

The deferred tax liabilities relate to the following items:

	2008	2007
	€ M	€ M
Assets/liabilities held for trading	1	1
Financial assets designated at fair value through profit or loss (fair value option)	11	87
Loans and advances and allowances for impairment losses on loans and advances	1	1
Positive fair values from hedge accounting	15	10
Non-current financial assets	76	18
Property, plant and equipment	19	21
Intangible assets	2	19
Other assets	7	3
Deposits from banks	0	1
Debt securities	6	1
Provisions	20	6
Other liabilities	8	5
Deferred tax liabilities relating to future intra-group dividends	0	1
Other	1	7
Total	167	181

€ -13 million (previous year: € 7 million) of deferred income tax assets or liabilities were recognised directly in equity (revaluation surplus and revenue reserves).

69_Other liabilities

Other liabilities comprises the following items in particular:

	2008	2007
	€ M	€ M
Minority interests designated as debt	138	76
Liabilities from Human Resources	49	91
Liabilities from other taxes	36	39
Accruals	21	33
Non-received income from non-incorporated companies	14	9
Deferred income	12	10
Liabilities from finance lease agreements	3	10
Other	124	178
Total	397	446

Liabilities from finance lease agreements

The Liabilities from finance lease agreements 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	
	2008	2007	2008	2007
	€ M	€ M	€ M	€ M
Up to one year	2	2	2	2
Over one year, up to five years	1	9	1	8
Total	3	11	3	10

In 2007, 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.

70_Liabilities from discontinued operations

Liabilities from discontinued operations break down as follows:

	2008	2007
	€ M	€ M
Deposits from banks	62	0
Deposits from customers	2	0
Income tax liabilities	16	0
Other liabilities	11	0
Total	91	0

71_Subordinated capital

The subordinated capital in the amount of € 207 million (previous year € 186 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: € 9 million); of which € 7 million (previous year: € 7 million) are attributable to deferred interest.

72_Equity

Issued capital

Share capital was increased by € 50 million to € 750 million. It is divided into 7,500,000 registered no-par value shares. A further 1,500,000 shares are not yet paid-up. 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.

Revaluation surplus

The results from the fair value measurement of available-for-sale financial instruments 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:

	2008	2007
	€ M	€ M
As at 1 January	125	69
Fluctuations in fair value	-300	134
Impairments	57	-35
Disposals	54	-55
Net changes from deferred taxes	-7	12
As at 31 December	-71	125

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 an increase in the foreign currency translation reserve from € -9 million to € 4 million.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SAL. OPPENHEIM JR. & CIE. S.C.A. GROUP, LUXEMBOURG, FOR THE PERIOD FROM 1 JANUARY UNTIL 31 DECEMBER 2008

	Issued capital	Capital reserve	Revenue reserves	Revaluation surplus	Foreign currency translation reserve	Net income/(loss) for the period after share of the profit attributable to minority interests	Minority interests	Total
	€ M	€ M	€ M	€ M	€ M	€ M	€ M	€ M
EQUITY AS AT 1 JANUARY 2008	900	200	692	125	-9	250	16	2,174
Net income/(loss) for the period	0	0	0	0	0	-130	13	-117
Dividends	0	0	0	0	0	-80	0	-80
Income and expenses recognised directly								
in equity	0	0	15	-196	13	0	0	-168
Changes in shareholdings and the scope of consolidated financial statements	0	0	-3	0	0	0	13	10
Other appropriation	50	0	170	0	0	-170	-2	48
EQUITY AS AT 31 DECEMBER 2008	950	200	874	-71	4	-130	40	1,867
Of which: Equity from discontinued operations	0	0	-11	-2	0	-6	0	-19

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	Issued capital	Capital reserve	Revenue reserves	Revaluation surplus	Foreign currency translation reserve	Net income/(loss) for the period after share of the profit attributable to minority interests	Minority interests	Total
	€ M	€ M	€ M	€ M	€ M	€ M	€ M	€ M
EQUITY AS AT 1 JANUARY 2007	900	200	525	69	-3	234	10	1,935
Net income/(loss) 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
EQUITY AS AT 31 DECEMBER 2007	900	200	692	125	-9	250	16	2,174

73_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.

When assessing the accounting policies for financial instruments, it is of relevance whether there is an active market for the instruments. In accordance with IAS 39.AG71, a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If these criteria are not met, the market is inactive.

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.

Because there were no active or liquid markets available for many securities due to the financial market crisis, model prices were used for them. This was the case for asset-backed securities in particular, but also for certain corporate bonds and certain subordinated bonds.

The model price was calculated on the basis of the discounted cash flow method. For this purpose, credit spreads derived from market data were added to the risk-free rate. The credit spreads for European asset-backed securities were derived from historical default rates. The deterioration of the market in 2008 was taken fully into consideration here. In addition to credit spreads, liquidity spreads for securities held for trading and available for sale were used. Different credit spreads were used according to rating or industry.

US asset-backed securities were also measured using the DCF procedure of an external provider. This was based on conservative assumptions and a standard market system. This approach was reviewed by group risk control and deemed appropriate.

For corporate and subordinated bonds, market quotes were used in the case of an active market, and model prices if the market was inactive. Credit spreads were derived from CDS spreads in any model prices calculated, and if the securities were classified as held-for-trading or available-for-sale, there was an additional mark-up of liquidity spreads on the credit spreads.

The fair values of interest rate and cross-currency 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.

