GROUP MANAGEMENT REPORT

Risk Management

IN LINE WITH ITS BUSINESS OPERATIONS, SAL. OPPENHEIM SETS HIGH STANDARDS ACROSS THE GROUP *for the identification, evaluation and management of risk. Capital resources are thus geared to the risks.*

Active and systematic management of risks and earnings ensures constant earnings strength. Risk management makes a significant contribution to maintaining stability and continuity. The risk principles, process organisation and risk evaluation and monitoring mechanisms apply to all of Sal. Oppenheim's business divisions.

SAL. OPPENHEIM'S RISK PRINCIPLES

(1) The name Sal. Oppenheim and our service offering stand for values such as integrity and quality in particular. Our good reputation is our most important asset.
(2) We only maintain business relations with names of impeccable repute.
(3) The quality of our risk-bearing business activities is consistent with their earnings potential.
(4) Minimising risk means: we place emphasis on the principle of diversification with products and sectors, as well as in geographical terms.
(5) Our target clients include corporations, partnerships, family enterprises, public-sector enterprises (especially candidates for privatisation) and private clients with a high credit quality. The prerequisite for every transaction is an adequate contribution margin for the Group.
(6) Cooperation rests on professionalism and credit quality, as well as a clear understanding of the transaction structure and the financial basis which a client/counterparty will use to fulfil his/her obligations.
(7) All clients are assigned an in-house advisor who assumes overall responsibility for the business relationship.
(8) Our lending principles apply both to the granting of loans and to transactions with affiliated companies in general.

Risk-bearing business at both Sal. Oppenheim and BHF-BANK focuses on providing services to private and corporate clients in line with the Company's overall strategy.

Sal. Oppenheim achieves its objective of maintaining a healthy balance between risk and return with both the high quality of its assets and the broad diversification of risk. Clearly defined limits have been set Group-wide for equity investment, market and credit risk, and ongoing checks and monitoring are performed to ensure compliance. Credit Risk Management and Market & Credit Risk Controlling have Group-wide responsibility for identifying and assessing all risks on a daily basis, and for relaying their findings, together with recommended courses of action, to the personally liable partners.

RISK MANAGEMENT STRUCTURE

–> SAL. OPPENHEIM

The central controlling unit in Risk Management is the Risk Management Team (RiMaT), which is responsible for the qualitative development of the Bank's risk management. The Team is composed of the personally liable partner responsible for risk management and the heads of the Credit Risk Management and Risk Control divisions. The close channels of communication between RiMaT and all of the personally liable partners guarantee that strategic shifts are effected promptly and that specific risks (in particular counterparty default, market and liquidity risks and operational and legal risks) can be identified and addressed in good time.

Single exposures which are prone to risk are discussed in the regular meetings of a credit committee. This committee includes the head of Credit Risk Management, as well as the personally liable partners. Employees from specific business areas are summoned as necessary.

–> BHF-BANK

At BHF-BANK, the Risk Committee manages strategic risks. The Committee comprises the member of the Board of Managing Directors responsible for Financial Markets & Corporates, the Chief Financial & Risk Officer, and representatives from the operating business divisions, from Risk Management and from Risk Control. The tasks of this Committee include establishing the authorised risk profiles for different types of risk in line with the principles prescribed by the Board of Managing Directors, and complying with and monitoring internal and statutory requirements.

In addition to the Risk Committee, risk management and risk control are also included in the organisational structure of Risk Management. Risk Management is responsible for actively managing and monitoring risks. It also has credit-related authority, and is responsible for discussing, on the basis of quarterly analyses, the introduction of appropriate measures in the case of risk concentration, and for initiating risk reduction if necessary. Risk is reduced through active management at operating level. The observance of limits at borrower and portfolio level is monitored. Risk Control is responsible for identifying, evaluating and reporting on all risks. The Risk and Audit Committee of the Supervisory Board also exercises a control function and deals with issues relating to risk policy, risk control, and the structure of both the risk portfolio in lending and trading business and the securities portfolio.

