

BUSINESS DIVISIONS

Asset Management

ASSET MANAGEMENT IS AN INTEGRAL COMPONENT OF THE SAL. OPPENHEIM BUSINESS MODEL. THE TWO units institutional and private asset management have been bundled in the core business area of our integrated asset management and investment bank. The business area has not been untouched by the turbulence on the financial markets and charted a course of consolidation in view of the persisting uncertainty regarding the further development of the global market and economic environment. Assets under management amounted to around € 132 billion at the end of 2008. In order to mitigate the effects of the financial and confidence crisis for our clients as well as possible, Sal. Oppenheim reacted systematically by extending asset diversification opportunities, applying a more defensive investment strategy and expanding the advisory service and product offerings.

When Asset Management and Private Banking were combined into an integrated Asset Management division in 2007, the investment competencies in all asset classes were bundled in the Investment Policy Committee (IPC). On the basis of investment process results from institutional asset management, the IPC prepares short-term market forecasts for the most important asset classes and uses them to make tactical investment decisions.

The major losses suffered on the capital markets however hardly permitted any positive securities account development, particularly in the second half of 2008. In light of this, the conservative positioning with which we started 2008 proved to be the right choice. By reducing our equity exposure during the course of the year, we were able to mitigate the losses in the mixed portfolios, especially in the crash months October and November. In our economic analysis, we revised the economic forecasts downward at a relatively early stage. Thus we painted a considerably more pessimistic economic picture than the market average, judging by the consensus data, and structured our portfolios more defensively.

FURTHER DEVELOPMENT OF ASSET ALLOCATION

One focus of bundling asset management at Sal. Oppenheim is on our asset allocation advice. In strategic asset allocation, this included broader structuring within the traditional bonds and equities asset classes, such as additional regions and special focuses. Moreover, in addition to equities and bonds, particularly larger portfolios of alternative investments were taken into account in long-term asset structuring. This enabled utilisation of more cost-effective correlation or diversification characteristics of real estate, hedge funds, commodities and private equity to reduce investment risks in client or fund portfolios.

At the same time, Sal. Oppenheim's asset management integration also included further development of tactical asset allocation in which short-term investment decisions are based on a structured investment process – a successful practice in institutional asset management for many years. These tactical investment

decisions are aimed at active deviation from a long-term asset structure on the basis of short-term market forecasts in order to create corresponding added value for clients. Consequently, we strongly underweighted equities and preferred long maturities in the bonds area. Not least our cautious approach to investments in commodities proved correct.

ALTERNATIVE INVESTMENTS – COMPETENCE THROUGH PARTNERSHIPS

We reinforced the trust-based business relationship within our investment network during the past year. The Sal. Oppenheim Group merged interests held since 2003 in CAM Private Equity, Cologne, and VCM Capital Management, Munich, into the new company Sal. Oppenheim Private Equity Partners at the turn of 2008/2009.

The holding in Oppenheim ACA, Frankfurt am Main, with which we have been involved in the area of investments in European small and mid-caps for many years, was increased. In 2007, we acquired a minority interest in the largest independent European alternative asset manager GLG Partners LP, London, and assumed selected mutual funds from GLG in our product offering in the past business year.

In light of the turbulence on the financial markets, alternative investments proved to be less volatile overall than equities or corporate bonds, for example. Our conservative real estate exposures have proved to be pillars of stable value with the lion's share of their income generated by long-term rental income. The more stable real estate markets primarily include those that have not experienced any exaggerations, such as Germany and the Benelux countries.

The investments we selected in private equity also proved to be similarly robust. The reasons for this were firstly, our investment focus on sound financed medium-sized companies, and secondly, broad diversification, which proved effective, particularly in these times of volatile financial markets. Hedge funds, in contrast, suffered – unlike real estate and private equity investments – visibly in light of more difficult financing terms and erratic market fluctuations. Our hedge fund investments were also affected, although they did better than the market-wide indices. The current slump in the commodities markets was anticipated in time for us to dispose of exposures.



FIVE STARS FOR OPPENHEIM FUNDS

Oppenheim Fonds Trust GmbH (OPFT) is awarded the best score of five stars (previous year: four stars) in Capital magazine's annual ranking of investment companies. This puts Sal. Oppenheim in sixth place among 86 German fund providers (previous year: seventh). Each year fund quality/ performance, the scope and versatility of the product range, experience and continuity in management and service is assessed.

ASSET DEVELOPMENT OF THE INVESTMENT COMPANIES

Total assets under management by our investment companies in Germany and Luxembourg decreased by around € 43 billion. Gross new assets in the amount of € 9.7 billion were offset by outflows of € 11.4 billion. Losses on the international financial markets made a difference of around € -7.2 billion.

