	0	4	0
Utilised	-8	-9	0	0	-8	-9
Reversed	-8	-10	0	-12	-8	-22
Reclassifications	1	0	0	0	1	0
<b>As at 31 December</b>	<b>124</b>	<b>125</b>	<b>43</b>	<b>34</b>	<b>167</b>	<b>159</b>

Provisions for loan losses are recognised under Other provisions. Total risk provision comprising allowances for impairment losses on loans and advances and provisions for loan losses can be broken down as follows:

	2007	2006
	€ M	€ M
Allowances for impairment losses on loans and advances	167	159
Loans and advances to banks	6	7
Loans and advances to customers	161	152
Provisions for loan losses	7	8
<b>Total</b>	<b>174</b>	<b>167</b>

Overall, collateral was pledged in the form of cash contributions, securities and security interests in land with a total value of € 40 million (previous year € 38 million), which was considered as risk-reducing in calculating the provision for loan losses.

### 53\_Maximum credit risk exposure

Collateral received such as cash and securities or other credit enhancements such as guarantees, indemnities or netting agreements are not taken into account in calculating the maximum exposure to credit risk in accordance with IFRS 7.36 (a). The on-balance-sheet items are recognised at carrying amount, while the off-balance-sheet items are recognised at the maximum amount of possible utilisation.

	2007	2006
	€ M	€ M
Loans and receivables	17,286	15,472
Loans and advances to banks	10,170	9,241
Loans and advances to customers	7,116	6,231
Assets held for trading	13,472	9,335
Assets held for trading	13,472	9,335
Hedge accounting derivatives	31	26
Fair value option	3,190	3,484
Financial assets designated at fair value through profit or loss	3,190	3,484
Available-for-sale financial assets	5,181	5,445
Non-current financial assets	5,146	5,417
of which carried at amortised cost	319	231
of which carried at fair value	4,827	5,186
Other assets	35	28
Financial guarantees	214	306
Contingent liabilities from guarantees and indemnity agreements	1,564	1,423
Irrevocable loan commitments	2,270	2,628
Non-current assets held for sale (IFRS 5)	0	23
<b>Total</b>	<b>43,208</b>	<b>38,142</b>

Further notes on the calculation and internal management of credit risk as well as credit quality of financial assets are presented in the risk report within the management report. Moreover, information on credit quality can be found in note 49 Loans and advances to banks, note 50 Loans and advances to customers, note 52 Allowances for impairment losses on loans and advances as well as note 54 Non-current financial assets.

## 54\_Non-current financial assets

	2007	2006
	€ M	€ M
Bonds and fixed-income securities	3,918	4,457
Bonds and notes	3,918	4,457
of public-sector issuers	332	430
of other issuers	3,586	4,027
Equities and other non-fixed-income securities	383	571
Equity investments	845	389
Shares in affiliated companies (non-consolidated)	47	19
Investment property	194	161
<b>Total</b>	<b>5,387</b>	<b>5,597</b>

Of equities and other non-fixed income securities, € 2 million (previous year € 0 million) are carried at cost.

Of equity investments and shares in affiliated companies, € 364 million (previous year € 247 million) are carried at cost. These are shares in partnerships and non-listed companies for which a fair value cannot be reliably determined.

The development of equity investments and shares in affiliated companies is presented in the table under note 58, and a breakdown of residual maturities in note 73.

For information on credit quality, non-current financial assets can be broken down as follows:

	2007	2006
	€ M	€ M
Neither overdue nor impaired	5,147	5,379
Overdue but not impaired	0	2
of which 6 months to 1 year overdue	0	2
Impaired	240	216
<b>Total</b>	<b>5,387</b>	<b>5,597</b>

Concerning the requirement to establish allowances for impairment losses, we refer to the information on non-current financial assets in note 15.

**55\_Investments accounted for using the equity method**

	2007	2006
	€ M	€ M
Investments in associates	116	402
Investments in joint ventures	28	24
<b>Total</b>	<b>144</b>	<b>426</b>

The decline of investments in associates is largely a result of investments accounted for using the equity method no longer including IVG Immobilien AG, Bonn, as the stake now only amounts to 10%. Investments accounted for using the equity method contains goodwill from equity accounting in the amount of € 17 million (previous year: € 8 million). There was no cause for goodwill impairments relating to this item in the reporting year.

**56\_Property, plant and equipment**

	2007	2006
	€ M	€ M
Land and premises	256	193
Operating and office equipment	57	45
Leased assets (finance lease)	8	8
Payments on account	1	0
<b>Total</b>	<b>322</b>	<b>246</b>

The land and premises reported under this item are used solely for banking business. The changes in property, plant and equipment are presented in the table in note 58.

In the context of existing finance lease agreements, depreciation on capitalised leased assets at € 5 million (previous year: € 4 million) was recognised in the reporting year.

### 57\_Intangible assets

Intangible assets can be broken down as follows:

	2007	2006
	€ M	€ M
Goodwill	203	67
Client bases	55	0
Purchased software	25	22
Assets under construction	15	8
Leased assets (finance lease)	3	0
Internally generated software	2	0
Other intangible assets	1	1
<b>Total</b>	<b>304</b>	<b>98</b>

The changes in intangible assets can be seen in the table in note 58.

Goodwill from investments accounted for using the equity method was reported under Investments accounted for using the equity method.

All goodwill was subject to an impairment test in the reporting year in accordance with IAS 36. The tests were carried out at the level of the smallest cash-generating unit on the basis of value in use. The following table provides an overview of the goodwill tested and the underlying assumptions:

Description of the cash-generating unit	Services Généraux de Gestion S.A.	Sal. Opp. Corp. Finance (Switzerland) Ltd. AG	Bank Sal. Oppenheim jr. & Cie. (Switzerland) Ltd	Asset Management	Financial Markets	CAM/VCM
Carrying amount goodwill in € million	26	10	9	113	3	42
Growth rate in planning phase	5.0%	5.0%	20.0%	24.0%	15.0%	43.0%
Growth rate used after planning period	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Planning period	3 years	3 years	3 years	3 years	3 years	3 years
Discount rate used	9.3%	9.0%	8.8%	9.3%	9.0%	10.5%

The goodwill resulting from the fully consolidated Oppenheim Asset Management Services S.à r.l., Oppenheim Fonds Trust GmbH, Oppenheim Investment Managers Limited, Financière Atlas S.A., FRANKFURT-TRUST Investment-Gesellschaft mbH and Frankfurt Services Kapitalanlage-Gesellschaft mbH is allocated to the Asset Management cash-generating unit.

The goodwill allocated to the Financial Markets cash-generating unit is a result of the acquisition of BHF LUX IMMO S.A. Additional goodwill results from full consolidation of CAM Private Equity Consulting & Verwaltungs-GmbH and VCM Capital Management GmbH.

### 58\_Statement of changes in non-current assets

The changes in non-current financial assets, property, plant and equipment and intangible assets can be summarised as follows:

	Equity investments	Shares in affiliated companies	Investments accounted for using the equity method	Investment property
2007	€ M	€ M	€ M	€ M
<b>Cost</b>				
As at 1 January 2007	382	34	420	161
Changes in shareholdings and the scope of consolidated financial statements	106	6	-166	0
Additions	379	33	5	33
Disposals	-129	-21	-149	0
Reclassifications	0	-2	0	0
Foreign currency translation	2	0	0	0
As at 31 December 2007	740	50	110	194
<b>Reversal of impairment losses (+)/</b>				
<b>Depreciation, amortisation and impairments (-)</b>				
As at 1 January 2007	7	-15	6	0
Changes in shareholdings and the scope of consolidated financial statements	0	0	-8	0
Current depreciation, amortisation and impairment	-45	0	-3	0*
Current reversal of impairment losses	119	0	12	0
Disposals	24	12	27	0
Reclassifications	0	0	0	0
Foreign currency translation	0	0	0	0
As at 31 December 2007	105	-3	34	0
Carrying amount as at 1 January 2007	389	19	426	161
Carrying amount as at 31 December 2007	845	47	144	194

\*Amount of current depreciation, amortisation and impairment is below € 500,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS / CONSOLIDATED FINANCIAL STATEMENTS

Land and premises for own use	Operating and office equipment	Leased assets reported under Property, plant and equipment	Goodwill from full consolidation	Client bases	Leased assets reported under Intangible assets	Other intangible assets
€ M	€ M	€ M	€ M	€ M	€ M	€ M
212	174	16	72	0	1	129
24	0	0	146	58	0	0
46	29	5	0	0	3	27
-3	-25	-5	0	0	0	-4
0	0	0	0	0	0	0
-1	-1	0	0	0	0	0
278	177	16	218	58	4	152
-19	-129	-8	-5	0	-1	-99
0	0	0	0	0	0	0
-3	-17	-5	-10	-3	-1	-12
0	1	0	0	0	0	0
0	24	5	0	0	1	2
0	0	0	0	0	0	0
0	1	0	0	0	0	0
-22	-120	-8	-15	-3	-1	-109
193	45	8	67	0	0	30
<b>256</b>	<b>57</b>	<b>8</b>	<b>203</b>	<b>55</b>	<b>3</b>	<b>43</b>

	Equity investments	Shares in affiliated companies	Investments accounted for using the equity method	Investment property
2006	€ M	€ M	€ M	€ M
<b>Cost</b>				
<b>As at 1 January 2006</b>	257	27	365	161
Changes in shareholdings and the scope of consolidated financial statements	0	3	0	0
Additions	208	4	97	0
Disposals	-93	-1	-20	0
Reclassifications	10	0	-20	0
Foreign currency translation	0	0	0	0
<b>As at 31 December 2006</b>	<b>382</b>	<b>34</b>	<b>420</b>	<b>161</b>
<b>Reversal of impairment losses (+) / Depreciation, amortisation and impairments (-)</b>				
<b>As at 1 January 2006</b>	-4	-12	0	0
Changes in shareholdings and the scope of consolidated financial statements	0	0	0	0
Current depreciation, amortisation and impairment	-3	-3	-6	0
Current reversal of impairment losses	19	0	11	0
Disposals	-5	0	0	0
Reclassifications	0	0	0	0
Foreign currency translation	0	0	0	0
<b>As at 31 December 2006</b>	<b>7</b>	<b>-15</b>	<b>6</b>	<b>0</b>
<b>Carrying amount as at 1 January 2006</b>	<b>253</b>	<b>16</b>	<b>365</b>	<b>161</b>
<b>Carrying amount as at 31 December 2006</b>	<b>389</b>	<b>19</b>	<b>426</b>	<b>161</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS / CONSOLIDATED FINANCIAL STATEMENTS

Land and premises for own use	Operating and office equipment	Leased assets reported under Property, plant and equipment	Goodwill from full consolidation	Client bases	Leased assets reported under Intangible assets	Other intangible assets
€ M	€ M	€ M	€ M	€ M	€ M	€ M
200	163	16	1	54	1	114
6	2	0	0	13	0	4
7	16	4	0	14	0	17
0	-7	-4	-1	-9	0	-6
0	0	0	0	0	0	0
-1	1	0	0	0	0	0
212	174	16	0	72	1	129
-17	-121	-8	0	-5	-1	-87
0	0	0	0	0	0	-3
-2	-16	-4	0	0	0	-14
0	1	0	0	0	0	0
0	7	4	0	0	0	5
0	0	0	0	0	0	0
0	0	0	0	0	0	0
-19	-129	-8	0	-5	-1	-99
183	42	8	1	49	0	28
193	45	8	0	67	0	30

### 59\_Income tax assets

Income tax assets can be broken down as follows:

	2007	2006
	€ M	€ M
Current income tax assets	154	67
Deferred income tax assets	227	213
Deferred tax assets	162	105
Deferred tax assets from unused tax loss carryforwards	65	108
<b>Total</b>	<b>381</b>	<b>280</b>

The deferred income tax assets, or liabilities, offset against the revaluation surplus and other revenue reserves amounted to € 7 million in the reporting year (previous year: € 5 million). No deferred income tax assets were reported for loss carryforwards, which amounted to € 226 million (previous year: € 47 million), because a realisation was not considered to be sufficiently warranted. This concerns losses from Organgesellschaften (affiliated companies for tax consolidation) not currently offsettable in tax terms in the amount of € 1 million (previous year: € 1 million) and tax losses in the amount of € 225 million (previous year: € 46 million) from Group companies which will not report positive tax results at all, or not enough, in the foreseeable future due to their earnings structures.