–> GROUP

Group Risk Management is responsible for risk management activities across the Group and reports directly to the partner responsible for risk management at Sal. Oppenheim jr. Cie. KGaA. The function is responsible for identifying, assessing, monitoring and controlling risks resulting from the Group's business activities on behalf of the Group Chief Risk Officer (GCRO). Group Risk Management compiles risk

PRODUCT AREA	2006	2005
	€ M	€ M
Interest-related transactions	2.4	1.3
Currency-related transactions	0.7	0.6
Equity-related transactions	5.0	5.9
Diversification effect	-0.4	-0.4
Total	**7.7**	**7.4**

VALUE AT RISK FOR THE TRADING BOOK AS AT 31 DECEMBER 2006

THE VALUE AT RISK FIGURE IS CALCULATED USING THE FOLLOWING PARAMETERS: HOLDING PERIOD OF ONE DAY, CONFIDENCE LEVEL OF 99 %, HISTORICAL OBSERVATION OF ONE YEAR.

information on the basis of the risk reports and risk indicators submitted by Group companies and also conducts independent risk analyses. The duties and competencies of Group Risk Management are defined by detailed guidelines and task descriptions. BHF-BANK operates as a legally separate bank in daily operating business, independent of Bankhaus Sal. Oppenheim. Capital is allocated by Group management to each Group company, derived from available risk coverage assets. Group management specifies an authorised risk framework in this respect. The Group companies are responsible for managing and controlling risks that they have taken themselves, by means of a structured process. This process is based on principles and guidelines issued by Group management.

MARKET RISKS

Due to its focus on trading operations and the resulting classification of Group companies as trading book institutions, the Sal. Oppenheim Group knowingly takes market risks in order to generate substantial income while observing various risk limits. In order to ensure a clear functional separation between trading and trading control in organisational terms, as is required by the supervisory regulations, trade monitoring is performed under trading-independent risk management in the respective Group company. Risk calculations are made for trading and investment portfolios and take account of the differing liquidation periods. The Group's value at risk amounted to € 7.7 million at the end of financial year 2006 (previous year: € 7.4 million) for the trading book. Value at risk for the banking book at Group level, calculated on the basis of a holding period of one day, amounted to € 2.0 million (previous year: € 2.7 million).

Additional risk and earnings analyses are conducted by Group Risk Control at Group level on the basis of reports from the risk management units of the Group companies, in order to provide Group management with an overview. Group-wide risk policies ensure that standards are maintained for risk and profit calculation in Group companies.

Market risks are the result of potential fluctuations in the evaluation parameters, and the resulting change in portfolio value. Key evaluation parameters are interest rates, exchange rates, share and share index prices, as well as more complex factors such as implicit volatilities and dividend forecasts, or correlations between different assets. Credit spreads are also relevant parameters.

–> METHODS

In quantifying market risks, the Sal. Oppenheim Group relies on recognised statistical value-at-risk (VaR) methods. These estimates are based on a confidence level of 99 % and a holding period of one day for trading portfolio items. Different holding periods are assumed for the banking book items depending on their marketability. The risk quantification methodology used by each Group company takes account of its respective business focus. Monte Carlo simulations are used for equity-related transactions in the Sal. Oppenheim subgroup, and historical simulations are used to evaluate risk for transactions in the interest rate and foreign currency asset classes. In the BHF-BANK subgroup, positions in all asset classes are determined using a risk model based on the variance/covariance approach with an additional Monte Carlo component for non-linear risks. This is an internal model authorised by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin).

The backtesting procedure performed in the Group companies provides continual verification of the forecast quality of the VaR method employed. Trading profits and losses from the current day are compared with the VaR values for the previous day. This method does not include transactions from the current day (clean backtesting). The results of backtesting corroborate the VaR procedure deployed for the reporting year.

Stress tests are performed in addition to the VaR approaches in all asset classes. Stress scenarios are calculated on the basis of previous extreme market movements in equities, currencies and interest rate markets. The results serve as a basis for a quantification of the potential earnings impact, based on the current risk position.

