

## PRESS RELEASE

### Sal. Oppenheim: 2006 most successful financial year in the history of the bank

- Consolidated net income for the year before taxes up by 9.2% to € 309 million
- At € 1,093 million, income passes the one-billion mark for the first time
- Operating income in Germany up by 25%
- Increasing internationalisation of business activities
- Increase in employee numbers by over 10% to 3,490

Cologne, 26 April 2007 - Sal. Oppenheim jr. & Cie., Europe's largest independent private banking group, was able to boost its pre-tax net income by 9.2% to a total of €309 million (previous year: €283 million) in financial year 2006, the best result in its 218-year history. On the whole, income within the Sal. Oppenheim Group increased by 12% to total €1,093 million, breaking through the one-billion mark for the first time. € 258 million of the consolidated net income was attributable to Sal. Oppenheim, and € 87 million to BHF-BANK, which Sal. Oppenheim took over at the turn of the year 2004/2005. As far as Group management is concerned, expenses totalled €36 million. Consolidated net income for the period after taxes totalled €241 million, and the workforce grew by a total of over 10% to 3,490. This means that at Sal. Oppenheim alone, the number of employees has trebled over the past 20 years.

Matthias Graf von Krockow, spokesman for Sal. Oppenheim's personally liable partners, was clearly very pleased with this result. Speaking at the results press conference, he said, "This success reflects the increase in the earnings strength of the entire Group and clearly demonstrates that our strategic positioning as an integrated asset management and investment bank is the right one. Furthermore, our earnings development has gained sustainability. This is reflected in the balanced earnings structure of the Sal. Oppenheim Group: the bank's earnings are evenly distributed among the business divisions, Germany and other countries, and among the Group's various sources of income."

Shareholders' equity increased by €171 million to €1,935 million. Graf Krockow believes that the bank's capital resources provide a basis for national and international expansion and for securing the independence of the Sal. Oppenheim Group,

# SAL. OPPENHEIM

Privatbankiers seit 1789

“By strengthening capital and reserves, we will be able to take advantage of any growth opportunities that present themselves in the future as well.”

The Group’s total assets amount to €35.3 billion, an increase of €3.3 billion compared to the previous year. This growth relates solely to Sal. Oppenheim and reflects the positive operating development in Equity Trading and Retail Business in particular.

The encouraging development seen in 2006 is also reflected in the key ratios for Group management. The cost-income ratio, for example, stood at 80.2% in 2006. The slight increase is primarily the result of an increase in general administrative expenses and the dynamic employee growth. The pre-tax return on equity reached 16.5%, while the overall ratio in accordance with Principle I under the German Banking Act (*Grundsatz I*) totalled 12.3%, with risk assets of €15.8 billion. Own funds are composed primarily of tier 1 capital.

## **Balanced earnings structure**

At €1,093 million, earnings broke through the one-billion mark for the first time. Net commission income increased by 26% and, at €528 million (previous year: €420.2 million), was once again the Group’s main source of income in 2006. The rise in income from the underwriting and the securities business, due to increased trading activity among our clients, is particularly worth mentioning, as is the commission income from asset management. The first-time full consolidation of Oppenheim Pramerica Fonds Trust GmbH resulted in a net commission income contribution of €16 million.

Net interest income amounted to €242 million (previous year: €221.4 million), and in addition to the traditional components from lending and money market business, also includes interest income and expense from banking book derivatives.

Net trading income grew by around a third to €151 million (previous year: €101.5 million). Equity Trading once again constituted the Group’s largest source of income in 2006, the focus being on retail derivatives and structured products, as well as the equity brokerage business, supported by strong equity research. The retail derivatives product offering increased considerably to over 15,000 products.

# SAL. OPPENHEIM

Privatbankiers seit 1789

Net income from non-current financial assets totalled €118 million, €83 million of which was generated by Sal. Oppenheim. This results largely from the sale of 25% of the shares in Oppenheim Immobilien-Kapitalanlagegesellschaft mbH to IVG Immobilien AG, a transaction that generated a profit of €51 million. A number of smaller shareholdings were also sold. The sale of securities held in the investment portfolio generated €23 million.