In the determination of the fair value of the liabilities held for trading, the Sal. Oppenheim credit spread was included in the underlying valuation parameters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS / CONSOLIDATED FINANCIAL STATEMENTS

	Fair value		Book value		Deviation	
	2008	2007	2008	2007	2008	2007
	€ M	€ M	€ M	€ M	€ M	€ M
ASSETS						
Cash and cash equivalents	709	475	709	475	0	0
Assets held for trading	10,522	13,472	10,522	13,472	0	0
Positive fair values from hedge accounting	47	31	47	31	0	0
Financial assets designated at fair value through profit or loss (fair value option)	1,802	3,190	1,802	3,190	0	0
Loans and advances to banks	8,881	10,169	8,913	10,170	-32	-1
Loans and receivables unhedged	8,881	10,169	8,913	10,170	-32	-1
Loans and advances to customers	7,632	7,151	7,626	7,116	6	35
Loans and receivables unhedged	7,632	7,151	7,626	7,116	6	35
Non-current financial assets	9,662	5,387	9,673	5,387	-11	0
carried at fair value	2,014	4,827	2,014	4,827	0	0
carried at amortised cost	7,648	560	7,659	560	-11	0
LIABILITIES AND EQUITY						
Liabilities held for trading	10,512	12,439	10,512	12,439	0	0
Negative fair values from hedge accounting	145	17	145	17	0	0
Deposits from banks	8,666	5,206	8,662	5,206	4	0
Other liabilities unhedged	8,319	4,779	8,315	4,779	4	0
Other liabilities hedged	347	427	347	427	0	0
Deposits from customers	18,789	19,593	18,751	19,614	38	-21
Other liabilities unhedged	18,098	18,750	18,060	18,771	38	-21
Other liabilities hedged	691	843	691	843	0	0
Debt securities	420	676	420	676	0	0
Other liabilities unhedged	420	676	420	676	0	0
Subordinated capital	207	186	207	186	0	0
Other liabilities hedged	207	186	207	186	0	0

Net gains/(losses) on financial instruments by category

The following table shows the breakdown of individual 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
2008						
Net interest income	3	104	853	162	-962	160
Provision for loan losses	0	0	-1	0	0	-1
Net trading income	-71	0	0	0	0	-71
Result from fair value option	0	-221	0	0	0	-221
Net income/(loss) from non-current financial assets	0	0	-8	-137	0	-145
Other operating income and expenses, net	0	0	0	8	0	8
Total	-68	-117	844	33	-962	-270

	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
2007						
Net interest income	-116	122	741	389	-890	246
Provision for loan losses	0	0	-9	0	0	-9
Net trading income	-152	0	0	0	0	-152
Result from fair value option	0	116	0	0	0	116
Net income/(loss) from non-current financial assets	0	0	0	52	0	52
Other operating income and expenses, net	0	0	0	1	0	1
Total	-268	238	732	442	-890	254

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.

Disclosures on reclassified financial instruments

IASB amendments to IAS 39 and IFRS 7 concerning reclassifications of financial assets and their disclosure were passed by the IASB on 13 October 2008 and came into effect on 17 October 2008. In accordance with these amendments, reclassifications of non-derivative financial assets out of the categories Held-for-trading or Available-for-sale are possible under certain circumstances. Please refer to note 07 Financial instruments regarding the conditions for reclassification and associated recognition.

The Sal. Oppenheim Group exercised this option and reclassified bonds from the non-current financial assets of BHF-BANK AG with retroactive effect from 1 July 2008. In addition, bonds from the held-for-trading category at BHF-BANK AG were reclassified as of 30 October 2008, with some then used for hedge accounting purposes.

Reclassification of bonds from held for trading to available for sale requires the existence of a 'rare circumstance' in addition to no further intention of trading. The international financial crisis, which has been worsening since Q3 2008, meets the rare circumstance criterion.

In order for bonds to be reclassified as loans and receivables, there must be a change in the intention to hold these bonds. They are now held for a longer period or for the foreseeable future, and at the time of reclassification they are no longer traded on an active market in our view.

The reclassified amounts at the time of reclassification and their book value and fair value as of 31 December 2008 are listed in the following table:

	Reclassified amount	Disposals*	Book value	Fair value
	€ M	€ M	€ M	€ M
Reclassified assets held for trading	2,792	0	2,824	2,829
From financial assets held for trading to available-for-sale financial assets	194	0	196	196
From financial assets held for trading to loans and receivables	2,598	0	2,628	2,633
Reclassified non-current financial assets	2,887	102	2,794	2,794
From available-for-sale financial assets to loans and receivables	2,887	102	2,794	2,794
Total	5,679	102	5,618	5,623

*Bullet bonds

The measurement effects resulting from the amounts reclassified in 2008 for the income statement and/or the change in revaluation surplus prior to the reclassification and for 2008 as a whole are presented in the following table.

The columns labelled hypothetical contain amounts which would have appeared on the income statement or under Revaluation surplus if the respective bonds allocated to the held-for-trading or available-for-sale categories had not been reclassified.

	Income statement			Revaluation surplus (change)		
	01.01.2008 reclassification	Total 2008	Hypothetical 2008	01.01.2008 reclassification	Total 2008	Hypothetical 2008
	€ M	€ M	€ M	€ M	€ M	€ M
Reclassified assets held for trading	52	84	89	0	0	0
From financial assets held for trading to available-for-sale financial assets	6	8	8	0	0	0
From financial assets held for trading to loans and receivables	46	76	81	0	0	0
Reclassified non-current financial assets	0	2	3	-32	-25	-25
From available-for-sale financial assets to loans and receivables	0	2	3	-32	-25	-25
Total	52	86	92	-32	-25	-25