Assets managed in mutual funds declined by a net total of € 4.7 billion to € 14.1 billion. New investment funds of Oppenheim Fonds Trust GmbH (OPFT) in the amount of € 6 billion, of which around two thirds is in the Luxembourg-based Oppenheim Asset Management Services S.à r.l. (OPAM) funds and one third in funds of Oppenheim Kapitalanlagegesellschaft mbH (OKAG) in Cologne – were insufficient to compensate for the outflows and negative performance.

As administrator of fund vehicles for existing and new alternative investments of institutional clients, OPAM created a second pillar in addition to the existing business with partner and private label funds. The OPFT product offering in equities and convertible bond funds was bolstered with a view to long-term performance potential for our clients through a sales partnership for select GLG Partners funds. Marketing of a Lloyd George Management equities fund, which is expected to benefit from a sustained trend toward more environmentally friendly economies in Asian emerging markets, was launched also with a view to long term prospects. To address our investors' current security requirements, OKAG has developed product innovations, which cover the short-term bond area in particular.

ASSET MANAGEMENT ADVISORY SERVICES

Outflows and market-related losses which exceeded our new business (€ 3.3 billion) were recorded in the fund business with institutional clients. However, we also acquired mandates in active-quantitative management. In addition, our capital protection mandates as well as a defensive balanced decision took effect at an early stage. Thanks to its good results as manager for the internationally respected currency platform "FXSelect", the OKAG currency management was selected, achieving correspondingly positive rankings with its good earnings as well as a great response from institutional investors from Europe and overseas. The mutual fund OP FX Opportunities established itself as one of the best currency funds on the market in an annual comparison.



PRIVATE BANKING ADVISORY SERVICE QUALITY AWARD

Sal. Oppenheim's advisory service to foundations was awarded first place in the "Foundation assets – the best names in 2008" report of the Berlin-based financial publishing house FUCHSBRIEFE and the financial services assessment institution Institut für Qualitätssicherung und Prüfung von Finanzdienstleistungen GmbH (IQF). Moreover, the Elite Report 2009 recognised the advisory quality of our private banking service by awarding it the top mark "summa cum laude" once again.

The advisory service was restructured by client segment in order to be able to offer institutional clients targeted, customised sector-specific solutions. The integration of asset management now offers institutional clients the added benefit of our private client support's regional network. Our clients also profit in this last regard from the strategic ties between asset management and the Investment Banking competence centres. Asset management solutions are thus available to Investment Banking clients just as the Investment Banking offerings are available to Asset Management clients.

Our family office network in Luxembourg was strategically expanded with the acquisition of the domiciliation business of Mercuria Services S.A. and the merger with the wholly-owned Luxembourg subsidiary SGG S.A. (previously Services Généraux de Gestion S.A.).

We strengthened the Oppenheim Vermögenstreuhand GmbH (OVT) advisory service to foundations at the beginning of 2008. We are especially pleased about the recognition we received from well-known institutions in the past year for our offering in this special area of long-term asset planning and management. We were placed first among 33 providers in the FUCHSBRIEFE report "Foundation assets – the best names in 2008". The Elite Report 2009 recognised the advisory quality of our private banking by awarding it the top mark of "summa cum laude" once again.

As a further contribution to securing the future of family businesses, in addition to our advisory and product offering, we created a seminar offering in cooperation with the Witten-Herdecke University and the EQUA foundation aimed at the new generation of partners in family businesses. The seminars focus on aspects of asset and partner management, family business organisation and the dynamics typically found there as well as basic issues in economics and company law.

OUTLOOK FOR 2009

Any forecasts on the further development of the market and economic environment made in the current situation are saddled with considerable uncertainty. However, even if the crisis and its still incalculable consequences can only be overcome in the long term, we will attempt everything in our power to continue supporting our clients as a reliable partner. We have already undertaken major measures to stabilise the portfolios with the further development of tactical asset allocation and the targeted extension of competence in alternative investments. Our foremost goal is, together with our clients, to apply such measures to address the far-reaching loss of confidence in the international financial markets' ability to function.

We will continue to forge ahead on the course we have charted of making all investment decisions on the basis of an active and fundamentally structured investment process that is pursued with discipline. The top priority for all of us in the coming months will be to focus on dealing appropriately with the continuing volatility on the financial markets. The principles guiding our actions will be broad diversification, conservative positioning in the portfolios and a focus on intensive advisory service on all aspects of asset management. On the basis of the economic analyses of the financial crisis, we will take all measures necessary in order to be able to react in the interests of our clients early enough and with consideration for the respective implications on asset management.