–> LIMITS

In addition to credit risks and operational risks, market risks are a significant type within the Sal. Oppenheim risk mix. The market risk limit derives from the risk capital made available in view of the shareholders' risk tolerance. This is divided between the different types of risk and risk-taking units in an allocation process that is conducted at least once a year.

In an effort to limit market risks, VaR limits, sensitivity limits and stop-loss limits are allocated at Group company level as well as at all key operating levels. The limits are monitored by the trade-independent risk management guidelines of each Group company. Whenever the limits are exceeded, the event is recorded and must be authorised by the corresponding senior staff in compliance with established written guidelines.

Prior to the start of each day's trading, the risk management department in each Group company communicates the trading results and limit utilisation of the previous day to the appropriate partners, board members and heads of division. These figures calculated by the individual Group companies are compiled by the Group's management accounting department and made available to Group management. A detailed report covering current performance on the financial markets, and the effect that this has on the risk position and operating results of the respective Group company is also drawn up on a monthly basis. This report is presented to the relevant institutionalised management bodies by the partner or board member responsible for risk management, and discussed.

In addition to the monthly risk report and the limit control at the end of each trading day, so-called intraday controls are performed on current trading positions throughout the day. The responsible partners or board members have approved separate intraday monitoring limits to protect Group companies from unauthorised position-building.

CREDIT RISK MANAGEMENT

Counterparty risks arise from possible reductions in the value of loans, securities or derivatives. This may be due to default or a deterioration in the credit quality of borrowers, counterparties or issuers. The counterparty risk is evaluated in the context of the Bank's total exposure, which aggregates the risks of individual counterparties or the borrower entity. The calculation is based on current loan availment or recovery values, and assumptions as to market price fluctuations within the residual maturities of derivative instruments.

With timely monitoring, and targeted and active portfolio management, the department ensures the early identification of risks and their confrontation with appropriate measures.

Within the context of the lending process, a credit assessment resulting in a rating is performed for each individual exposure. In accordance with the internal competence structure, the competent decision-makers then assume responsibility for authorising credit lines. In addition to the utilisation of limits, Credit Risk Management also monitors the value of collateral pledged and developments in lending exposures. Since the beginning of 2004, Sal. Oppenheim has calculated the Credit Value at Risk (CVaR) for the Bank's entire portfolio. With a confidence level of 99.95 %, CVaR represents the Bank's maximum risk of loss. This totalled € 345.4 million as at 31 December 2006. The CVaR is calculated on the basis of the CreditRisk+

EQUIVALENT S&P RATING	Cash receivables and guarantees	OTC derivatives	Security holdings, repos, reverse repos and security lending	Total	
	€ M	€ M	€ M	€ M	%
AAA	912	138	2,452	3,502	11.2
AA	5,599	794	6,356	12,749	40.8
A	4,687	842	3,820	9,349	29.9
BBB	2,400	159	728	3,287	10.5
Non-investment grade	1,436	47	41	1,524	4.9
Other*	18	0	833	851	2.7
Total	**15,052**	**1,980**	**14,230**	**31,262**	**100.0**

* *Other* consists mainly of nostro exposures (equities, fixed-income securities and Pfandbriefe) the credit ratings of which lie in the upper investment grade range.

COUNTERPARTY RISKS AS AT 31 DECEMBER 2006
ACCORDING TO CREDIT RATING AND PRODUCT

model published by CreditSuisse. In addition to the credit rating of individual borrowers, the calculation also takes account of economically related borrower entities and various correlation models.

Credit Risk Management analyses the detailed results calculated by Risk Controlling in order to actively steer processes and to develop recommendations for handling credit risks. As part of this credit risk control process, we have assigned limits for the risk values “Expected Loss” and CVaR, which are reviewed on a monthly basis within the overall risk report.

Back in 2003, the regulations on the Minimum Requirements for the Credit Business of Credit Institutions (Mindestanforderungen an das Kreditgeschäft der Kreditinstitute – MaK) were incorporated into the decision processes at the Bank. The relevant rules were adjusted. The Bank’s lending business is deemed to conform with the “Minimum requirements for risk management” (Mindestanforderungen an das Risikomanagement – MaRisk).