The deferred tax assets relate to the following items:

	2007	2006
	€ M	€ M
Assets/liabilities held for trading	77	24
Financial assets designated at fair value through profit or loss (fair value option)	13	7
Loans and advances and allowances for impairment losses on loans and advances	6	0
Non-current financial assets	28	15
Other assets	7	6
Deposits from banks	0	1
Deposits from customers	4	14
Debt securities	0	1
Provisions	27	36
Other liabilities	0	1
Tax loss carryforwards	65	108
<b>Total</b>	<b>227</b>	<b>213</b>

**60\_Other assets**

Other assets comprises the following items in particular:

	2007	2006
	€ M	€ M
Other shares in companies	35	28
Reimbursement claims from other taxes	17	16
Deferred income	15	12
Surplus from IAS 19 (pension provisions)	9	0
Other	189	102
<b>Total</b>	<b>265</b>	<b>158</b>

Other shares in companies are allocated to available-for-sale assets and are carried at amortised cost. These are shares in partnerships and non-listed companies for which a fair value cannot be reliably determined. Other shares in companies includes venture capital and private equity investments in the amount of € 23 million (previous year: € 16 million).

Other includes receivables from the disposal of Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover, in the amount of € 121 million.

**61\_Non-current assets held for sale**

	2007	2006
	€ M	€ M
Assets held for sale	0	23

In 2006, this balance sheet item included a 24.9% stake in Institutional Funds GmbH (formerly Oppenheim Immobilien-Kapitalanlagegesellschaft mbH). 18.9% of this share was sold in January 2007, and the remaining 6% was reclassified to Non-current financial assets. The 49.9% stake in Attica Holdings (UK) Limited, which was sold this year, was also reported under this item in 2006. Information on the disposal gains is available in note 40 Net income/(loss) from non-current financial assets.

### 62\_Liabilities held for trading

	2007	2006
	€ M	€ M
Negative fair values from derivative financial instruments	5,700	4,653
Interest-related transactions	1,648	1,835
Currency-related transactions	712	695
Equity/equity index-related transactions	3,340	2,123
Bonds and notes issued	6,611	5,005
Delivery obligations under short sales	128	155
Borrower's note loans	0	5
<b>Total</b>	<b>12,439</b>	<b>9,818</b>

### 63\_Negative fair values from hedge accounting

	2007	2006
	€ M	€ M
Negative fair values from hedge accounting	17	60
of which fair value hedges	17	60
<b>Total</b>	<b>17</b>	<b>60</b>

### 64\_Deposits from banks

	2007	2006
	€ M	€ M
<b>DOMESTIC BANKS</b>	<b>933</b>	<b>3,798</b>
On demand	30	11
With agreed term or period of notice	903	3,787
<b>FOREIGN BANKS</b>	<b>4,273</b>	<b>3,750</b>
On demand	1,184	1,379
With agreed term or period of notice	3,089	2,371
<b>Total</b>	<b>5,206</b>	<b>7,548</b>

Deposits from banks contains money market liabilities totalling € 2,067 million (previous year: € 5,606 million). A breakdown of residual maturities can be found in note 73.

## 65\_Deposits from customers

	2007	2006
	€ M	€ M
Savings deposits	3	3
With agreed period of notice of 3 months	2	2
With agreed period of notice of more than 3 months	1	1
Other deposits from customers	19,611	14,423
<b>Total</b>	<b>19,614</b>	<b>14,426</b>

In the reporting year, the liabilities from finance lease agreements were reported under Other liabilities for the first time. Previous year figures were adjusted accordingly.

### Other liabilities

Other liabilities can be broken down as follows:

	2007	2006
	€ M	€ M
<b>DOMESTIC CLIENTS</b>	<b>3,186</b>	<b>1,449</b>
Corporate clients	3,169	1,435
Private clients	17	14
<b>FOREIGN CLIENTS</b>	<b>16,425</b>	<b>12,974</b>
Corporate clients	12,768	9,577
Private clients	3,356	3,232
Public-sector clients	212	122
Other	89	43
<b>Total</b>	<b>19,611</b>	<b>14,423</b>

Note 73 includes a breakdown of residual maturities.

### 66\_Debt securities

	2007	2006
	€ M	€ M
Bonds and notes issued	669	703
Own acceptances and promissory notes outstanding	7	12
<b>Total</b>	<b>676</b>	<b>715</b>

A breakdown of residual maturities can be found in note 73.

### 67\_Provisions

	2007	2006
	€ M	€ M
Provisions for pensions and similar commitments	48	59
Other provisions	37	50
<b>Total</b>	<b>85</b>	<b>109</b>

#### Breakdown of provisions for pensions and similar commitments

The value for Provisions for pensions and similar commitments reported in the balance sheet is derived as follows:

	2007	2006
	€ M	€ M
Present value of the defined benefit plan not financed via a fund	48	46
Present value of benefit obligations fully or partly financed via a fund	334	326
Fair value of plan assets	-343	-313
<b>Net pension liabilities</b>	<b>39</b>	<b>59</b>
Surplus in pension plans	9	0
<b>Recognised pension liabilities</b>	<b>48</b>	<b>59</b>

Pension benefit obligations without external funding are covered by internal assets.

#### Changes in the present value of pensions and similar commitments

Provisions for pensions and similar commitments relates primarily to provisions for occupational pension benefits under book reserve schemes. This item also includes benefit entitlements of employees of Sal.

Oppenheim jr. & Cie. KGaA and some German subsidiaries which are accrued within the framework of a salary sacrifice scheme. The value of pensions paid to employees entitled to benefits is based on the terms in the pension agreement.

Plan assets exist in the form of assets from Sal. Oppenheim Treuhand e.V. and BHF-BANK Versorgungsverein e.V., BHF Pension Trust e.V. and the staff pension foundation of Bank Sal. Oppenheim jr. & Cie. (Schweiz) AG.

	2007	2006
	€ M	€ M
<b>Defined benefit obligation (DBO) at beginning of year</b>	<b>372</b>	238
Change in the scope of consolidated financial statements	0	1
Current service cost	11	10
Past service cost	0	1
Interest cost	14	12
Plan participants' contribution	9	27
Actuarial (gains)/losses	-19	9
Benefits paid	-10	-5
Amortisation	-1	1
Transfers	8	78
Exchange rate differences	-2	0
<b>Defined benefit obligation (DBO) at year end</b>	<b>382</b>	372

**Fair value of plan assets**

	2007	2006
	€ M	€ M
<b>Fair value at beginning of year</b>	<b>313</b>	104
Expected return on plan assets	13	11
Actuarial losses	-9	-5
Contributions to plan assets: employer contributions	16	158
Contributions to plan assets: plan participants' contributions	11	6
Benefits paid	-6	-4
Settlements	7	43
Exchange rate differences	-2	0
<b>Fair value at year end</b>	<b>343</b>	313

Actual return on plan assets was € -4 million (previous year: € 1 million).

**Pension costs for the current year**

The components of net periodic pension costs are as follows:

	2007	2006
	€ M	€ M
Current service cost	11	10
Past service cost	0	1
Interest cost	14	12
Expected return on plan assets	-13	-11
Amortisation	-1	1
<b>Net periodic pension costs</b>	<b>11</b>	<b>13</b>

Total pension costs are reported under Personnel expenses.

**The composition of plan assets**

The plan assets of the Versorgungsverein are composed of the following asset classes:

	2007	2006
	€ M	€ M
Cash assets	19	8
Equities and non-fixed income securities (including investment funds)	231	230
Bonds and other fixed-income securities	44	36
Land	25	24
Other assets	24	15
<b>Total</b>	<b>343</b>	<b>313</b>

The trend analysis produces the following results:

	2007	2006	2005
	€ M	€ M	€ M
Defined benefit obligation (DBO)	382	372	238
Less: fair value of plan assets	-343	-313	-104
<b>Unfunded benefit obligation</b>	<b>39</b>	<b>59</b>	<b>134</b>
Surplus in pension plans	9	0	0
<b>Recognised pension liabilities</b>	<b>48</b>	<b>59</b>	<b>134</b>

**Other provisions**

	1 Jan. 2007	Established	Change in the scope of consolidated financial statements	Utilised	Reclassification	Reversed	31 Dec. 2007
	€ M	€ M	€ M	€ M	€ M	€ M	€ M
<b>Provisions</b>							
for loan losses	8	1	0	0	0	-2	7
<b>Provisions in Human Resources</b>							
Part-time retirement provisions	2	0	0	0	0	0	2
Anniversary provisions	3	0	0	0	0	-1	2
Early retirement provisions	1	0	0	0	0	-1	0
<b>Other provisions</b>							
Restructuring	3	0	0	0	0	0	3
Legal risks	7	1	0	-1	0	-3	4
Other provisions	26	14	0	-15	0	-6	19
<b>Total</b>	<b>50</b>	<b>16</b>	<b>0</b>	<b>-16</b>	<b>0</b>	<b>-13</b>	<b>37</b>

**68\_Income tax liabilities**

Income tax liabilities can be broken down as follows:

	2007	2006
	€ M	€ M
<b>Current income tax liabilities</b>	<b>66</b>	<b>49</b>
Income tax liabilities due to tax offices	66	49
<b>Deferred income tax liabilities</b>	<b>181</b>	<b>116</b>
Deferred tax liabilities	181	116
<b>Total</b>	<b>247</b>	<b>165</b>

The deferred tax liabilities relate to the following items:

	2007	2006
	€ M	€ M
Assets/liabilities held for trading	11	35
Financial assets designated at fair value through profit or loss (fair value option)	87	23
Loans and advances and allowances for impairment losses on loans and advances	1	1
Non-current financial assets	18	20
Property, plant and equipment	21	21
Intangible assets	19	2
Other assets	3	1
Deposits from banks	1	1
Debt securities	1	0
Provisions	6	3
Other liabilities	5	3
Deferred tax liabilities relating to future intra-Group dividends	1	1
Other	7	5
<b>Total</b>	<b>181</b>	<b>116</b>

€ 17 million (previous year: € 3 million) of deferred income tax assets or liabilities were recognised directly in equity (revaluation surplus).

#### 69\_Other liabilities

Other liabilities comprises the following items in particular:

	2007	2006
	€ M	€ M
Liabilities from Human Resources	91	80
Minority interests designated as debt	76	78
Liabilities from other taxes	39	11
Accruals	33	18
Deferred income	10	9
Liabilities from finance lease agreements	10	7
Non-received income from non-incorporated companies	9	2
Other	178	171
<b>Total</b>	<b>446</b>	<b>376</b>

**Liabilities from finance lease agreements**

The liabilities from finance lease agreements reported for the first time under Other liabilities relate to agreements for leased hardware and software. The table contains a breakdown by term for the minimum lease payments and their respective present values:

	Sum of future minimum lease payments		Present values of future lease payments	
	2007	2006	2007	2006
	€ M	€ M	€ M	€ M
Up to one year	2	1	2	1
Over one year, up to five years	9	7	8	6
<b>Total</b>	<b>11</b>	<b>8</b>	<b>10</b>	<b>7</b>

The difference between the total minimum lease payments as at the balance sheet date and their present value corresponds to the interest portion of the minimum lease payments, amounting to € 1 million (previous year: € 1 million).

**70\_Subordinated capital**

The subordinated capital in the amount of € 186 million (previous year € 195 million) continues to consist solely of subordinated liabilities. These are attributable in the full amount to BHF-BANK AG. Interest expense for subordinated loans amounted to € 9 million (previous year: € 13 million); of which € 7 million (previous year: € 7 million) are attributable to deferred interest.