## **Excellent business development confirms two-bank strategy**

BHF-BANK, which generated net income for the year that exceeded expectations, also contributed to what was a successful financial year. “In its second reporting year, BHF-BANK was able to continue the outstanding success seen in the prior year in terms of net income. We believe that this confirms our “two-bank strategy”, whereby both banks retain their individual identity and decision-making competence, and each enjoy a distinct market presence,” underlined Graf Krockow. The bank’s pre-tax operating result totalled €107 million as at 31 December 2006, outstripping the prior-year result by 15.1%. The total assets of BHF-BANK amount to €17.8 billion.

## **Expansion of operating business – nationally and internationally**

All bank divisions performed positively in 2006. The Asset Management business division contributed €119 million (previous year: €88.6 million) to the bank’s total earnings of €309 million, Private Banking contributed €129 million (previous year: €78 million), Corporate Finance €68 million (previous year: €59 million) and Financial Markets €127 million (previous year: €101 million). In what was, on the whole, a favourable capital market environment, the Sal. Oppenheim Group considerably expanded its business activities in both Germany and abroad. Graf Krockow said, “Our clients expect solutions that take account of the internationalisation of the markets – with respect to both asset management and investment banking. Our internationalisation strategy is in line with our clients’ wishes and will see us expand our offering on an ongoing basis.”

At present, Sal. Oppenheim generates around one third of its income abroad, with this figure expected to increase to approximately 50% in the medium term. As a result, the bank’s growth strategy aims to create a balanced relationship between its German and international business. In the future, the basis for international growth will continue to lie in Sal. Oppenheim’s strong market position in Germany. In financial year 2006, Sal. Oppenheim boosted the operating income generated in Germany by 25%. It plans to considerably expand its German workforce by the end of 2007, recruiting 200 new employees.

# SAL. OPPENHEIM

Privatbankiers seit 1789

Sal. Oppenheim has been able to take key steps in its internationalisation strategy over the past twelve months. These include the investment in Prader Bank, Bolzano, which gives the bank access to clients in northern Italy. In the alternative investments segment, Sal. Oppenheim was able to boost its presence in London by means of the acquisition of the Attica Group and the investment in Integrated Assets Management (IAM). 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. In Belgium, Sal. Oppenheim also formed a joint venture with a holding company of the Frère-Bourgeois Group.

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 plans further growth**

In order to allow it to fully exploit future growth opportunities abroad, the Sal. Oppenheim Group will be merging its subsidiary bank in Luxembourg with its international holding company, Sal. Oppenheim International S.A., to form the new group parent company, Sal. Oppenheim jr. & Cie. S.C.A., and provide a basis for further international expansion. "As a financial centre that is recognised on both the European and international stage, Luxembourg is the ideal location for the further expansion of our business. Bundling all activities in one company means that they can be managed centrally, allowing the bank to forge ahead with its expansion strategy in an efficient manner," said Graf Krockow. Sal. Oppenheim jr. & Cie. KGaA will remain responsible for the bank's domestic business, and aims to further expand and strengthen its solid market position.

As a result, Sal. Oppenheim expects to slightly increase its operating result in 2007. "We have laid the foundations for continued success: as by far the largest family-owned German private bank and, internationally, as the leading independent private banking group in Europe," said Graf Krockow.

# SAL. OPPENHEIM

Privatbankiers seit 1789

## CONSOLIDATED KEY FIGURES (IN €MILLIONS)

	2006	2005
Total assets	35,347	32,029
Risk assets	15,807	13,658
Equity	1,935	1,764
Profit/(loss) from ordinary activities	309	283
Net income for the year after taxes	241	251
Pre-tax return on equity (%)	16.5	17.5
Equity ratio (%)	12.3	13.4
Cost/income ratio (%)	80.2	77.5
Employees (number)	3,490	3,160

<b>Fitch Ratings Ltd.</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Outlook</b>
December 2006	A	F1	Positive

- End -

*Characters: approx. 9,200*

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