-> BASEL II

The Bank has carefully examined the issue of approach selection in connection with the implementation of Basel II. Processes were implemented for internal rating assessments and sample calculations were performed. Based on these results, it would not currently make economic sense to opt for an internal rating based approach (IRBA), which is why Sal. Oppenheim will initially be using the credit risk standard approach. Precautions were, however, taken internally to allow the Bank to switch to the IRB foundation approach at any time should the business model change accordingly. In addition, the instruments developed for the application of the IRB foundation approach are to be used for internal management purposes.

Representatives of the Bank are involved at association level (Bundesverband deutscher Banken – Association of German Banks) in advising on the implementation of the Basel directives in national law. They are represented in several committees within the Association concerned with the topics of credit, market and operational risks, as well as the special MaRisk committee.

—> RATING SYSTEMS

Risk classification of corporate and retail clients, as well as that of banks, is conducted on the basis of proven internal rating systems that are adjusted on an ongoing basis in line with current statutory provisions across the Group. Using these models, the rating for a client is calculated on the basis of quantitative data, such as performance indicators taken from the annual financial statements and qualitative data, including, for example, industry, company characteristics, accounting policies.

The ratings provided by Moody’s, Standard & Poor’s and Fitch Ratings are employed in assessing the credit quality of insurance companies. In the event that an insurance company does not have a public rating, an internal assessment is carried out based on performance indicators and quality comparisons with rated companies within the industry.

—> DERIVATIVES

In the case of derivative instruments, counterparty risks are measured using recovery values, which are determined according to the mark-to-market method. This method is based on current market prices. A product-based mark-up is added to reflect the potential risk from price, interest and volatility changes over the residual maturity. The derivatives business is fully integrated into the risk management process. At 97.1% (Bankhaus Sal. Oppenheim) and 99.2% (BHF-BANK), the derivatives portfolio focuses on counterparties with investment-grade ratings.

–> OVERALL PORTFOLIO

Overall, the Bank's lending and derivatives portfolios have a diversified structure. As at 31 December 2006, there were no large exposures that would have resulted in a concentration of risk from assets or off-balance sheet business. Traditional lending continued to be restricted to selected target clients from the core business divisions Asset Management and Investment Banking.

COUNTRY RISKS

–> SAL. OPPENHEIM

Aggregate exposure to countries or debtors with an Institutional Investor Rating of less than 60 points after deductions of valuable collateral such as Hermes, bank or exporter guarantees amounted to € 0.13 million at the end of 2006.

–> BHF-BANK

Due to the traditionally strong foreign business orientation at BHF-BANK, its number of international business relationships is substantially higher: aggregate exposure to countries or debtors from countries with an Institutional Investor Rating of less than 60 points totalled € 954.0 million at the end of 2006. Net liabilities amounted to € 430.0 million after deductions for valuable collateral such as Hermes, bank or exporter guarantees.

COLLATERAL MANAGEMENT

Collateral Management, which is part of the risk management department, is responsible for managing and monitoring standardised collateral agreements for OTC trading transactions concluded between Sal. Oppenheim and its key OTC business partners. These agreements grant the parties the right to demand collateral in the event that the market values for OTC trading activities exceed the thresholds and minimum transfer amounts set out in contracts. Corresponding netting agreements are concluded and taken into consideration. Pledging collateral reduces the risk of counterparty default. The collateralisation option also means that the volume of business with selected counterparties, and also with companies with internal or external ratings below A-, can be increased if necessary.

EQUITY INVESTMENT RISK

The Equity Investment Office, created following a resolution by the partners in 2004, supports the personally liable partners in the management of equity investments and their risks. While the Corporate Development/Investment department is involved in the phases of selection and acquisition of new strategic investments, the Equity Investment Office coordinates all tasks from entering into investments, through ongoing risk and performance monitoring, to the sale of investments. These include, in particular, strategic investments, financial investments and private equity investments.