## 71\_Equity

### Issued capital

The share capital remained unchanged year-on-year at € 700 million. It is divided into 7,000,000 registered no-par value shares. The shares are fully paid-up and all outstanding. Any transfer of the shares is subject to approval by the Company; the personally liable partners are responsible for granting this approval by means of a unanimous decision. Each share represents one vote at the General Meeting. In addition to share capital, there are silent holdings of € 200 million.

### Capital reserve

The capital reserve is the result of payments made by the shareholders to strengthen the equity base. It remained unchanged year-on-year at € 200 million.

### Revenue reserves

Revenue reserves are solely composed of Other revenue reserves. They are largely a result of retained earnings, as well as of actuarial gains and losses from defined benefit plans which have been recognised in Other revenue reserves since 2006 in accordance with IAS 19.

The reporting of appropriation of profit in the balance sheet and income statement was changed in 2007. Consolidated net income is now reported before appropriation of profit. Previous year figures were adjusted accordingly.

### Revaluation surplus

The results from the fair value measurement of available-for-sale securities are recognised in Revaluation surplus. Any related deferred taxes are also reported under this item. Gains and losses are only recognised in the income statement at the time of a disposal or impairment.

Revaluation surplus developed as follows:

	2007	2006
	€ M	€ M
As at 1 January	69	60
Fluctuations in fair value	134	38
Impairments	-35	0
Disposals	-55	-34
Net changes from deferred taxes	12	5
As at 31 December	125	69

**Foreign currency translation**

The foreign currency translation reserve is the result of gains and losses from translation in the context of capital consolidation. Currency translation effects in the reporting year led to a decrease in the foreign currency translation reserve from € -3 million to € -9 million.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SAL. OPPENHEIM JR. &amp; CIE. S.C.A. GROUP, LUXEMBOURG, FOR THE PERIOD FROM 1 JANUARY UNTIL 31 DECEMBER 2007

	Issued capital	Capital reserve	Revenue reserves	Revaluation surplus	Foreign currency translation reserve	Net income/ (loss) for the period less minority interests	Minority interests	Total
	€ M	€ M	€ M	€ M	€ M	€ M	€ M	€ M
<b>EQUITY AS AT 1 JANUARY 2007</b>	900	200	525	69	-3	234	10	1,935
Net income for the period	0	0	0	0	0	250	5	255
Dividends	0	0	0	0	0	-70	0	-70
Income and expenses recognised directly in equity	0	0	6	56	-6	0	0	56
Changes in shareholdings and the scope of consolidated financial statements	0	0	-3	0	0	0	5	2
Other appropriation	0	0	164	0	0	-164	-4	-4
<b>EQUITY AS AT 31 DECEMBER 2007</b>	900	200	692	125	-9	250	16	2,174

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SAL. OPPENHEIM JR. &amp; CIE. S.C.A. GROUP, LUXEMBOURG, FOR THE PERIOD FROM 1 JANUARY UNTIL 31 DECEMBER 2007

	Issued capital	Capital reserve	Revenue reserves	Revaluation surplus	Foreign currency translation reserve	Net income/ (loss) for the period less minority interests	Minority interests	Total
	€ M	€ M	€ M	€ M	€ M	€ M	€ M	€ M
<b>EQUITY AS AT 1 JANUARY 2006</b>	900	200	348	60	0	249	7	1,764
Net income for the period	0	0	0	0	0	234	7	241
Dividends	0	0	0	0	0	-49	0	-49
Income and expenses recognised directly in equity	0	0	-12	9	-3	0	0	-6
Changes in shareholdings and the scope of consolidated financial statements	0	0	-1	0	0	0	0	-1
Other appropriation	0	0	190	0	0	-200	-4	-14
<b>EQUITY AS AT 31 DECEMBER 2006</b>	900	200	525	69	-3	234	10	1,935

## 72\_Disclosures on financial instruments

### Fair values of financial instruments

The fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Trading prices and similar market prices are used, as far as they are available, for the calculation of the fair value. Internal calculation methods with current market parameters were used where trading prices were not available.

There are no liquid markets for loans and deposits carried at amortised cost. For short-term loans and deposits, it is assumed that the fair value is equal to the book value. For all other loans and deposits, the fair value is calculated by discounting the future cash flows defined in the agreements. In this case, interest rates equal to those that would be agreed for loans with the same risk structure, original currency and maturity apply to the loans. The interest rates offered in the interbank market are used for deposits.

For shares in partnerships and non-listed companies, it is assumed that the book value is equal to the fair value. A reliable calculation of the fair value would only be possible within the framework of sales negotiations.

Quoted market prices are used for exchange-traded securities and derivatives. The fair value of other securities is calculated as the present value of the expected future cash flow.

The fair values of interest rate and cross-currency interest rate swaps, and interest rate forward transactions are calculated on the basis of discounted cash flows. Prevailing market rates for the time to maturity of the financial instruments are used as discount rates. The fair value of currency forward transactions is determined on the basis of current forward rates.

Options are measured using recognised option pricing methods and models. Such procedures are generally based on the estimated future cash flows from the financial instrument, taking into account any risk factors. A wide range of valuation parameters are factored into a model to enable the accurate forecasting of future cash flows. The most important factors are the prices of the underlyings, yield curves, implied volatilities, dividend forecasts and correlations. These valuation parameters may be observed directly on the markets, derived from the quoted market prices of financial derivatives by applying no-arbitrage conditions, or determined on the basis of the historical price performance of financial products.

	Fair value		Book value		Deviation	
	2007	2006	2007	2006	2007	2006
	€ M	€ M	€ M	€ M	€ M	€ M
<b>ASSETS</b>						
Cash and cash equivalents	475	361	475	361	0	0
Assets held for trading	13,472	9,335	13,472	9,335	0	0
Positive fair values from hedge accounting	31	26	31	26	0	0
Financial assets designated at fair value through profit or loss (fair value option)	3,190	3,484	3,190	3,484	0	0
Loans and advances to banks	10,169	9,245	10,170	9,241	-1	4
Loans and receivables unhedged	10,169	9,245	10,170	9,241	-1	4
Loans and advances to customers	7,151	6,203	7,116	6,231	35	-28
Loans and receivables unhedged	7,151	6,203	7,116	6,231	35	-28
Non-current financial assets	5,387	5,597	5,387	5,597	0	0
carried at fair value	4,827	5,189	4,827	5,189	0	0
carried at amortised cost	560	408	560	408	0	0
<b>LIABILITIES AND EQUITY</b>						
Liabilities held for trading	12,439	9,818	12,439	9,818	0	0
Negative fair values from hedge accounting	17	60	17	60	0	0
Deposits from banks	5,206	7,550	5,206	7,548	0	2
Other liabilities unhedged	4,779	7,122	4,779	7,120	0	2
Other liabilities hedged	427	428	427	428	0	0
Deposits from customers	19,593	14,439	19,614	14,426	-21	13
Other liabilities unhedged	18,750	13,555	18,771	13,542	-21	13
Other liabilities hedged	843	884	843	884	0	0
Debt securities	676	715	676	715	0	0
Other liabilities unhedged	676	715	676	715	0	0
Subordinated capital	186	195	186	195	0	0
Other liabilities hedged	186	195	186	195	0	0

**Net gains/(losses) on financial instruments by category**

The following table shows the breakdown of the income components from financial instruments into the categories in accordance with IAS 39:

	Financial instruments held for trading	Fair value option	Loans and receivables	Available-for-sale financial instruments	Other liabilities	Total
	€ M	€ M	€ M	€ M	€ M	€ M
<b>2007</b>						
Net interest income	-116	122	741	389	-890	<b>246</b>
Provision for loan losses	0	0	-9	0	0	<b>-9</b>
Net trading income	-152	0	0	0	0	<b>-152</b>
Result from fair value option	0	116	0	0	0	<b>116</b>
Net income/(loss) from non-current financial assets	0	0	0	65	0	<b>65</b>
Other operating income and expenses, net	0	0	0	1	0	<b>1</b>
<b>Total</b>	<b>-268</b>	<b>238</b>	<b>732</b>	<b>455</b>	<b>-890</b>	<b>267</b>

	Financial instruments held for trading	Fair value option	Loans and receivables	Available-for-sale financial instruments	Other liabilities	Total
	€ M	€ M	€ M	€ M	€ M	€ M
<b>2006</b>						
Net interest income	-38	161	506	254	-650	<b>233</b>
Provision for loan losses	0	0	-13	0	0	<b>-13</b>
Net trading income	210	0	0	0	0	<b>210</b>
Result from fair value option	0	-57	0	0	0	<b>-57</b>
Net income/(loss) from non-current financial assets	0	0	0	67	0	<b>67</b>
Other operating income and expenses, net	0	0	0	-3	0	<b>-3</b>
<b>Total</b>	<b>172</b>	<b>104</b>	<b>493</b>	<b>318</b>	<b>-650</b>	<b>437</b>

Interest and dividend payments relating to financial assets and liabilities held for trading, less refinancing costs, are recognised under Net trading income. Interest and dividend payments relating to assets and liabilities which were allocated to the fair value option category upon initial recognition are included under Net interest income.

Available-for-sale financial instruments are recognised under Non-current financial assets; the net gains or losses on these financial instruments are included in Net income/(loss) from non-current financial assets.

Venture capital investments and other shares in companies, which are also classified as Available-for-sale financial instruments, are included in Other assets. The net gains/losses on these shares in companies are included in Other operating income and expenses, net.

The amount recognised directly in equity (revaluation surplus) due to changes in the fair value, and the amount removed from equity this financial year and recognised in profit or loss, can be seen in the consolidated statement of recognised income and expense.

### 73\_Maturity structure (according to residual maturities)

	2007	2006
	€ M	€ M
<b>Loans and advances to banks</b>		
On demand	2,199	2,582
Up to 3 months	7,499	6,235
More than 3 months and up to 1 year	346	266
More than 1 year and up to 5 years	113	143
More than 5 years	13	15
<b>Total loans and advances to banks</b>	<b>10,170</b>	<b>9,241</b>
<b>Loans and advances to customers</b>		
On demand	1,664	1,449
Up to 3 months	1,787	1,796
More than 3 months and up to 1 year	1,043	671
More than 1 year and up to 5 years	1,864	1,739
More than 5 years	758	576
<b>Total loans and advances to customers</b>	<b>7,116</b>	<b>6,231</b>
<b>Bonds and notes of public-sector and other issuers*</b>		
Up to 3 months	171	420
More than 3 months and up to 1 year	220	271
More than 1 year and up to 5 years	2,540	2,770
More than 5 years	987	996
<b>Total bonds and notes of public-sector and other issuers</b>	<b>3,918</b>	<b>4,457</b>
<b>Deposits from banks</b>		
On demand	1,214	1,390
Up to 3 months	3,396	5,552
More than 3 months and up to 1 year	106	83
More than 1 year and up to 5 years	456	506
More than 5 years	34	17
<b>Total deposits from banks</b>	<b>5,206</b>	<b>7,548</b>

\*Non-current financial assets only

	2007	2006
	€ M	€ M
Deposits from customers		
On demand	11,728	9,389
Up to 3 months	6,186	3,273
More than 3 months and up to 1 year	403	225
More than 1 year and up to 5 years	551	744
More than 5 years	746	795
<b>Total deposits from customers</b>	<b>19,614</b>	<b>14,426</b>
Debt securities		
Up to 3 months	676	694
More than 3 months and up to 1 year	0	11
More than 1 year and up to 5 years	0	10
<b>Total debt securities</b>	<b>676</b>	<b>715</b>
Subordinated capital		
Up to 3 months	7	7
More than 5 years	179	188
<b>Total subordinated capital</b>	<b>186</b>	<b>195</b>

## 74\_Derivative transactions

The following table shows the respective notional amounts and fair values of OTC and exchange-traded derivatives:

