

GROUP MANAGEMENT REPORT

Outlook for 2007

WE EXPECT A POSITIVE OVERALL CAPITAL MARKET ENVIRONMENT FOR 2007. ON THE BASIS OF CONSISTENTLY HIGH GLOBAL ECONOMIC GROWTH MOMENTUM AND FEW CHANGES ON THE INTEREST RATE MARKETS, WE EXPECT A NOTICEABLE TAILWIND FOR OUR BUSINESS ACTIVITIES.

ASSET MANAGEMENT

Broad diversification and active risk management in the portfolio are likely to be key for many of our clients again in 2007. We also see excellent sales potential for our award-winning bond funds. In view of these circumstances, we can expect inflows of funds in existing mandates and new funds, both in institutional and retail business.

Assuming sustained positive development on the capital markets, we expect an increase in our assets under management, positive development meaning products with higher margins, and thus also an increase in earnings.

Investments will be required for the modernisation of our IT infrastructure in the middle and back office areas. As ever, we will follow a strict cost management programme in order to keep cost development at a reasonable level. This means that Asset Management can expect an increase in operating profit.

PRIVATE BANKING

Diversifying and minimising risk will be of particular importance in 2007, so that we can offer our clients the chance to generate attractive yields both before, and especially after tax. We also expect this strategy to enable the Bank to attract new clients with strategies focussed on stable value growth, and to tap additional sources of income. Independent and critical selection of products and services according to the best advice principle is a priority here. A series of innovations is also planned for Asset Allocation.

We are continuing with the internationalisation of our business activities in order to reflect the stronger international orientation of our clients. In addition to broadening the client base of our foreign subsidiary banks in their target regions, we aim to strengthen the family office business to include a presence in Switzerland and are planning a representation in Asia to enable us to provide local investment support for our clients.

INVESTMENT BANKING

Indications from the German and European equity markets are for a positive environment in 2007, albeit with rising volatility. On the corporate side, we expect rising operating results and higher capital market valuations to lead to consistently vigorous M&A activities, which will also be boosted by attractive financing conditions for private equity investors. Private equity companies will continue to be a driving force for IPOs; the proportion of international mandates will increase as transaction numbers increase.

The legal basis for Real Estate Investment Trusts (REITs) established by the German government with retrospective effect for 2007 will create further positive impetus for the transactions business in the real estate sector.

Moreover, the sales power for European equities will be sustainably enhanced by the establishment of our sales locations in Paris and Vienna in 2007. We will be able to reinforce our leading position in the derivatives trading market thanks to our high innovation potential and simultaneous expansion of sales structures.

We therefore see Sal. Oppenheim well-positioned as a leading investment bank for German-speaking countries in 2007, too.

SUMMARY

Our integrated asset management and investment banking business model with its clear client focus, income diversification and strict risk control has proven to be a success on the market. The decision to allow Sal. Oppenheim and BHF-BANK to each enjoy distinct market presence as part of the “two-bank strategy” is reflected in the encouraging results. This has laid the foundations for further profitable growth.

We see the focus of future development in other German-speaking countries, Luxembourg and our eastern European neighbours. We aim to increase the proportion of income earned abroad, previously around 25%, to 50% within the next few years.

The Group’s operating result has reached a high level. We are anticipating a further modest rise in 2007. We still see potential risks to future development in the persistent margin pressure and development on the capital markets. Where allowances for credit risks are concerned, we expect few changes to expenses in the future.

Our growth is driven by our employees, who represent the basis of our positive future prospects with their innovative strength, entrepreneurial mind set and cross-divisional cooperation. This will allow us to further expand our market position which is already leading in some segments. With Group equity of almost € 2 billion, Sal. Oppenheim can continue to pursue constant growth.