The Equity Investment Office is responsible for the following:

–> Assessing investment proposals and preparing position papers for the acquisition and disposal of investments;
–> Providing up-to-date monitoring of the economic development of investments using quantitative and qualitative indicators;
–> Portfolio monitoring and reporting, and proposals for the management of alternative investments;

–> Monthly/quarterly reporting, including an evaluation of major investments;
–> Providing support for the management team in the execution of supervisory board mandates;
–> Support with calculating the equity investment risk in the risk bearing capacity concept;
–> Preparing investment-related reports in accordance with the German Banking Act (Kreditwesengesetz – KWG);
–> Ensuring that sufficient legal and financial documentation is provided for all equity investments;
–> Dealing with ad hoc topics relating to equity investments.

Equity investment management software has been introduced to support the Equity Investment Office team. The software, known as AMI (Anteilsbesitz-Management-Informationssystem, or "shareholding management information system") provides a customisable reporting system that supports strategic analysis and planning. The system is based on key Group data, such as shareholdings, subsidiaries, budget/planning data and valuation data. The Equity Investment Office works in close cooperation with the Legal Department and with Finance.

EQUIVALENT S&P RATING	Internally rated portfolio: Corporate clients	Internally rated portfolio: Private clients	Internally rated portfolio: Banks	Total	
	€ M	€ M	€ M	€ M	%
AAA	776	404	2,322	3,502	11.2
AA	3,233	314	9,202	12,749	40.8
A	4,425	430	4,494	9,349	29.9
BBB	2,420	370	497	3,287	10.5
Non Investment Grade	762	138	624	1,524	4.9
Other*	680	9	162	851	2.7
Total	**12,296**	**1,665**	**17,301**	**31,262**	**100.0**

* *Other* consists mainly of nostro exposures (equities, fixed-income securities and Pfandbriefe) the credit ratings of which lie in the upper investment grade range.

COUNTERPARTY RISKS AS AT 31 DECEMBER 2006
ACCORDING TO CREDIT RATING AND PORTFOLIO GROUPS

OPERATIONAL RISKS

–> DEFINITION AND RELEVANCE

According to the Basel Committee on Banking Supervision, operational risks are defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. This definition includes legal and reputational risks, but excludes strategic risks, thus expanding the supervisory framework. The structures introduced by Sal. Oppenheim's established Operational Risk unit in previous years were enhanced in the Group in the reporting year.

The Group operational risk strategy and Group operational risk policy were prepared and adopted as part of the Group-wide operational risk management. We also further expanded the existing detailed monthly report on incidents relevant to operational risk that is provided to the partner responsible for risk management.

The operational risk processes introduced in 2004 were implemented during the reporting year at two of the Bank's foreign locations, Bank Sal. Oppenheim jr. & Cie. (Schweiz) AG and Bank Sal. Oppenheim jr. & Cie. (Luxembourg) S.A. in accordance with the requirements of the Solvency Regulation, MaRisk, and the Sound Practices for the Management and Supervision of Operational Risk.

In 2006 the management of operational risks concentrated on the activities below.

–> LOSS DATABASE

The structured Basel II-compliant process for collecting data relating to losses (both incidents leading to monetary loss, and incidents which did not lead to loss) was expanded to cover our foreign locations in Switzerland and Luxembourg. A daily reporting process is in place throughout the Bank and includes negative reports. The data and reports thus available serve to support risk management at Sal. Oppenheim.

–> RISK INVENTORY

A multi-stage risk inventory was performed in Switzerland and Luxembourg in the context of initial collection and analysis. The risk inventory from the initial collection is subject to an annual relevance check.

–> Identification of potential operational risks through responsible representatives in the units involved;
–> Risk workshops with central discussion and detailing of potential risks identified;
–> Updating and enhancement of results in the form of a general overview of operational risks;
–> Preparation of risk documentation specific to each business area, including risk avoidance and early identification measures, as well as emergency measures, for all of the potential risks identified, together with specialists in each of the respective organisational units. The required guidelines and procedural descriptions for the defined measures are documented in the Bank's handbook.