	Notional amounts Residual maturity			Notional amounts
	< 1 year	1-5 years	> 5 years	Total 2007
	€ M	€ M	€ M	€ M
<b>INTEREST-RELATED TRANSACTIONS</b>				
OTC products				
Forward rate agreements	1,952	20	0	1,972
Interest rate swaps	47,501	67,007	36,596	151,104
Interest rate options – purchases	1,227	3,469	1,328	6,024
Interest rate options – sales	2,108	3,474	1,089	6,671
Exchange-traded products				
Interest rate futures	20,265	2,639	0	22,904
Interest rate options	14,100	0	0	14,100
<b>Total interest-related transactions</b>	<b>87,153</b>	<b>76,609</b>	<b>39,013</b>	<b>202,775</b>
<b>CURRENCY-RELATED TRANSACTIONS</b>				
OTC products				
Currency forward transactions	29,457	3,407	189	33,053
Cross-currency swaps	137	439	2	578
Currency options – purchases	4,501	561	0	5,062
Currency options – sales	4,630	478	0	5,108
<b>Total currency-related transactions</b>	<b>38,725</b>	<b>4,885</b>	<b>191</b>	<b>43,801</b>
<b>EQUITY/INDEX-RELATED TRANSACTIONS</b>				
OTC products				
Equity/index swaps	1	0	0	1
Equity/index options – purchases	1,773	2,112	0	3,885
Equity/index options – sales	4,806	2,943	15	7,764
Other equity/index-related contracts	25	2	0	27
Exchange-traded products				
Equity/index futures	763	0	0	763
Equity/index options	31,651	20,841	0	52,492
<b>Total equity/index-related transactions</b>	<b>39,019</b>	<b>25,898</b>	<b>15</b>	<b>64,932</b>
<b>OTHER TRANSACTIONS</b>				
OTC products				
Other transactions	145	399	248	792
Exchange-traded products				
Futures	71	0	0	71
Options	0	0	0	0
<b>Total other transactions</b>	<b>216</b>	<b>399</b>	<b>248</b>	<b>863</b>
<b>Total financial derivatives</b>	<b>165,113</b>	<b>107,791</b>	<b>39,467</b>	<b>312,371</b>

	Fair values 2007		Fair values 2006	
	Positive	Negative	Positive	Negative
	€ M	€ M	€ M	€ M
<b>INTEREST-RELATED TRANSACTIONS</b>				
OTC products				
Forward rate agreements	1	1	1	1
Interest rate swaps	1,581	1,600	1,795	1,800
Interest rate options – purchases	50	0	70	0
Interest rate options – sales	0	53	0	74
Exchange-traded products				
Interest rate futures	9	7	5	19
Interest rate options	1	1	0	0
<b>Total interest-related transactions</b>	<b>1,642</b>	<b>1,662</b>	<b>1,871</b>	<b>1,894</b>
<b>CURRENCY-RELATED TRANSACTIONS</b>				
OTC products				
Currency forward transactions	494	561	534	650
Cross-currency swaps	22	0	3	1
Currency options – purchases	184	0	78	0
Currency options – sales	0	157	0	44
<b>Total currency-related transactions</b>	<b>700</b>	<b>718</b>	<b>615</b>	<b>695</b>
<b>EQUITY/INDEX-RELATED TRANSACTIONS</b>				
OTC products				
Equity/index swaps	0	0	0	0
Equity/index options – purchases	730	31	452	0
Equity/index options – sales	0	977	0	603
Other equity/index-related contracts	0	1	1	4
Exchange-traded products				
Equity/index futures	4	11	5	1
Equity/index options	2,543	2,311	1,338	1,513
<b>Total equity/index-related transactions</b>	<b>3,277</b>	<b>3,331</b>	<b>1,796</b>	<b>2,121</b>
Other transactions				
OTC products				
Other transactions	1	4	0	1
Exchange-traded products				
Futures	0	0	2	2
Options	2	2	0	0
<b>Total other transactions</b>	<b>3</b>	<b>6</b>	<b>2</b>	<b>3</b>
<b>Total financial derivatives</b>	<b>5,622</b>	<b>5,717</b>	<b>4,284</b>	<b>4,713</b>

Of the positive fair values, € 5,485 million relates to OECD banks and financial services institutions, € 133 million to other companies and private individuals, and € 3 million to non-OECD banks and financial services institutions.

### 75\_Repurchase agreements with a buy-back commitment (echte Pensionsgeschäfte)

Within the framework of repurchase agreements with a buy-back commitment (echte Pensionsgeschäfte), the Sal. Oppenheim Group sells or buys securities with a repurchase or return obligation. The cash received from repo agreements in which the Sal. Oppenheim Group was the borrower (repurchase obligation for the securities) is reported under Deposits from banks or customers.

The securities sold are all measured at fair value and are fully attributable to bonds and other fixed-income securities.

The following tables show the repurchase agreements concluded as at the balance sheet date, along with the resulting assets and liabilities recognised.

	2007	2006
	€ M	€ M
<b>Repo agreements</b>		
Carrying amount of securities sold	463	154
of which securities (assets) held for trading	0	63
of which securities designated at fair value through profit or loss (fair value option)	136	0
of which securities under Non-current financial assets	327	91
Carrying amount of associated liabilities	475	168
Deposits from banks	439	163
Deposits from customers	36	5
<b>Reverse repo agreements</b>		
Carrying amount of securities purchased	2,861	2,153
of which equities	243	102
of which bonds	2,618	2,051
Carrying amount of associated assets	2,861	2,153
Loans and advances to banks	2,760	2,091
Loans and advances to customers	101	62

### 76\_Securities lending

Securities lending transactions are undertaken with other banks and customers to fulfil delivery obligations or to be able to effect repurchase agreements in the money market.

Securities which on the balance sheet date were lent in connection with securities lending transactions were reported under Assets held for trading or Non-current financial assets at their respective fair values. In accordance with IAS 39, securities borrowed within the framework of securities lending transactions are not recognised in our consolidated balance sheet.

Income and expenses resulting from securities lending transactions are recognised in Net interest income.

Collateral pledged and received as part of securities lending transactions can be seen in note 82 Assets pledged as collateral.

The following table shows securities lending transactions as at the balance sheet date. The securities lent are all measured at fair value and are distributed between equities and other non-fixed income securities, with € 179 million (previous year: € 58 million), and bonds and other fixed-income securities, with € 1,672 million (previous year: € 1,197 million).

	2007	2006
	€ M	€ M
Carrying amount of securities lent	1,851	1,255
of which securities (assets) held for trading	1,376	852
of which securities designated at fair value through profit or loss (fair value option)	0	51
of which securities under Non-current financial assets	475	352
Carrying amount of securities borrowed	181	180
of which equities	122	134
of which bonds	59	46

## 4. Notes to the Consolidated Cash Flow Statement

In accordance with the requirements of IAS 7, the Sal. Oppenheim Group is also obliged to publish a cash flow statement presenting the changes in the Group's cash and cash equivalents from operating activities, investing activities and financing activities. In line with established international practices, cash flow from operating activities is derived from the consolidated financial statements using the indirect method.

Cash and cash equivalents corresponds to the Cash item on the balance sheet, and comprises cash on hand, balances with central banks, public sector debt instruments and bills of exchange eligible for refinancing with central banks.

Cash flow from operating activities reflects cash flows (receipts and payments) from loans and advances to banks and customers, and securities. Cash receipts and payments from deposits from banks and customers, from debt securities and other liabilities are also included under operating activities. Cash flow from operating activities also contains interest and dividends paid as a result of operating activities.

Cash flows from investing activities comprise in particular proceeds from the sale of, or payments made for the acquisition of, non-current financial assets and property, plant and equipment, and intangible assets. Financing activities comprise all cash flows from equity transactions and subordinated capital.

Shares in fully consolidated companies were acquired in the reporting year for a purchase price of € 224 million.

Assets and liabilities from acquired fully consolidated companies can be broken down as follows:

	2007	2006
	€ M	€ M
<b>ASSETS</b>		
Assets held for trading	3	0
Loans and advances to banks	30	29
Loans and advances to customers	26	15
Non-current financial assets	14	21
Property, plant and equipment	26	1
Intangible assets	36	0
Income taxes	1	0
Other assets	4	58
<b>Total assets</b>	<b>140</b>	<b>124</b>
<b>LIABILITIES</b>		
Liabilities held for trading	2	0
Deposits from banks	32	3
Deposits from customers	21	57
Provisions	1	4
Income taxes	19	0
Other liabilities	13	12
<b>Total liabilities</b>	<b>88</b>	<b>76</b>

## 5. Other Disclosures

### 77\_ Trust activities

Trust activities may not be reported in banks' consolidated financial statements. As at the balance sheet date, trust activities were as follows:

	2007	2006
	€ M	€ M
Trust assets	2,551	1,449
Trust receivables	2,347	1,349
Trust investments	204	100
Trust liabilities	2,551	1,449

### 78\_ Off-balance-sheet liabilities

	2007	2006
	€ M	€ M
Contingent liabilities	1,564	1,423
Other commitments	2,894	3,056
Commitments arising from rental and operating lease agreements	194	127
Placement and underwriting commitments	348	299
Irrevocable loan commitments	2,270	2,628
Other commitments	82	2

Furthermore, as in the previous year, an obligation to make additional contributions in the amount of € 9 million exists in relation to our equity investment in Liquiditäts-Konsortialbank GmbH, Frankfurt am Main. In addition, we have a proportional contingent liability for the fulfilment of the obligation to make additional contributions of other partners who are members of the Association of German Banks (Bundesverband deutscher Banken e.V.), Berlin. Placement and underwriting commitments comprise in particular capital contribution obligations from investments in private equity funds of € 278 million (previous year € 233 million), investments in mezzanine funds of € 38 million (previous year: € 29 million) and investments in venture capital funds of € 30 million (previous year: € 19 million).

The commitments arising from rental, operating lease and other service agreements have a remaining term of up to 20 years (previous year: 21 years).

Our subsidiary FRANKFURT-TRUST Invest Luxembourg AG assumed a risk limitation guarantee for investors in the FT Protected Growth Fund launched by FRANKFURT-TRUST Invest Luxembourg AG. This means that FRANKFURT-TRUST Invest Luxembourg AG is obliged to pay 95% of the net asset value established at the beginning of the respective financial year pro rata to an investor at the latter's request against the return of fund units at the end of the financial year, if the redemption price is below the redemption price calculated in accordance with the Fund Rules.

### 79\_Letters of comfort

#### Sal. Oppenheim jr. & Cie. KGaA

Sal. Oppenheim jr. & Cie. KGaA has issued letters of comfort to third parties within the framework of special agreements for Oppenheim Kapitalanlagegesellschaft mbH, Cologne, Grundstücksgesellschaft Köln-Ossendorf VI mbH, Cologne, and for Sal. Oppenheim jr. & Cie. Beteiligungs GmbH, Cologne. Letters of comfort were also issued for Oppenheim Vermögenstreuhand GmbH, Cologne, and Sal. Oppenheim jr. & Cie. Securities Inc., New York.

On 11 January 2005, the Bank confirmed to Fitch Deutschland GmbH, Frankfurt am Main, in the course of the latter's credit assessment of BHF-BANK AG, Frankfurt am Main, that it considers its indirect equity investment in BHF-BANK AG to represent a strategic investment and that it intends to retain this holding for the foreseeable future. In addition, it confirmed that a profit or loss transfer agreement would be concluded between BHF-BANK AG and Oppenheim Beteiligungs-AG, Wuppertal, effective from 1 January 2005, and that this agreement will remain unaltered for at least one year. Moreover, in its role as the Group parent company, it will ensure that BHF-BANK AG performs its business activities with the due diligence of a prudent business person. The profit or loss transfer agreement between BHF-BANK AG and Oppenheim Beteiligungs-AG, effective from 1 January 2005, was signed on 12 and 15 April 2005.

The Bank issued declarations, on 26 November 2004, in favour of BHF-BANK AG, and on 20 December 2006, in favour of Frankfurter Fondsbank GmbH, Frankfurt am Main, in which it announced its relationships with the aforementioned companies, as described in section 5 (10) of the By-laws of the Deposit Protection Fund of the Association of German Banks (Bundesverband deutscher Banken e.V.). Accordingly, the Bank undertakes to indemnify the Association of German Banks against any losses which the Association may suffer from measures taken in favour of the aforementioned companies pursuant to section 2 (2) of the By-Laws of the Deposit Protection Fund.

