

# SAL. OPPENHEIM

PRESS RELEASE

## Record in a difficult environment: Sal. Oppenheim once again tops prior-year result in 2007

- *Group result before tax up by 8% to € 333 million*
- *12% increase in equity to € 2,174 million*
- *Increase in assets under management of 10% from € 138 billion to € 152 billion*
- *Workforce up by 335 to total 4,107 employees at the end of the year, 3,414 of which are based in Germany*

LUXEMBOURG, 29 APRIL 2008

In financial year 2007, Sal. Oppenheim jr. & Cie. once again increased its pre-tax net income, namely by 8% to €333 million (prior year: €309 million) – the best result in the bank's 219-year history. This means that Europe's largest independent private banking group managed to hold its own in what was a difficult market environment, and continued its positive development despite tension on the financial markets. All in all, income within the Sal. Oppenheim Group rose by 16% to total €1,262 million. Consolidated net income for the year after taxes came in at a total of €255 million, as against €241 million in the previous year.

Matthias Graf von Krockow, spokesman for Sal. Oppenheim's personally liable partners, was clearly very pleased with this result. Speaking at the first results press conference at the new Group headquarters in Luxembourg, he said, "The Group coped well with the remarkable financial year of 2007. Thanks to our conservative risk policy and our successful risk management, we were only very slightly affected by the turmoil on the capital markets." The bank's earnings are evenly distributed among the business divisions, its core market – Germany, and its international activities. Furthermore, the successful development reflects the earnings sustainability throughout the Group as a whole. "Our strategic positioning as an integrated asset management and investment bank has proved to be the right move especially in these turbulent times, and has further strengthened our position as against the competition," said Graf Krockow.

The workforce increased by 8% in total, bringing employee numbers up from 3,490 to an annual average of 3,769. By the end of the year, the number of employees had risen to around 4,100, an increase of 335 year-on-year. Sal. Oppenheim

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currently employs a workforce of over 3,400 in Germany alone, 136 more than in the previous year. In this respect, Graf Krockow said, “We have bucked the general sector trend by considerably increasing the number of our employees over the past few years. We believe that by creating jobs that are secure in the long term, we are making a key contribution to our social responsibility, especially in uncertain times.”

### CAPITAL RESOURCES AS THE BASIS OF THE BANK’S CORPORATE SUCCESS

Shareholders’ equity increased by €239 million to €2,174 million. Graf Krockow believes that the continued strengthening of the bank’s capital base is key to its corporate success: “We extend thanks to our shareholders for again making the majority of the net profit generated available as a capital increase. This will provide the basis that will allow us to cope with the current market challenges, and to secure both further growth and our independence.”

The Group’s total assets amount to €41.1 billion, an increase of €5.7 billion as against the previous year. At the end of 2007, the ratio in accordance with Principle I of the German Banking Act (*Grundsatz I*) stood at 11.8%, with risk assets of €17.5 billion. Equity is composed primarily of tier 1 capital. At 92.3%, the cost/income ratio for financial year 2007 was up on the prior-year level of 80.2%, because the method of calculation for this ratio does not include impairments and proceeds from the sale of equity investments. The considerable growth in the workforce and the costs involved in relocating the Group’s headquarters to Luxembourg pushed administrative expenses up by 19% to total €929 million. At 16.4%, the return on equity, another key ratio, was on a par with the solid level achieved in the prior year (16.5%).

### BALANCED EARNINGS STRUCTURE

All in all, income within the Sal. Oppenheim Group rose by 16% to total €1,262 million, as against €1,093 million in the previous year. Net commission income remained the main source of income at €633 million, once again outstripping the prior-year figure of €528 million by 20%. This growth was driven by commission income from the securities business and asset management. Assets under management rose by €14 billion from €138 billion to €152 billion. “This reflects our clients’ great sustained trust,” said Graf Krockow.

Net interest income amounted to €250 million (previous year: €242 million), and in addition to the traditional components from lending and money market business, also includes interest income and expense from banking book securities. The allocations to the provision for loan losses remained at a very low level. Net trading income totalled €-37 million (previous year: €151 million). It must be taken into consideration that the cost of hedging the banking book assets was reported under

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*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*.

Net income from non-current financial assets amounted to €317 million (previous year: €118 million), €52 million of which was attributable to profit from banking book securities, as already explained. The remaining €265 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 sale of the stake in Deutsche Hypothekenbank (Actien-Gesellschaft). A negative effect was the write-down of the 5% stake in IKB Deutsche Industriebank AG, to the year-end price. “The purchase and sale of equity investments have traditionally been of key importance to Sal. Oppenheim in operational terms, and also constitute a major source of income for our bank,” explained Graf Krockow.

### POSITIVE BUSINESS DEVELOPMENT CONFIRMS TWO-BANK STRATEGY

BHF-BANK also made another encouraging contribution to the Group's total earnings, having experienced a profitable growth phase in its third year under management by the Sal. Oppenheim Group. Pre-tax net income at BHF-BANK totalled €91 million as at 31 December 2007, down only slightly on the prior year. 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.

