

BHF-BANK

2006 WAS THE SECOND FULL FINANCIAL YEAR FOR BHF-BANK AG AS AN ADVISORY, SALES AND TRADING bank. BHF-BANK has been wholly owned by Oppenheim Beteiligungs-AG, a 100% subsidiary of Sal. Oppenheim jr. & Cie. KGaA, Cologne, since 1 January 2005.

BHF-BANK operates on the market as an independent institution as part of the two-bank strategy. With a solid increase in earnings of 15.1% to total € 107 million before taxes, BHF-BANK's performance was again testimony to the success of the strategy in its second financial year. In accordance with IFRS, this meant that the BHF subgroup contributed € 87 million to the consolidated net income of the Sal. Oppenheim Group in financial year 2006. The widely diversified earnings, the solid risk structure and the high quality of its assets are reflected in the positive results seen in all business divisions.

SEGMENT REPORT

With a substantial increase in its net income from € 10 million to € 40 million, the Asset Management & Financial Services division returned convincing performance, largely due to an increase in commission income in the securities business.

All of the division's subsidiaries improved on their prior-year results. FRANKFURT-TRUST Investment-Gesellschaft mbH has established itself as one of the leading German asset management companies on the mutual fund market. Together with FRANKFURT-TRUST Invest Luxemburg and Financière Atlas S.A., FRANKFURT-TRUST Investment-Gesellschaft mbH manages assets totalling € 14.3 billion (previous year € 12.9 billion) distributed among 157 funds.

Frankfurter Fondsbank GmbH increased the fund volume under its management from € 11.1 billion in the previous year to € 14.6 billion, meaning that it can also look back on a successful financial year. BHF-BANK further expanded its market position with respect to custody and derivatives services in 2006, too: the volume of assets under custody rose by € 78.8 billion to € 280.9 billion.

The Private Banking division further enhanced its market position and considerably expanded its earnings by 41% to € 33 million. A substantial increase in income by 17% to € 96 million played a key role in this encouraging development. This was due primarily to net commission income from asset management and the securities business, as well as business with alternative investments. Assets under management also received a considerable boost in the reporting year, largely with respect to the BHF-TRUST and the family office. The opening of a representative office in Abu Dhabi (United Arab Emirates), the expansion of BHF-BANK (Schweiz) and the partnership with Client Associates, a leading family office in India, further increased the international activities of the Private Banking division.

The Financial Markets division reported total income of € 99 million in 2006, allowing the division to maintain the positive earnings level from the prior year of € 42 million. As a key participant on the currency, equity and interest rate markets, BHF-BANK once again ranked among the most successful issuers of structured products in the reporting year. In terms of trading volume in reverse convertibles, the bank is still the number two German provider.

	Asset Management	Private Banking	Corporates	Financial Markets	Others/ Consolidation	BHF (Total)
	€ M	€ M	€ M	€ M	€ M	€ M
2006						
Income	112	96	56	99	32	395
Expenses	-72	-63	-33	-57	-74	-299
Risk costs	-	-	-	-	11	11
Profit/(loss) from operating activities	40	33	23	42	-31	107
Cost/income ratio	65.8%	65.7%	59.1%	60.7%	-	83.3%
2005						
Income	99	82	67	100	30	378
Expenses	-69	-59	-38	-58	-64	-288
Risk costs	-	-	-	-	2	2
Profit/(loss) from operating activities	30	23	29	42	-32	92
Cost/income ratio	73.8%	71.6%	59.7%	71.0%	-	81.7%

SEGMENT REPORT OF BHF-BANK IN ACCORDANCE WITH IFRS

With income of € 56 million from the corporate client business, the Corporates area generated earnings of around € 23 million, as against € 29 million in the previous year. The continued risk optimisation within the framework of the conservative credit risk policy prompted an expected decline in interest and commission business. As a result, the area did not have to make any allocations to the provision for loan losses in 2006 either.

TOTAL ASSETS

The total assets of the BHF subgroup declined slightly in financial year 2006 but have now stabilised at € 17.8 billion (previous year: € 18 billion). The total assets of BHF-BANK AG amount to € 13.7 billion. BHF-BANK International S.A. and BHF-BANK (Jersey) Ltd. made a significant contribution of a combined € 5.2 billion to the subgroup's total assets (previous year: € 5 billion). In light of its risk averse approach, BHF-BANK has comfortable capital resources of € 684 million. Its return on equity increased to 15.6%.

OUTLOOK

BHF-BANK is well positioned for the future with a client-focussed business model, broad income diversification and strict risk control. The sales power in Asset Management & Financial Services is to be enhanced and the product range further expanded. This has already involved an increase and realignment in capacities. The successful positioning in currency trading and the potential for innovation with derivatives and structured products will continue to form the basis for stable income in the Financial Markets division in the years to come.

As far as its business with corporate clients is concerned, BHF-BANK expects to generate additional growth from business with small and medium-sized owner-run companies, particularly with respect to issues such as succession planning, access to growth capital and the realignment of ownership structures. As far as Private Banking is concerned, BHF-BANK will continue to secure its strong market position with high-net-worth private clients in the current financial year. Furthermore, private client business will be targeting an increasingly international group of clients.