#### BHF-BANK AG

Within the scope of its (indirect) stake, BHF-BANK AG ensures that BHF-BANK International S.A., Luxembourg, BHF-BANK (Jersey) Ltd., St. Hélier, BHF-BANK (Schweiz) AG, Zurich, Frankfurter Fondsbank GmbH, Frankfurt am Main, and FRANKFURT-TRUST Invest Luxembourg AG, Luxembourg are in a position to fulfil their liabilities, subject to political risks.

Moreover, BHF-BANK AG has undertaken to provide BHF Trust Management Gesellschaft für Vermögensverwaltung mbH, Frankfurt am Main, with sufficient funds at all times to enable the company to meet all obligations resulting from an asset management agreement with the recipient. BHF-BANK AG has also issued a letter of comfort for the shareholding in AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main.

### 80\_ Investment funds managed on behalf of unit holders

	2007	2006
	€ M	€ M
Total net asset value	44,217	27,802
Number of investment funds under management	513	306

### 81\_ Subordinated assets

Assets are classified as subordinated if they rank behind the claims of other creditors in the event of insolvency or liquidation of the debtor. The volume of subordinated assets was € 327 million (previous year: € 275 million), of which € 232 million was attributable to bonds and notes (previous year: € 165 million), and € 95 million to loans and advances to customers (previous year: € 100 million). In the previous year, subordinated assets included loans and advances to banks in the amount of € 10 million.

### 82\_ Assets pledged as collateral

Securities in the amount of € 2,160 million (previous year: € 2,247 million) and cash in the amount of € 5 million (previous year: € 83 million) have been pledged as collateral for stock-exchange transactions. In addition, we deposited cash in the amount of € 495 million as collateral for OTC transactions (previous year: securities of € 37 million), and in the amount of € 804 million for securities lending transactions (previous year: € 406 million), and € 190 million for other business.

A further € 4,267 million in securities was deposited as collateral at the European Central Bank and other domestic central banks (previous year: € 5,004 million).

The amounts stated are carrying amounts. Collateral was pledged in line with current market conditions.

### 83\_ Collateral received

Collateral received with the entitlement to rehypothecate was available in the amount of € 582 million for OTC transactions (previous year: € 453 million), in the amount of € 220 million for securities lending transactions (previous year: € 323 million), and in the amount of € 9 million for other business.

As at the balance sheet date, securities amounting to € 1,235 million from the collateral received were rehypothecated (previous year: € 565 million).

Collateral totalling € 1 million was realised in the reporting year.

#### 84\_Regulatory capital and solvency ratio

The Sal. Oppenheim Group is subject to external capital requirements. Because of the restructuring of the Group and the relocation of the Group headquarters to Luxembourg, supervision of the Group transferred from Germany to Luxembourg with effect from 1 July 2007. The regulatory capital adequacy requirements applicable to the Group are based on recommendations from the Basel Committee on Banking Supervision, for which the Bank for International Settlements (BIS) provides the secretariat function, and on European Council directives put into Luxembourg legislation. The Commission de Surveillance du Secteur Financier (CSSF) monitors compliance with these requirements.

The Company complied with the requirements for the whole of the reporting period.

##### Regulatory capital

	2007	2006
	€ M	€ M
Core capital (Tier I capital)	1,908	1,791
Supplementary capital (Tier II capital)	165	148
<b>Total regulatory capital</b>	<b>2,073</b>	<b>1,939</b>

##### Risk assets and market risk positions

	2007	2006
	€ M	€ M
Risk assets	14,165	13,494
Capital charge for market risk positions	3,375	2,313
<b>Total positions subject to a capital charge</b>	<b>17,540</b>	<b>15,807</b>

##### Capital ratios

The solvency ratio is the key indicator for measuring capital adequacy of banks. This ratio puts a bank's regulatory capital in relation to its counterparty and market price risks. Counterparty risk is measured by compiling on- and off-balance-sheet exposures into risk-weighting categories according to degree of risk. The Group's market risk component is made up of the combined market risk positions of the individual

Group units. These are calculated in accordance with a standard approach, or, if using internal models, are multiples of the Value at Risk calculated on the basis of the models for regulatory purposes. These internal models for calculation of the market risk component of the Bank's risk position were approved by BaFin prior to the relocation of the Group headquarters to Luxembourg.

	2007	2006
	%	%
Overall ratio in accordance with Principle I (Grundsatz I)	11.8	12.3
Capital ratio in accordance with Principle I	14.6	14.4

### 85\_Employees

	Male		Female		Total	
	2007	2006	2007	2006	2007	2006
<b>AVERAGE NUMBER OF EMPLOYEES FOR THE YEAR</b>						
Full-time employees	2,187	2,018	1,241	1,139	3,428	3,157
Part-time employees	43	50	233	222	276	272
Trainees	42	36	23	25	65	61
<b>Total</b>	<b>2,272</b>	<b>2,104</b>	<b>1,497</b>	<b>1,386</b>	<b>3,769</b>	<b>3,490</b>

### 86\_Related party disclosures

#### 1. Related parties of the Bank

Related parties are any natural or legal persons that can control the reporting company or one of its subsidiaries, or that can exercise significant influence over the company or its subsidiaries either directly or indirectly, as well as all natural and legal persons controlled by the reporting company, or over which the latter can exercise significant influence.

We have therefore identified all affiliated companies, insofar as these are not consolidated, joint ventures and associated companies as related parties. A breakdown can be found under note 88 in the list of companies included in the consolidated financial statements.

We consider all key management employees of the Bank, as well as their immediate relatives within the meaning of section 1589 of the German Civil Code (Bürgerliches Gesetzbuch – BGB) and their spouses, to be private individuals related to the Bank. Key management employees include the Bank's partners and managing directors, as well as the members of the Supervisory Board and the Shareholders' Committee.

## 2. Related party transactions

Loans granted to, and commitments entered into for, related parties were as follows:

Type of loan	Loan volume		Average effective interest rate		Average term	
	2007	2006	2007	2006	2007	2006
	€ M	€ M	%	%	Months	Months
Overnight and short-term loans	639	525	4.93	3.90	10	9
Roll-over loans	2	3	4.73	3.86	14	10
Subtotal	641	528	4.93	3.90	10	9
Other loans and advances – bank guarantees	4	4	0.00	0.00	12	12
<b>Total</b>	<b>645</b>	<b>532</b>	<b>4.93</b>	<b>3.90</b>		

Of these loans and commitments, € 185 million can be attributed to the personally liable partners (previous year: € 157 million), while € 69 million can be attributed to the members of the Supervisory Board (previous year: € 62 million).

The loans granted to related parties were granted in line with current market conditions.

As at the balance sheet date, the Bank held deposits belonging to related parties in the amount of:

Type of investment	Deposit		Average interest		Average maturity	
	2007	2006	2007	2006	2007	2006
	€ M	€ M	%	%	Months	Months
Demand deposits	114	108	3.40	2.35	4	10
Savings deposits	26	30	4.67	4.03	2	6
<b>Total</b>	<b>140</b>	<b>138</b>	<b>3.63</b>	<b>2.60</b>		

The conditions granted to related parties are in line with market conditions.

The commission and custodian fees (in line with current market conditions) generated in connection with securities transactions with related parties during the financial year totalled € 1.0 million (previous year: € 0.8 million).

The Group company CAM Private Equity Consulting & Verwaltungs-GmbH, Cologne, received € 0.3 million from Oppenheim Private Equity Manager GmbH, Cologne, under an advisory agreement, and € 0.2 million from CAM-Fairview Private Equity Partners L.P., Farmington, under a service agreement.

**3. Disclosures on the remuneration of related parties**

Remuneration of the management totalled € 16.2 million. Of this figure, € 7.3 million relates to fixed, and € 8.9 million to variable, remuneration components.

The pension provisions for former personally liable partners and their surviving dependents amounted to € 14 million (previous year: € 15 million). The pension payments to former personally liable partners and their surviving dependents amounted to € 1.2 million (previous year: € 1 million).

**87\_Extraordinary events after the balance sheet date**

No events with material influence on the net assets, operating results and financial position occurred between the balance sheet date and the date of preparation of the accounts.

## 88\_Scope of consolidated financial statements

### COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2007

Name	Registered office	Capital share in %
<b>I. FULLY CONSOLIDATED COMPANIES</b>		
Sal. Oppenheim jr. & Cie. S.C.A.	Luxembourg	
Bank Sal. Oppenheim jr. & Cie. (Switzerland) Ltd	Zurich	100.00
Betrados B.V.	Amsterdam	100.00
Bfl-Beteiligungsgesellschaft für Industrierwerte mbH	Frankfurt/M.	100.00
BHF-BANK AG	Frankfurt/M.	100.00
BHF Capital Management GmbH	Frankfurt/M.	100.00
BHF Grundbesitz-Verwaltungsgesellschaft mbH & Co am Kaiserlei OHG	Frankfurt/M.	100.00
BHF Immobilien-GmbH	Frankfurt/M.	100.00
BHF-BANK (Jersey) Ltd.	St. Hélier	100.00
BHF-BANK (Schweiz) AG	Zurich	100.00
BHF-BANK International S.A.	Luxembourg	100.00
BHF-Betriebsservice GmbH	Frankfurt/M.	100.00
BHF LUX IMMO S.A.	Luxembourg	100.00
BHF Private Equity Treuhand- und Beratungsgesellschaft mbH	Frankfurt/M.	100.00
BLUESTONE HOLDING S.A.	Luxembourg	100.00
DELFA S.A.	Luxembourg	100.00
DMC S.à r.l.	Luxembourg	100.00
EFFIGI S.à r.l.	Luxembourg	100.00
FARAMIR Beteiligungs- und Verwaltungs GmbH	Cologne	100.00
FIDIS S.à r.l.	Luxembourg	100.00
Fitrus Limited	Tortola	100.00
Financière Atlas S.A.	Paris	100.00
FIN-CONTRÔLE S.A.	Luxembourg	100.00
FINDI S.à r.l.	Luxembourg	100.00
Frankfurter Service Kapitalanlage-Gesellschaft mbH	Frankfurt/M.	100.00
FRANKFURT-TRUST Invest Luxemburg AG	Luxembourg	100.00
FRANKFURT-TRUST Investment-Gesellschaft mbH	Frankfurt/M.	100.00
FRANKFURT-TRUST Vertriebsgesellschaft mbH	Frankfurt/M.	100.00
GAVDOS GmbH	Wuppertal	100.00
Grundstücksgesellschaft Köln-Ossendorf VI mbH	Cologne	100.00
Industrie-Beteiligungs-Gesellschaft mbH	Frankfurt/M.	100.00
KANAKA HOLDING S.A.	Luxembourg	100.00

Name	Registered office	Capital share in %
LGB Beteiligungs GmbH	Cologne	100.00
LOUV S.à r.l.	Luxembourg	100.00
MADAS S.à r.l.	Luxembourg	100.00
NEPTUNO Verwaltungs- und Treuhand-Gesellschaft mit beschränkter Haftung	Cologne	100.00
OPB-Holding GmbH	Cologne	100.00
OP-INVEST CHF Management S.A.	Luxembourg	100.00
Oppenheim Asset Management Services S.à r.l. (formerly Oppenheim Pramerica Asset Management S.à r.l.)	Luxembourg	100.00
OPPENHEIM Beteiligungs-Treuhand GmbH	Cologne	100.00
Oppenheim Beteiligungs-AG	Cologne	100.00
OPPENHEIM Capital Advisory GmbH	Cologne	100.00
Oppenheim Capital Management GmbH	Cologne	100.00
Oppenheim Fonds Trust GmbH (formerly Oppenheim Pramerica Fonds Trust GmbH)	Cologne	100.00
Oppenheim Investment Managers Limited	Dublin	100.00
Oppenheim Kapitalanlagegesellschaft mbH	Cologne	100.00
Oppenheim Research GmbH	Cologne	100.00
Oppenheim Vermögenstreuhand GmbH	Cologne	100.00
SALOMON OPPENHEIM GmbH	Cologne	100.00
Sal. Oppenheim Alternative Investments GmbH	Cologne	100.00
Sal. Oppenheim Alternative Investments S.A.	Luxembourg	100.00
Sal. Oppenheim Corporate Finance North America Holding, LLC	Wilmington	100.00
Sal. Oppenheim Healthcare Beteiligungs GmbH (formerly METIS Beteiligungs- und Verwaltungs GmbH)	Cologne	100.00
Sal. Oppenheim (Hong Kong) Limited	Hong Kong	100.00
Sal. Oppenheim Investments GmbH (formerly EOMER Beteiligungs- und Verwaltungs GmbH)	Cologne	100.00
Sal. Oppenheim jr. & Cie. Beteiligungen S.A. (Luxembourg)	Luxembourg	100.00
Sal. Oppenheim jr. & Cie. Beteiligungs GmbH	Cologne	100.00
Sal. Oppenheim jr. & Cie. KGaA	Cologne	100.00
Sal. Oppenheim jr. & Cie. Securities Inc.	New York	100.00
Sal. Oppenheim Special Situations S.A.	Luxembourg	100.00
Services Généraux de Gestion S.A.	Luxembourg	100.00
SGG Services Généraux de Gestion (Suisse) S.A.	Geneva	100.00
SGG Anstalt	Vaduz	100.00
SGG Cyprus Limited	Nicosia	100.00

