

BUSINESS DIVISIONS

## Investment Banking

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**INVESTMENT BANKING IS THE SECOND PILLAR OF SAL. OPPENHEIM'S BUSINESS MODEL. IN ADDITION TO asset management, the Bank offers its clients a range of international investment banking services focussing primarily on equity products and derivatives. With its broad range of client relationships and comprehensive product expertise, Sal. Oppenheim has for years ranked among Germany's leading investment banks and has also built up a good reputation on the international market. Over 50 finalised transactions and the award as best "Derivatives house of 2006" were among the highlights of the year, in which the Bank topped the results recorded in 2005.**

CORPORATE FINANCE

Corporate Finance and Financial Markets combine to form the Investment Banking division at Sal. Oppenheim. The Bank offers high-quality advisory services for M&A activities, real estate, privatisations and equity capital markets. The Bank rounds off its financing offering with long-term investment financing solutions and borrower's note loans in cooperation with its partner IKB Deutsche Industriebank AG. The Bank's focus on client relations characterised by a sense of partnership, comprehensiveness and continuity, as well as on services and products that are distinguished by individuality and dynamic innovation, has clearly helped to improve its position as a leading bank for SMEs.

Regarding M&A activities Sal. Oppenheim also benefits from its close relationships with listed medium-sized companies and larger family businesses. The long-standing access to SMEs is reflected in the Bank's pleasing third-place ranking in medium-sized M&A transactions in Germany (mid-cap segment with a transaction volume of up to US\$ 500 million). Sal. Oppenheim even achieved first place in the category for transactions up to US\$ 200 million in 2006. As far as its international business is concerned, the Bank is focussing on expanding its partner network with cooperations in the financial hubs of New York and Paris, but also in emerging markets such as China and India.

The German real estate market showed particular momentum in 2006, and is likely to receive further impetus with the introduction of REITs in 2007. Its industry contacts, along with the noticeable increase in placement power with domestic and international investors have allowed Sal. Oppenheim to establish itself as one of Germany's leading providers. This is underlined by our prominent positioning as joint bookrunner for Patrizia Immobilien AG in May 2006, and for the Austrian company CA Immo International AG in October 2006. The Bank's real estate expertise is also of great help in business with companies from other sectors, as demonstrated by the sale of two portfolios for the HDI-Gerling Group with a volume of over € 440 million.

	2006	2005
	€ M	€ M
Income	102	64
Expenses	-45	-33
Risk costs	-12	-1
<b>Profit/(loss) from operating activities</b>	<b>45</b>	<b>30</b>
Cost/income ratio	49.8%	52.0%

## CORPORATE FINANCE SEGMENT REPORT IN ACCORDANCE WITH IFRS

As an investment bank for growth companies and SMEs, Sal. Oppenheim focuses on sector expertise and industry contacts. The Bank was able to considerably expand its position and increase the proportion of international business by supporting 18 new issues, predominantly on the German capital market. With eight lead manager and bookrunner mandates and a placed issue volume of over € 1 billion, we therefore established ourselves as one of the leading underwriters on the German-speaking capital market.

## FINANCIAL MARKETS

The Institutional Equity Advice unit provides advisory services for some 400 institutional investors in 20 countries with their investment decisions. The unit relies on its experienced, highly qualified and networked sales team. It provided advisory services at 255 analyst road shows and 247 company road shows worldwide. An increase in income of over 50% signals a growth pace that is well in excess of the average and points towards an improvement in our position in selected European equity markets. This was also reflected in a total of 35 placement mandates (IPOs, capital increases and share buy-backs). In addition to the encouraging development in the core markets, Germany, Switzerland and Austria, several transactions in Greece also contributed to the success of Institutional Equity Advice.

2006 was the most successful year to date for the derivatives business. In addition to the expansion of the retail derivative product range (issues increased by over 50% year-on-year to more than 15,000 products), the derivatives business is currently charting a trend towards actively managed investment certificates. The focus here is on products with partial protection, also known as the PROTECT function. Sal. Oppenheim continues

to provide a complete range of derivative products, such as warrants, turbo warrants and reverse convertibles.

We tapped new distribution channels for derivative products in 2006. Cooperations with asset managers, structuring for third-party banks and active certificate distribution with discount brokers were supported through targeted distribution and marketing measures, including our first TV commercial. In regional terms, we continued our expansion in Switzerland, as well as in Italy and Austria. As a founding member of Derivate Forum e.V., the Bank was also instrumental in setting industry standards in 2006.

	2006	2005
	€ M	€ M
Income	195	141
Expenses	-115	-83
Risk costs	6	0
<b>Profit/(loss) from operating activities</b>	<b>86</b>	<b>58</b>
Cost/income ratio	59.1%	58.7%

#### FINANCIAL MARKETS SEGMENT REPORT IN ACCORDANCE WITH IFRS

2006 was a successful year for proprietary trading and securities lending. Proprietary trading focussed on European small and mid cap equities in the reporting year. The Strategic Investment Desk's strong results reflected not only the success of its own positions, but also the substantial growth in strategy certificates.

The "Designated Sponsoring" business area, which provides support for particular equities on behalf of the respective companies, increased the number of mandates to 42. These mandates were predominantly from companies from the MDAX, TecDAX and SDAX.

Currency management achieved an above-average result due to commissions business and net trading income. Product developments in structured OTC options and FX warrants (8 to 10% market share) also contributed to this success.

#### OUTLOOK

Sal. Oppenheim will be aiming to expand its market position as an investment bank for SMEs in the German-speaking world in financial year 2007. We also aim to strengthen our position as an independent alternative to global investment banks at an international level, too. The Bank's placement power and expertise in European equities will be sustainably enhanced by the establishment of sales locations in Paris and Vienna. Sal. Oppenheim will be inviting more than 2,000 of the world's major institutional investors to ten planned conferences and around 500 investor events.

A total of 20 to 25 expected IPOs in the Prime Standard of the Frankfurt Stock Exchange, the introduction of REITs, the continued strength expected in M&A activities and the prospect of a high number of advisory mandates give us reason to be optimistic for 2007.