

GESCHÄFTSBEREICHE

Investment Banking

INVESTMENT BANKING WITH THE CORPORATE FINANCE AND FINANCIAL MARKETS SECTIONS IS SAL.

Oppenheim's second core business area. It combines industry and product knowledge with transaction expertise. The business faced unique challenges in 2008, particularly in the second half of the year. Corporate Finance posted a very satisfactory business result. In Financial Markets, in contrast, the drastic rise in volatility resulting from the financial crisis had primarily negative results on our trading, investment and hedging activities, as far as equities are concerned. We addressed this development by introducing measures to limit volume and risk; however, negative net trading income was unavoidable. On a positive note in this environment, our Equity Sales team posted a good result.

CORPORATE FINANCE

—> MERGERS & ACQUISITIONS

Sal. Oppenheim also asserted its position in M&A advisory services in German-speaking countries in 2008. This is evidenced by the 2008 league tables published by Thomson Reuters. In terms of the number of M&A transactions announced in Germany, Sal. Oppenheim was ranked fifth, with 27 transactions. The transaction volume amounted to a total of around \$ 6 billion.

In 2008, we provided advice regarding strategically important transactions to listed companies, family businesses, private equity funds and public-sector institutions. Mandates worth highlighting include advisory service to the METRO Group in the sale of its Extra supermarket chain to the REWE Group, and to Beiersdorf AG in the sale of the disinfection specialist BODE Chemie to Paul Hartmann AG.

The M&A business remained largely stable until into the third quarter 2008. The worsening of the banking crisis in September/October 2008, which created accelerated turbulence on the equity markets and increasingly recessive prospects in the real economy in the fourth quarter, resulted in noticeable restraint also in M&A activities until the end of the year.

RANKING BY NUMBER OF TRANSACTIONS –
ANNOUNCED TRANSACTIONS WITH GERMAN PARTICIPATION IN 2008

Ranking	Investment bank	Number of transactions
1	Deutsche Bank	104
2	UBS	33
3	Goldman Sachs	29
4	Morgan Stanley	28
5	Sal. Oppenheim	27
6	Rothschild	23
6	Credit Suisse	23
8	JP Morgan	21
8	Merrill Lynch	21
10	Citi	19
10	Lazard	19
12	Leonardo	13
13	Commerzbank	12
13	Dresdner Kleinwort	12
15	UniCredit	10

*Source: Thomson Reuters, January 2009

—> EQUITY CAPITAL MARKETS

On the basis of broad diversification in product offerings, Equity Capital Markets (ECM) operated profitably despite difficult exchange market conditions throughout the whole of the financial year. The year was characterised by very high volatility for capital market issuers in view of the uncertainties resulting from the global financial crisis. The initial public offering (IPO) business almost came to a complete standstill

in Germany as well as in other parts of the world. However, in Switzerland, Sal. Oppenheim advised on the IPO of the photovoltaic plant operator Edisun Power Europe AG. We took a leading role in five capital increases, including D+S europe AG and Evotec AG in financial year 2008. Furthermore, as co-lead manager we supported Deutsche Postbank AG's valued capital increase of € 1 billion guaranteed by the majority shareholder. The private placements of Freenet AG and Smartrac AG shares are of particular note concerning secondary placements. We structured and placed registered participation certificates for the Schön clinics as hybrid capital. Due to our market position and reputation, we also received numerous mandates for implementing acquisition and cash payment offers as well as squeeze-outs, also from international customers such as the British Carlyle Group, Sweden's Vattenfall AB, the Israel-based Ronin Investment Managing Company Ltd. and the Australian Macquarie Group.

—> STRUCTURED FINANCE

The Structured Finance team covers the leveraged finance, special situations, and special transactions product lines, among others. This division successfully delivered a satisfactory result despite the difficult market situation. Proof of this is the "Debt Provider of the Year" award from the Deutsche Private Equity Awards 2008.

The leveraged finance market experienced ambivalent development in 2008. While large-cap transactions encountered extraordinary financing difficulties, it was less problematic for mid-cap transactions. Overall, this resulted in a proportionate contribution to income.

The Special Transactions area, which offers customised transaction structures in interests in Germany and abroad, realised a significant earnings increase in the business year due to its great structuring expertise.

—> REAL ESTATE

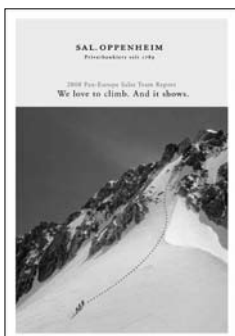
As advisor for complex real estate transactions, important transactions for the Real Estate Investment Banking team in the past year included the Federal Republic of Germany's sale of 100% of the shares in Vivico Real Estate at a volume of more than € 1 billion as well as structuring and launching the HAHN FCP-FIS German Retail Fund for the listed company HAHN Immobilien-Beteiligungs-AG. In addition to these individual transactions, the Real Estate unit held numerous strategic advisory mandates for real estate blue chip companies and real estate investors in the past financial year. For 2008, the transaction volume concluded in the Real Estate unit totalled just under € 2.0 billion.

FINANCIAL MARKETS

—> EQUITY SALES

Equity Sales continued the positive business trend of the previous years in 2008. Fifty equity specialists from Frankfurt am Main, Cologne, Munich, New York, Paris, Vienna and Zurich advised more than 700 institutional investors on their investment decisions in European equity markets. In so doing, the unit achieved a net result based on a substantial market share gain in the “equity markets in German-speaking countries” competence sector. A major factor in the unit’s success was the quality of the events numbering over 600 for institutional investors in the major international financial centres.

The team’s success is also reflected in the result of Institutional Investor magazine’s annual survey of portfolio managers from 562 international investment companies. The Sal. Oppenheim Equity Sales team placed first in the “German equities” category in the “2008 Pan-Europe Sales Team Report”.



FIRST PLACE IN THE “2008 PAN-EUROPE SALES TEAM REPORT”

The Sal. Oppenheim Equity Sales team placed first in the “German equities” category in the “2008 Pan-Europe Sales Team Report” published by the renowned American magazine Institutional Investor. In the global survey of portfolio managers from 562 companies, Sal. Oppenheim received the top rating for advising international institutional investors.

→ EQUITY TRADING & DERIVATIVES

As a result of the high market volatility, Equity Trading & Derivatives was also faced with a number of major challenges, which had a negative impact on performance. Numerous measures were taken during the course of the year to keep these effects to a minimum. Proprietary trading and securities lending transactions continued to focus on European small and mid-cap equities in 2008. The Designated Sponsoring area, which provides support for the equities of the relevant companies, held 42 mandates.

→ FOREIGN EXCHANGE

The Foreign Exchange unit developed well in 2008 despite the financial crisis. Nearly all segments recorded increases. Client trading in particular increased its annual result.

→ ASSET AND LIABILITY MANAGEMENT

Asset and liability Management monitors and controls liquidity risks in order to guarantee the Bank's solvency at all times. Liquidity is controlled through traditional money-market trading and repo transactions. The Bank primarily uses client and interbank deposits for refinancing, particularly in the final quarter of 2008.

OUTLOOK FOR 2009

In 2009, the Investment Banking area aims to continue the adjustment processes with the goal of generating sustainable stable earnings even if at a significantly lower level than in previous years. We reacted to the persistently difficult market environment by setting a new strategic focus, implementing cost-saving measures and modifying incentive systems, in order to be able to successfully continue following the proven integrated asset management and investment banking business model.