Name	Registered office	Capital share in %
SGG Limited	Tortola	100.00
SIBEMOL HOLDING S.A.	Luxembourg	100.00
TEXTO INTERNATIONAL S.A.	Luxembourg	100.00
TREMA HOLDING S.A.	Luxembourg	100.00
VB Glas-Großhandelsgesellschaft mit beschränkter Haftung	Pforzheim	100.00
VCM Capital Management GmbH	Munich	100.00
Walespart Holding S.A.	Luxembourg	100.00
Atlas Gestion S.A.S.	Paris	99.99
PHARMA w/HEALTH MANAGEMENT COMPANY S.A.	Luxembourg	99.98
Co Invest GbR	Munich	99.90
Frankfurter Fondsbank GmbH	Frankfurt/M.	99.00
GbR Goethestraße	Cologne	94.00
Bank Sal. Oppenheim jr. & Cie. (Österreich) AG	Vienna	87.00
CAM Private Equity Schweiz AG	Zurich	63.82
CAM Private Equity Consulting & Verwaltungs-GmbH	Cologne	63.82
Grundstücksgesellschaft Wiesbaden Luisenstraße/Kirchgasse GbR	Troisdorf	59.68
Sal. Oppenheim jr. & Cie. Corporate Finance (Switzerland) Ltd.	Zurich	51.00
4IP FUND MANAGEMENT S.A.	Luxembourg	51.00
Altigefti S.A.	Paris	49.00
OPPENHEIM Buy Out GmbH & Co. KG	Cologne	27.69
Oppenheim-OEH S.A.	Luxembourg	9.99
<b>2. FULLY CONSOLIDATED SPECIAL PURPOSE ENTITIES AND INVESTMENT FUNDS</b>		
<b>IN ACCORDANCE WITH IAS 27 AND SCI 12</b>		
FT ABS Institutional	Luxembourg	100.00
OP-Fonds ABSAX	Cologne	100.00
OP-Fonds ABSPRU	Cologne	100.00
OP-Fonds OPAL	Cologne	100.00
OP-Strategieportfolio I	Cologne	100.00
OP-Strategieportfolio II	Cologne	100.00
OP-Strategieportfolio III	Cologne	100.00
OP-Strategieportfolio IV	Cologne	100.00
OP-Strategieportfolio V	Cologne	100.00
SOAR European Equity Fund plc	Dublin	100.00
The Sal. Oppenheim Figaro Currency Fund	Dublin	100.00
The Sal. Oppenheim Feeder Fund I Plc	Dublin	100.00

Name	Registered office	Capital share in %
<b>3. COMPANIES INCLUDED AT EQUITY</b>		
Argantis GmbH	Cologne	50.00
Liegenschaft Hainstraße GbR	Frankfurt/M.	50.00
Oppenheim Immobilienreuhand GmbH	Cologne	50.00
Oppenheim Verwaltung von Immobilienvermögen GmbH	Cologne	50.00
Oppenheim-Esch Holding GbR	Troisdorf	50.00
CAM-Fairview Private Equity Partners LP	Farmington	41.62
MS "CONELBE" 1240 Bereederungsgesellschaft mbH & Co. KG	Bremen	33.33
Grundstücksgesellschaft Leipzig Petersstraße GbR	Leipzig	33.20
Alternative Investment Strategies Mauritius Ltd.	Mauritius	33.00
BVT-CAM Private Equity Beteiligungs GmbH	Grünwald	31.91
BVT-CAM Private Equity Management & Beteiligungs GmbH	Grünwald	31.91
Argantis Private Equity Gründer GmbH & Co. KG	Cologne	27.72
Argantis Private Equity GmbH & Co. KG	Cologne	25.08
VCM VI Institutional PE GmbH & Co. KG	Munich	25.00
Investcorp Coinvestment Partners I, L.P.	New York	20.13
<b>4. COMPANIES AND INVESTMENT FUNDS NOT FULLY CONSOLIDATED</b>		
ADARA Beteiligungs- und Verwaltungs GmbH	Cologne	100.00
APOLLON Vermögensverwaltungsgesellschaft mbH	Cologne	100.00
APW Industriebeteiligungs-GmbH i.L.	Frankfurt/M.	100.00
ATHOS Beteiligungs- und Verwaltungs-GmbH	Cologne	100.00
AXOS Beteiligungs- und Verwaltungs-GmbH	Cologne	100.00
Actions Aylora Invest S.à r.L.	Luxembourg	100.00
Actions Xollen Invest S.à r.L.	Luxembourg	100.00
Actions Partimage S.A.	Luxembourg	100.00
BHF Club Deal GmbH	Frankfurt/M.	100.00
BHF Grundbesitz-Verwaltungsgesellschaft mbH	Frankfurt/M.	100.00
BHF Finance (Netherlands) B.V. i.L.	Amsterdam	100.00
BHF Private Equity Management GmbH	Frankfurt/M.	100.00
BHF Specialized Finance GmbH i.L.	Frankfurt/M.	100.00
BHF Trust Management Gesellschaft für Vermögensverwaltung mbH	Frankfurt/M.	100.00
BHF-BANK Finance (Jersey) Ltd.	St. Héliier	100.00
CARMEL HOLDING S.A.	Luxembourg	100.00
Cavall AG	Vaduz	100.00
CELENA Beteiligungs- und Verwaltungs GmbH	Cologne	100.00
DEMOS Beteiligungs- und Verwaltungs GmbH	Cologne	100.00

Name	Registered office	Capital share in %
ERATO Beteiligungs- und Verwaltungs GmbH	Cologne	100.00
Exporterra GmbH	Frankfurt/M.	100.00
EXTOREL Private Equity Advisers GmbH	Munich	100.00
Finance Consult Ltd.	Auckland	100.00
Frankfurt Consult GmbH	Frankfurt/M.	100.00
Frankfurt Family Office GmbH	Frankfurt/M.	100.00
Frankfurt Finanz-Software GmbH	Frankfurt/M.	100.00
Frankfurter Beteiligungs-Treuhand GmbH	Frankfurt/M.	100.00
Frankfurter Vermögens-Treuhand GmbH	Frankfurt/M.	100.00
IKARIA Beteiligungs- und Verwaltungsgesellschaft mbH	Cologne	100.00
Integrated Trade Services GmbH i.L.	Frankfurt/M.	100.00
ISTRON Beteiligungs- und Verwaltungs GmbH	Cologne	100.00
KAPPA IT VENTURES Consulting GmbH i.L.	Munich	100.00
KITHOS Beteiligungs- und Verwaltungsgesellschaft mbH	Cologne	100.00
KOS Beteiligungs- und Verwaltungsgesellschaft mbH	Cologne	100.00
Masoltis Vagyonkezelő Korlátolt Felelősségű Társaság	Budapest	100.00
Media Entertainment Filmmanagement GmbH	Munich	100.00
NEOLA Beteiligungs- und Verwaltungs GmbH	Cologne	100.00
NIAGARA HOLDING S.A.	Luxembourg	100.00
NIDDA Grundstücks- und Beteiligungs-GmbH	Frankfurt/M.	100.00
Office Grundstücksverwaltungsgesellschaft mbH	Frankfurt/M.	100.00
OPB KRITI GmbH	Kronberg i.Ts.	100.00
OPB Verwaltungs- und Treuhand GmbH	Cologne	100.00
OPB-Mosel GmbH	Cologne	100.00
OPB-Nona GmbH	Cologne	100.00
OPB-Oktava GmbH	Cologne	100.00
OPB-Quarta GmbH	Cologne	100.00
OPB-Quinta GmbH	Cologne	100.00
OPB-Rhein GmbH	Cologne	100.00
OPB-Ruwer GmbH	Cologne	100.00
OPB-Septima GmbH	Cologne	100.00
OPB-SIKINOS GmbH	Cologne	100.00
OPB-SIROS GmbH i.L.	Cologne	100.00
OPB-Structuring GmbH	Cologne	100.00
Oppenheim Asia Select GmbH & Co. KG	Cologne	100.00
Oppenheim Flottenfonds V GmbH & Co. KG	Cologne	100.00
Oppenheim International Finance	Dublin	100.00
Oppenheim Internet Fonds GmbH & Co. KG	Cologne	100.00

Name	Registered office	Capital share in %
Oppenheim Internet Fonds Manager GmbH	Cologne	100.00
OPPENHEIM KlimaProtekt GmbH & Co. KG	Cologne	100.00
OPPENHEIM PRIVATE EQUITY Manager GmbH	Cologne	100.00
OPPENHEIM PRIVATE EQUITY Verwaltungsgesellschaft mbH	Cologne	100.00
OVT-Trust I GmbH (formerly Blitz 06-270 GmbH)	Munich	100.00
PLAKIAS Beteiligungs- und Verwaltungs-GmbH	Cologne	100.00
Plinius Verwaltungs AG	Zurich	100.00
POSEIDON Vermögensverwaltungsgesellschaft mbH*	Cologne	100.00
Pramerica Alpha Fixed Income Opportunity Fund (Cayman) I, Ltd.	Cayman Islands	100.00
RHODOS Beteiligungs- und Verwaltungsgesellschaft mbH	Cologne	100.00
Sal. Oppenheim 900 Third Avenue L.L.C.	New York	100.00
Sal. Oppenheim jr. & Cie. Securities (UK) Limited i.L.	London	100.00
SAMOS Vermögensverwaltungs GmbH*	Cologne	100.00
SGG Ile Maurice S.A.*	Port Louis	100.00
SGG Panama S.A.*	Panama City	100.00
SGG (UK) Limited*	London	100.00
SGG (NZ) Limited*	Auckland	100.00
Steinsche Gasse GbR	Frankfurt/M.	100.00
Stresemannstraße GbR	Frankfurt/M.	100.00
Tertia Büromaschinen Vermiet- und Leasing-Verwaltungsgesellschaft mbH	Düsseldorf	100.00
THEMIS Beteiligungs- und Verwaltungs GmbH	Cologne	100.00
TILOS Vermögensverwaltungs GmbH	Cologne	100.00
TONOS GmbH	Cologne	100.00
URANOS Vermögensverwaltungs GmbH	Cologne	100.00
US Real Estate Beteiligungs GmbH	Frankfurt/M.	100.00
VCM Mezzanine Treuhand GmbH	Munich	100.00
VCM REE Beteiligungstreuhand GmbH	Munich	100.00
VCM Treuhand Beteiligungsverwaltung GmbH	Munich	100.00
VCM Verwaltungsgesellschaft mbH	Munich	100.00
VCPI Beteiligungsgesellschaft mbH	Munich	100.00
VCP Treuhand Beteiligungsgesellschaft mbH	Munich	100.00
VCM International S.à r.l.	Luxembourg	100.00
Zweite Industrie-Beteiligungs-Gesellschaft mbH	Frankfurt/M.	100.00
OPPENHEIM PRIVATE EQUITY Beteiligungs GmbH & Co. KG	Cologne	99.98
FT Alphazins	Frankfurt/M.	98.32
FT Navigator 130	Frankfurt/M.	93.59
FT Navigator 25	Frankfurt/M.	87.31
FT BIGSPORTS	Frankfurt/M.	84.86