### BUSINESS EXPANDED – STRONG INTERNATIONAL EARNINGS GROWTH

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

At an international level, Sal. Oppenheim further strengthened and expanded its business activities in the year under review. Graf Krockow said, “Our clients expect solutions that take account of the internationalisation of the markets. Our internationalisation strategy is in line with our clients’ wishes and will see us expand our offering on an ongoing basis.”

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With the 10% stake in the US investment bank Miller Buckfire, based in New York, Sal. Oppenheim has entered into an exclusive partnership that will open up further market potential for cross-border M&A transactions between the US and the German-speaking world. Sal. Oppenheim strengthened its position in the field of alternative investments with a 3% minority interest in Europe's largest independent alternative asset manager, GLG Partners LP in London. In Paris, the bank opened an office in order to set up an equity sales services team, further boosting its presence in France with the 100% takeover of the asset management specialist Financière Atlas. Furthermore, the bank set up Oppenheim Landert Family Office together with the Dr. Landert Group in Switzerland, and opened Oppenheim Asia Invest, a representative and family office in Hong Kong. The Bank recently opened a representative office in Warsaw as part of its endeavours to expand its activities in eastern Europe.

Nevertheless, it is the Bank's market position as the strongest independent private bank in Germany that continues to form the basis for international growth. In the year under review, Sal. Oppenheim was able to expand its regional business and further strengthen its branch offices, in particular. The Bank acquired land and buildings in both Cologne and Frankfurt am Main in order to take account of its growing workforce.

### IMPROVEMENT IN ASSET MANAGEMENT OFFERING

Sal. Oppenheim's Asset Management division can look back on a successful 2007 on the whole, with substantial fund inflows. In order to further expand and improve the range of asset management services on offer, the bank merged its Private Banking and Asset Management divisions at the turn of the year.

The idea is that, in the future, concepts used in institutional asset management will be applied increasingly to the investment of private assets, too. "As a result, this move represents considerable added value for our clients – both private and institutional," explained Christopher Freiherr von Oppenheim, personally liable partner responsible for Asset Management. In the financial year under review, Sal. Oppenheim also strengthened its asset management business by investing in the asset allocation and alternative investment sectors. By means of example, the Bank built further on its expertise and product offering in the hedge fund, private equity, portfolio management and real estate investment segments. The acquisition of a stake in CAM Private Equity, Cologne, allowed the Bank to expand its product offering for private equity fund investments in the year under review. Furthermore, BHF-BANK's purchase of a majority stake in VCM Capital Management, Munich, also helped the Sal. Oppenheim Group to strengthen its offering in this area. The mutual fund business of Oppenheim Fonds Trust (OPFT) also charted very

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encouraging development, with the net new assets acquired coming in higher than the company's market share. Fund assets under management surpassed the €20 billion mark for the first time. All in all, the institutional asset management arm of the Asset Management division contributed €163 million to total earnings (previous year: €119 million), while the Private Banking area contributed €145 million (previous year: €129 million). "The closer links between private and institutional asset management will allow our clients to benefit more than in the past from the intensive transfer of expertise between two units which were previously largely separate in their activities," said Baron Oppenheim.

### POSITION AS LEADING INDEPENDENT INVESTMENT BANK CONFIRMED

In the Investment Banking division, the Corporate Finance area accounted for €81 million (previous year: €68 million), while the Financial markets area accounted for €41 million (previous year: €127 million). Having provided support to 26 M&A transactions accounting for a total volume of €13 billion; implemented and supported ten IPOs, including the first Chinese IPOs on the Prime Standard of the Frankfurt Stock Exchange; and executed numerous privatisation and real estate transactions representing a volume of almost €5 billion, Sal. Oppenheim once again confirmed its market position as the leading independent investment bank in the German-speaking world in financial year 2007. The Bank's retail derivatives product offering was expanded to include over 25,000 products, the quality of which was highlighted by numerous awards.

### OUTLOOK: INCREASE IN INTERNATIONAL INCOME

For 2008, Sal. Oppenheim expects the global economy to weaken and the situation on the capital markets to remain uncertain until mid-year. Nevertheless, a recovery on the stock markets and low-level normalisation in international securitisation markets are considered likely in the second half of the year.

The Bank's strong market position in Germany will remain the basis for the further development of the Sal. Oppenheim Group in 2008, too. The proportion of income generated outside of Germany will continue to rise over the next few years. Following the recent opening of a representative office in Warsaw, the Bank will be opening a further representative office in Budapest. In addition, the international family office network is to be further expanded. In Investment Banking, Sal. Oppenheim plans to open a branch office in Milan staffed by a local M&A team, and to further expand its international equity sales.

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As a result, Sal. Oppenheim expects its positive business development to continue in the course of the year in an improved market environment. “Our business model and conservative risk policy proved their worth in what was a turbulent market environment. The success seen in financial year 2007 provides a solid basis that will allow us to rise to the current market challenges, and to secure both further growth and our independence,” said Graf Krockow.

### OVERVIEW OF KEY GROUP FIGURES

	2007	2006
	€m	€m
Total assets	41,090	35,347
Risk assets	17,540	15,807
Equity	2,174	1,935
Profit/(loss) from operating activities	333	309
Net income/(loss) 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
Average number of employees for the year	3,769	3,490

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

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