

BUSINESS DIVISIONS

## Asset Management

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**AN INTEGRAL COMPONENT OF SAL. OPPENHEIM'S BUSINESS MODEL, ASSET MANAGEMENT IS BASED ON the Asset Management and Private Banking divisions. Sal. Oppenheim focuses on the integration of asset management activities and the second pillar of the business model, the investment bank, as well as on cooperations with leading external product specialists to secure its position on the market. The success of our strategy is underlined by numerous awards and even more so by the trust placed in us by our business partners: the number of assets under management at Sal. Oppenheim rose again in 2006, as did the number of clients.**

### ASSET MANAGEMENT

Asset Management is well positioned both in terms of mutual funds for retail clients and institutional funds. This is highlighted by the encouraging increase in assets under management by our investment companies in Germany, Luxembourg and Ireland by € 2.8 billion, or 7%, to € 43.1 billion.

€ 19.9 billion of this amount is managed by Oppenheim Kapitalanlagegesellschaft mbH (OKAG), which, like Oppenheim Capital Management mbH, concentrates on institutional clients. Tradition and experience blend with a marked willingness to innovate. Asset Management expanded its offering of absolute return products in 2006 with the 49.9% stake in Attica Alternative Investments, London, and the

stake of just under 27% in the latter's majority shareholder, Integrated Asset Management plc. (IAM). The combination of local integration, competence and reputation in risk management, and the expertise of a leading hedge fund specialist in London has made a considerable contribution towards the launch of the very first fund of hedge funds for an institutional client in Germany.

Top positions for our own products (third place for OKAG's OP Bond Euro L bond fund in the Fund Awards presented by "Finanzen" and "Euro am Sonntag" magazines) and our external product partners (first place for Jennison Associates' OP American Equities Fund in the same competition) provide examples of encouraging investment success.

The recent survey of key companies by Greenwich Associates (German Investment Management 2006) confirmed our position in the top 25% in terms of investment competence and client support. Our expertise relating to bonds was given particular mention in the survey, although other portfolio management teams also received very good ratings.

Oppenheim Pramerica Fonds Trust GmbH, the joint venture between Sal. Oppenheim and Prudential Financial in the mutual fund business, has reinforced its position among the seven largest German mutual fund groups. The company increased its assets under management by 10% in 2006 to over € 14 billion, thereby gaining market share on the German market. This is underlined by the 3% share in net new assets compared with a market share of 2.5% for existing business.

	2006	2005
	€ M	€ M
Income	168	125
Expenses	-90	66
Risk costs	0	0
<b>Profit/(loss) from operating activities</b>	<b>78</b>	<b>59</b>
Cost/income ratio	53.7%	52.6%

#### ASSET MANAGEMENT SEGMENT REPORT IN ACCORDANCE WITH IFRS

Oppenheim Immobilien-Kapitalanlagegesellschaft mbH (OIK) generated net new assets of € 260 million from based on market-leading position. It recorded gross fund assets under management of € 9.9 billion at the end of 2006. € 8.7 billion of this was attributable to 27 real estate institutional funds, and € 1.2 billion to three other funds. As at the end of the year, OIK was managing 520 properties in 13 countries, and concentrating on active investment management. This was underlined by the purchase of 35 properties and the disposal of 41.

With first-time transactions in Hungary, Poland and the Czech Republic, the company will also be expanding its activities to cover central Europe in 2007. Outside of Europe, the Wiesbaden-based real estate specialist focuses on cooperations – with Dundee Realty Corporation (Dundee), Toronto, Canada, for the Canadian real estate market, and with Alpha Investment Partners Limited (Alpha), based in Singapore, for selected Asian markets.

In November 2006, IVG Immobilien AG, in which Sal. Oppenheim holds an interest of 20.1%, acquired a further 25% stake in OIK's capital. The increase to a total of 94% was finalised in January 2007. This almost complete acquisition represents an important step in the systematic positioning of IVG as a leading investment bank for real estate in Europe.

#### OUTLOOK ASSET MANAGEMENT

As regards the prospects for the economy and the capital markets, our clients – and therefore our companies, too – have every reason to be optimistic. Global economic growth is set to continue throughout the next few quarters. Investors can expect slightly higher and, on the whole, flatter yield curves. As far as bonds are concerned, it is essential to create the most diversified exposure possible, in terms of currencies and market segments, while applying strict risk control.

We expect a volatile upturn on the major international stock exchanges. Active risk management appears particularly advisable, so the focus will remain on investment concepts with dynamic capital protection, or dynamic asset allocation.

#### PRIVATE BANKING

We came a step closer to our goal of being perceived as a top name for the highest category of affluent private clients in Germany, Switzerland, Luxembourg and Austria in the reporting year. We gained a large number of new clients both in Germany and abroad and the volume of assets entrusted to us rose significantly by 18%. Sal. Oppenheim provides high quality and tailored solutions for its clients in all matters relating to assets. Our tradition, the experience of the owning family and the expertise of our staff and specialists help to structure, preserve and increase assets over generations. Our clients can thus rely on the Bank's business and legal knowledge, on our capital market expertise, and also on the competence and network of our many partners at all times.

Our experienced and highly qualified staff once again successfully advised our clients in all matters relating to their personal assets in 2006. Our advisory services are not limited to capital market issues. We place great importance on a comprehensive approach to assets and always take into consideration the effective combination of different asset classes. It is therefore a logical consequence that, in addition to expertise in capital market matters, we also offer valuable knowledge in the areas of real estate and equity investment. Private Banking is centred around the concept of scientifically-based dynamic asset allocation, which focuses exclusively on the best products on the market, whether developed in-house or by the best external providers.

As an integrated component of Private Banking, Oppenheim Vermögenstreuhand GmbH (OVT) has provided independent and unbiased advice for complex family estates in its role as family office for over 16 years, with the objective of maintaining the value of the assets, net of inflation and tax, over generations. OVT defines itself primarily via its comprehensive advisory competence relating to asset allocation, management of securities portfolios, estate planning, evaluation of shareholdings, private equity, real estate, foundations, legal, insurance and financing. All assets of an estate are recorded in a uniform and systematic manner by a comprehensive management accounting and reporting system. Our family office emphasises neutral, independent recommendations tailored to individual clients' circumstances. Our independence and competence is also reinforced by the exchange and national and international cooperation with over 50 banks, asset managers and auditors. We successfully expanded our advice and support offering for international families in 2005 with the acquisition of Services Généraux de Gestion S.A. (SGG), Luxembourg. SGG focuses on family structures in the Benelux countries, Switzerland, France, and southern Europe.

	2006	2005
	€ M	€ M
Income	217	173
Expenses	-120	-110
Risk costs	-1	-8
<b>Profit/(loss) from operating activities</b>	<b>96</b>	<b>55</b>
Cost/income ratio	55.4%	63.5%

## PRIVATE BANKING SEGMENT REPORT IN ACCORDANCE WITH IFRS

## OUTLOOK PRIVATE BANKING

Sal. Oppenheim is gradually expanding its foreign network. We are already active in key markets for our clients with our subsidiaries in Luxembourg, Switzerland and Austria, and a representative office in Prague. We plan to expand the family office business to cover a presence in Switzerland in 2007, and Sal. Oppenheim is also planning a representation in Asia, so that it can provide local support for clients with Asian investments.

The Bank is working intensively on new forms of entrepreneurial investment in the area of product innovation, such as mezzanine financing, marketable private equity investments and components for Asian exposure. In addition, clients can expect to see innovative asset management concepts, investment forms with asymmetrical yield distribution, and liquid or closed-end investments in real estate and ships.