Name	Registered office	Capital share in %
PS plus Portfolio Software + Consulting GmbH	Rödermark	80.20
Azimuth Capital Preservation Fund II, LLC	Cayman Island	80.00
Sechste Office Grundstücksverwaltungsgesellschaft mbH & Co. KG	Frankfurt/M.	71.40
CEPRES GmbH	Munich	64.80
CAM Europe Manager GmbH & Co. KG	Cologne	63.82
CAM Private Equity LLC	Greenwich	63.69
FT Climate Change	Frankfurt/M.	59.97
KAPPA IT VENTURES Zweite Beteiligungs GmbH	Bonn	59.09
KAPPA IT VENTURES Second Limited Partnership i.L.	Guernsey	54.79
OPPENHEIM CAM DREI Beteiligungs GbR	Cologne	16.99
OPPENHEIM Mezzanine GmbH & Co. KG	Frankfurt/M.	16.66
OPPENHEIM PRIVATE EQUITY Holding Blocker GmbH	Cologne	8.58
OPPENHEIM PRIVATE EQUITY Holding GmbH & Co. KG	Cologne	8.58
OPPENHEIM Flottenfonds IV GmbH & Co. KG	Cologne	3.97
OPPENHEIM PRIVATE EQUITY Zweite Beteiligungs GmbH & Co. KG	Cologne	2.34
Oppenheim Immobilien Dachfonds II GmbH & Co. KG	Cologne	0.16
Sal. Oppenheim 900 Third Avenue L.P. i.L.	New York	0.10
OPPENHEIM CAM VIER Beteiligungs GmbH & Co. KG	Cologne	0.02
OPPENHEIM Triton II Beteiligungs GmbH & Co. KG	Cologne	0.02
Alpha Büromaschinen-Handels GmbH & Juno. KG i.L.	Mannheim	0.00
AXOS Vermögensverwaltung GmbH & Co. KG	Cologne	0.00
CAM DREI Private Equity GmbH & Co. KG	Cologne	0.00
CAM DREI Secondary und Mezzanine GmbH & Co. KG	Cologne	0.00
CAM Initiator Treuhand GmbH & Co. KG	Cologne	0.00
CAM Life Sciences Fund GmbH & Co. KG	Cologne	0.00
CAM Private Equity Evergreen GmbH & Co. KG UBG	Cologne	0.00
CAM Private Equity Nominee GmbH & Co. KG	Cologne	0.00
CAM Secondary Select I GmbH & Co. KG	Cologne	0.00
CAM Select I GmbH & Co. KG	Cologne	0.00
CAM Select II GmbH & Co. KG	Cologne	0.00
CAM VIER Private Equity GmbH & Co. KG	Cologne	0.00
CAM VIER Buy-out Europe GmbH & Co. KG	Cologne	0.00
Media Entertainment GmbH & Co. 1. Filmproduktions KG	Munich	0.00
OPPENHEIM Bond III GbR i.L.	Frankfurt/M.	0.00
OPPENHEIM Bond V GbR	Frankfurt/M.	0.00
OPPENHEIM Bond XIII GbR i.L.	Frankfurt/M.	0.00
OPPENHEIM PRIVATE EQUITY Institutionelle Anleger GmbH & Co. KG	Cologne	0.00

Name	Registered office	Capital share in %
OPPENHEIM PRIVATE EQUITY Privatkunden GmbH & Co. KG	Cologne	0.00
OPPENHEIM 2. Buy Out GmbH & Co. KG	Cologne	0.00
Sal. Oppenheim, L.L.C.	Delaware	0.00
SIMA Private Equity I GmbH & Co. KG	Cologne	0.00
The Sal. Oppenheim Feeder Fund II L.P.	Delaware	0.00
Zertifikate XV GbR i.L.	Frankfurt/M.	0.00
<b>5. COMPANIES NOT INCLUDED AT EQUITY</b>		
BHF BNY Securities Services GmbH	Frankfurt/M.	50.00
moderne stadt Gesellschaft zur Förderung des Städtebaus und der Gemeindeentwicklung mit beschränkter Haftung	Cologne	50.00
THG Beteiligungsverwaltung GmbH	Hamburg	50.00
VCM Shott Private Equity Advisors, LLC	Boston	50.00
Verwaltung ABL Immobilienbeteiligungsgesellschaft mbH	Hamburg	50.00
Verwaltung Quartier 203 GmbH i.L.	Hamburg	50.00
WestLB Venture Capital Management GmbH & Co. KG	Munich	50.00
PPA Gesellschaft für Finanzanalyse und Benchmarks mbH	Stuttgart	49.90
Baigo Capital Partners Fund 1 Parallel GmbH & Co. KG	Frankfurt/M.	49.02
VCM/BHF Initiatoren GmbH & Co. Beteiligungs KG	Munich	48.75
Grundstücksgesellschaft Köln-Ossendorf VI GbR	Cologne	44.94
Parkhaus an der Börse GbR	Cologne	37.68
CAM VIER Venture Capital GmbH & Co. KG	Cologne	36.23
German Equity Partners B.V.	Amsterdam	33.40
Baigo Capital Fund I Vermögensverwaltung GmbH & Co. KG	Frankfurt/M.	33.33
Triton Gesellschaft für Beteiligungen mbH	Frankfurt/M.	33.10
Grundstücksverwaltungsgesellschaft Tankstelle Troisdorf Spich GbR	Troisdorf	33.00
FREUNDE DER EINTRACHT FRANKFURT Aktiengesellschaft	Frankfurt/M.	30.80
MS "CONELBE" Reederei Bernd Bartels KG (GmbH & Co.) i.L.	Jork	28.46
Integrated Asset Management plc.	London	28.39
CAM VIER Global Private Equity GmbH & Co. KG	Cologne	21.87
Cipio Partners Fund V GmbH & Co. KG	Munich	21.11
Cipio Partners Fund Va GmbH & Co. KG	Munich	21.11
KölnArena Beteiligungsgesellschaft mbH	Cologne	20.80
Pru Alpha Fixed Income Opportunity Master Fund I, L.P.	Delaware	20.58
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH	Frankfurt/M.	20.00
Euroselect Development Fonds Verwaltungsgesellschaft mbH	Deisenhofen	20.00

\*Company was deconsolidated in financial year 2007

### 89\_Fees paid to the auditor

The following fees paid to the auditor in the year under review for agreed services were reported as expenses in accordance with Article 107 (15) of the Law of 19 June 1992:

	2007	2006
	€ M	€ M
For the audit	4.2	3.4
For other audit-related and valuation services	0.5	0.1
For tax advisory services	0.4	0.4
For other services	3.4	0.6

### 90\_Annual Report publication date

The Annual Report will be published on 29 April 2008.

### 91\_Boards and committees

#### SUPERVISORY BOARD

- Georg Baron von Ullmann, *businessman, Chairman*
- Friedrich Carl Freiherr von Oppenheim, *businessman, Deputy Chairman*
- Nicolaus Freiherr von Oppenheim, *businessman, Shareholder representative*
- Henri Pferdmeniges, *businessman, Shareholder representative*
- Romain Bausch
- Paul Mousel

#### SHAREHOLDERS' COMMITTEE

- Karin Baronin von Ullmann, *Honorary Chairwoman*
- Friedrich Carl Freiherr von Oppenheim, *Chairman*
- Georg Baron von Ullmann, *Deputy Chairman*
- Ilona Gräfin von Krockow
- Isabelle Marquardt
- Peter W. Marx
- Nicolaus Freiherr von Oppenheim
- Henri Pferdmeniges
- Dr. Clemens Freiherr von Wrede

**PERSONALLY LIABLE PARTNERS**

- Matthias Graf von Krockow, *Spokesman*
- Detlef Bierbaum, *Asset Management*
- Friedrich Carl Janssen, *Risk Management, Equity Investments and Bank Services*
- Christopher Freiherr von Oppenheim, *Asset Management*
- Dieter Pfundt, *Investment Banking*

**MANAGEMENT COMMITTEE**

- Matthias Graf von Krockow
- Friedrich Carl Janssen
- Ralf J. Baukloh
- Rolf Enders
- Alfons Klein
- François Pauly
- Dr. Thomas Sonnenberg
- Manfred Uthoff

**92\_Membership of the personally liable partners on supervisory boards  
and other supervisory bodies**

**DETLEF BIERBAUM**

- Bank Sal. Oppenheim jr. & Cie. (Österreich) AG, Vienna
- CA Immobilien Anlagen AG, Vienna
- Douglas Holding AG, Hagen
- Dundee Real Estate Investment Trust, Toronto
- DWS Investment GmbH, Frankfurt am Main
- Financière Atlas S.A., Paris
- Foreign & Colonial Eurotrust plc., London
- Integrated Asset Management plc., London
- IVG Immobilien AG, Bonn
- IVG Institutional Funds GmbH (formerly Oppenheim Immobilien-Kapitalanlagegesellschaft mbH), Wiesbaden
- Kölnische Rückversicherungs-Gesellschaft AG, Cologne
- Lloyd George Management (B.V.I.) Ltd., Virgin Islands
- LVM Landwirtschaftlicher Versicherungsverein Münster a.G., Münster
- LVM Lebensversicherungs-AG, Münster
- LVM Pensionsfonds-AG, Münster
- MONEGA Kapitalanlagegesellschaft m.b.H., Cologne
- Oppenheim ACA Concept, Luxembourg
- Oppenheim Asset Management Services S.à r.l., Luxembourg

- Oppenheim Investment Managers Limited, Dublin
- Oppenheim Kapitalanlagegesellschaft mbH, Cologne
- SMS GmbH, Düsseldorf
- Tertia Handelsbeteiligungsgesellschaft mbH, Cologne
- The Central Europe and Russia Fund, Inc., New York
- The European Equity Fund, Inc., New York

**FRIEDRICH CARL JANSSEN**

- AXA Service AG, Cologne
- Bank Sal. Oppenheim jr. & Cie. (Österreich) AG, Vienna
- Bank Sal. Oppenheim jr. & Cie. (Switzerland) Ltd, Zurich
- Content Management Aktiengesellschaft, Cologne
- Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover
- Financière Atlas S.A., Paris
- gardeur ag, Mönchengladbach
- INTERSEROH Aktiengesellschaft zur Verwaltung von Sekundärstoffen, Cologne
- Sal. Oppenheim jr. & Cie. Corporate Finance (Switzerland) Ltd., Zurich
- Services Généraux de Gestion S.A., Luxembourg
- SOAR European Equity Fund plc, Dublin

**MATTHIAS GRAF VON KROCKOW**

- Bank Sal. Oppenheim jr. & Cie. (Österreich) AG, Vienna
- Bank Sal. Oppenheim jr. & Cie. (Switzerland) Ltd, Zurich
- Fiat Group Automobiles Germany AG, Heilbronn
- IVG Immobilien AG, Bonn
- Oppenheim-OEH S.A., Luxembourg
- RWE Power AG, Cologne and Essen
- ThyssenKrupp Steel AG, Duisburg

