

## 22\_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.

## 23\_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 provided 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 group unit. 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 have been recognised in accordance with the amended IAS 19 since 2006. The option included in the standard of recognising 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:

	2008	2007
	%	%
Biometric values	Reference table 2005G Prof. Dr. Heubeck	Reference table 2005G Prof. Dr. Heubeck
Technical interest rate	6.25	5.00
Escalation rate	0.3 to 2.5	1.0 to 1.7
Salary escalation or benefit escalation rate for active employees and early retirees	1.5 to 2.3	2.2 to 2.5
Expected return on plan assets	3.0 to 5.5	4.0 to 5.0

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.

#### 24\_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.

#### **25\_ 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.

#### **26\_ 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.

#### **27\_ 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.

#### **28\_ 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. 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.

#### **29\_ 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. Information on the scope of trust activities is available in note 78.

### 30\_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.

### 31\_Contingent liabilities

Liabilities based on past events, but which have not yet required an outflow of resources, are presented under note 79 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.