**CHRISTOPHER FREIHERR VON OPPENHEIM**

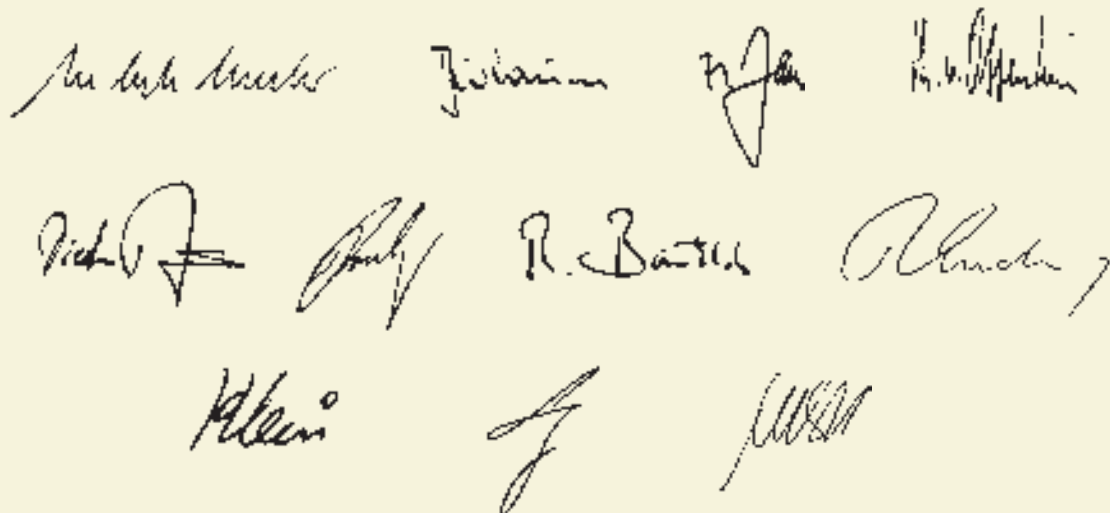
- Allbecon Olympia Aktiengesellschaft, Düsseldorf
- Bank Sal. Oppenheim jr. & Cie. (Österreich) AG, Vienna
- Bank Sal. Oppenheim jr. & Cie. (Switzerland) Ltd, Zurich
- Integrated Asset Management plc., London
- Oppenheim Asset Management Services S.à r.l., Luxembourg
- Oppenheim-OEH S.A., Luxembourg
- Oppenheim Landert Family Office AG, Zollikon
- Oppenheim Kapitalanlagegesellschaft mbH, Cologne
- Sal. Oppenheim (Hong Kong) Limited, Hong Kong
- VEMAG Verlag- und Medien AG, Cologne

**DIETER PFUNDT**

- Bank Sal. Oppenheim jr. & Cie. (Österreich) AG, Vienna
- Bank Sal. Oppenheim jr. & Cie. (Switzerland) Ltd, Zurich
- Börse Düsseldorf AG, Düsseldorf
- Financière Atlas S.A., Paris
- Kommanditgesellschaft Allgemeine Leasing GmbH & Co., Grünwald
- MB Advisory Group, LLC, Wilmington (USA)
- Sal. Oppenheim (Hong Kong) Limited, Hong Kong
- Sal. Oppenheim jr. & Cie. Corporate Finance (Switzerland) Ltd., Zurich
- SOAR European Equity Fund plc, Dublin

Luxembourg, 10 April 2008

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The image shows a collection of handwritten signatures in black ink, arranged in three rows. The signatures are cursive and appear to be the names of the board members of Sal. Oppenheim jr. & Cie. S.C.A. in Luxembourg. The first row contains four signatures, the second row contains four signatures, and the third row contains three signatures.

## Report of the Réviseur d'Entreprises

### REPORT ON THE ANNUAL ACCOUNTS

Following our appointment by the Personally Liable Partners dated 15 October 2007, we have audited the accompanying annual accounts of Sal. Oppenheim jr. & Cie. S.C.A., which comprise the balance sheet as at 31 December 2007 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### PERSONALLY LIABLE PARTNERS' RESPONSIBILITY FOR THE ANNUAL ACCOUNTS

The Personally Liable Partners are responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### RESPONSIBILITY OF THE RÉVISEUR D'ENTREPRISES

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Personally Liable Partners, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### OPINION

In our opinion, the annual accounts give a true and fair view of the financial position of Sal. Oppenheim jr. & Cie. S.C.A. as of 31 December 2007, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The management report, which is the responsibility of the Personally Liable Partners, is consistent with the annual accounts.

Luxembourg, 10 April 2008

KPMG Audit S.à r.l.  
Réviseurs d'Entreprises

Riehl                      Brüne



## Report of the Supervisory Board

Luxembourg, 10 April 2008

Until 30 June 2007, the Group parent company of the Sal. Oppenheim Group was Sal. Oppenheim jr. & Cie. KGaA (Kommanditgesellschaft auf Aktien), Cologne. With effect from 1 July 2007, Group headquarters were moved to Luxembourg. The legal form of the newly founded Sal. Oppenheim jr. & Cie. S.C.A. (Société en commandite par actions) corresponds to the German KGaA.

A Supervisory Board was appointed for the newly formed Group parent company. On 1 July 2007, the General Meeting elected the following Supervisory Board members unanimously:

- Romain Bausch,
- Paul Mousel,
- Friedrich Carl Freiherr von Oppenheim,
- Nicolaus Freiherr von Oppenheim,
- Henri Pferdmenges,
- Georg Baron von Ullmann.

In its constitutional meeting on 13 July 2007, the Supervisory Board unanimously elected Georg Baron von Ullmann as Chairman and Friedrich Carl Freiherr von Oppenheim as Deputy Chairman. At the same meeting, Romain Bausch, Friedrich Carl Freiherr von Oppenheim and Georg Baron von Ullmann were appointed members of the Audit Committee. In its constitutional meeting, the Audit Committee elected Friedrich Carl Freiherr von Oppenheim as its Chairman and Georg Baron von Ullmann as Deputy Chairman.

In the Supervisory Board meeting of 14 December 2007, the rules of procedure were unanimously approved.

At the three meetings held in the (abridged) financial year 2007, the Supervisory Board also kept itself thoroughly informed of business developments and the risk position of the Bank and Group, as well as of general management and corporate planning issues. The meetings focused on assessing the latest monthly balance sheets and income statements of both the Bank and the Group against the comparables for the previous year and projected figures. The Supervisory Board and the personally liable partners held in-depth discussions about the consequences of the relocation of the Group headquarters to Luxembourg, and associated corporate, supervisory, tax and accounting issues. They also discussed the initiatives and strategies of the internationalisation of business activities.

Alongside key personnel decisions and investment planning, the Supervisory Board took note of significant individual transactions that were executed during the financial year. In addition to the aforementioned restructuring of the Group, these included the significant changes in the equity investment portfolio, in particular the formation of Sal. Oppenheim (Hong Kong) Limited and the sale of shares in IVG Immobilien AG.

The Supervisory Board's Audit Committee dedicated a great deal of attention in the meetings to the Bank's risk position. In addition, at its meeting on 15 October 2007, the Committee agreed on the audit plan and focal points of the audit with the auditors, and at its meeting on 14 December 2007 received a report on the progress of the audit and the results of the loan review.

The audit results for the annual financial statements and consolidated financial statements were discussed on 10 April 2008. Prior to this meeting, KPMG Luxemburg submitted the reports on its audit of the annual financial statements and the management report and its audit of the consolidated financial statements and the Group management report as at 31 December 2007, all of which it found to have been prepared in accordance with the statutory requirements. The auditors awarded an unqualified audit opinion to both the annual financial statements and the consolidated financial statements.

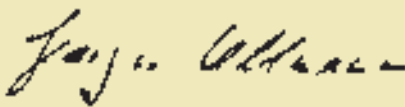
On the basis of this information and the comments in the audit report, the Audit Committee of the Supervisory Board examined the annual financial statements, the management report and the management's proposal regarding the appropriation of profit. It also assessed the consolidated financial statements and the Group management report. The Committee approved the auditor's report, and in accordance with the final results of its examination, does not raise any objections.

In the meetings of the Supervisory Board held on 14 December 2007 and 10 April 2008, the Audit Committee reported on the meetings with the auditors. At the recommendation of the Audit Committee, the Supervisory Board approved the annual financial statements, the management report, the consolidated financial statements and the Group management report. The Supervisory Board endorses the proposal of the management on appropriation of profit.

The management and the auditors were at the disposal of the Audit Committee of the Supervisory Board, and of the Supervisory Board throughout the reporting year to discuss any specific questions.

The Supervisory Board thanks the personally liable partners and the other members of management for the results achieved, as well as the managers and all employees, without whose commitment and performance this success would not have been possible.

The Supervisory Board



Georg Baron von Ullmann  
(Chairman)

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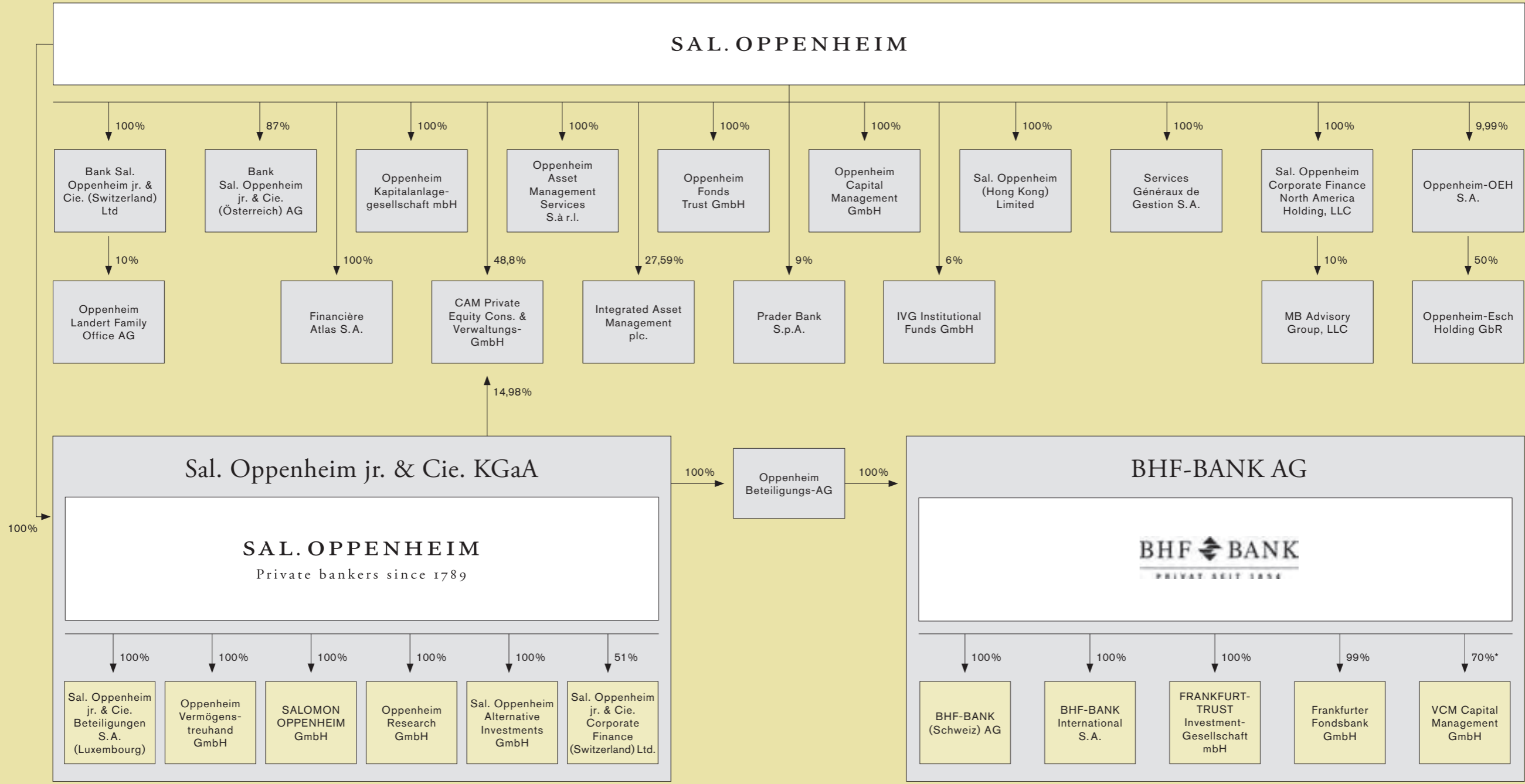
Page 12 – Vic Fischbach, Imedia

## Sal. Oppenheim Group Overview

# Sal. Oppenheim jr. & Cie. S.C.A.

SIGNIFICANT EQUITY INVESTMENTS OF THE SAL. OPPENHEIM GROUP

## SAL. OPPENHEIM



\*Current figure.

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