–> KEY FIGURES AND RISK INDICATORS

Within the scope of possibilities for the early identification of risk trends, the initial risk variables/indicators defined in the previous year, which show trends relating to occurring loss events, realised losses, viruses and hacker attacks, IT (system) disruptions or outages, among other things, were enhanced and used to develop early warning indicators.

LIQUIDITY RISKS

Asset Liability Management monitors and controls liquidity risks with the aim of guaranteeing the Group's solvency at all times and without restriction. In this respect, particular attention is paid to maintaining the Bank's good credit rating, which is represented by an "A" long-term rating (outlook positive) from Fitch Ratings.

Appropriate liquidity provision limits the Bank's risk. This controls liquidity through traditional money-market trading and repo transactions. The Bank checks the liquidity risk for particular products in the context of market risk monitoring, and primarily uses client deposits and own issues for refinancing. Structured bonds with medium-term maturities issued on an ongoing basis complement the stable level of client deposits, with maturities of up to ten years. Unforeseen liquidity restraints, which may result from mismatched cash inflows and outflows, are countered by Sal. Oppenheim in the form of a portfolio of securities eligible as collateral with Deutsche Bundesbank corresponding to the scope of business.

The management receives daily reports on the Group's liquidity and refinancing situation based on key figures and is also provided with an outlook for the next few business days. Aspects of structural liquidity are also recognised within a monthly report.

COMPLIANCE AND ANTI-MONEY LAUNDERING

The successful provision of advisory services to our clients rests on trust. As a result, Compliance and Anti-Money Laundering, which is primarily concerned with client protection and avoiding damage to the Bank's reputation, was further developed as an independent unit.

The growing demands of the legislature and supervisory authorities provide a framework for the ongoing alignment of the guidelines, organisational structures and IT systems in place. The systematic approach adopted by Compliance for monitoring risks ensures a high degree of transparency and efficiency with regard to the processes required by the supervisory authorities. The overriding principle is to avoid conflicts of interest between the Bank, its employees and its clients.

The Bank takes appropriate account of the prevailing compliance guidelines and the principles governing employee transactions, the emphasis being on preventing regulation infringements. Thus, one of the chief tasks of Compliance is to support the implementation and integration of new guidelines at the Bank. To this end, mechanisms for reporting, controlling and review, as well as anti-escalation measures, have been integrated into the workflows. The divisions have also been provided with tools and guidelines enabling them to meet quality requirements from Compliance regarding client contact.

–> FURTHER DEVELOPMENT OF THE GROUP-WIDE COMPLIANCE MEASURES

(1) Restructuring of the compliance policy

A binding Compliance Master Guideline was developed in order to implement the current legal and supervisory requirements, in particular the Act on the Improvement of Investor Protection (Anlegerschutzverbesserungsgesetz – AnSVG) and the issuer guidelines of the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistung – BaFin). The compliance policy was revised regarding the following subject areas affected by the above legislation:

–> Insider information legislation,
–> Insiders' lists,
–> Prohibition on market manipulation and
–> Reporting possible circumstances indicating a breach of the insider trading or market manipulation bans,

the guideline provides a helping hand in dealing with market-sensitive information and any conflicts of interest that may occur.

(2) Chinese walls policy

Conflicts of interest may occur between the Bank and its clients in connection with confidential or compliance-relevant information. In order to prevent such conflicts before they occur, a separate Chinese walls policy was created taking wall crossing into account. This policy describes the individual instruments used to safeguard areas of confidentiality and defines the Chinese wall areas of the Group. Access restrictions for areas of confidentiality were also set out.

–> FURTHER DEVELOPMENT OF THE GROUP-WIDE ANTI-MONEY LAUNDERING MEASURES

(1) Establishing an Anti-Money Laundering Code of Conduct
The Sal. Oppenheim Group, too, must protect itself from abuse for money laundering purposes or for the financing of terrorist organisations. In order to be able to check any corresponding indications or other circumstantial evidence right back at the initial client contact stage, an Anti-Money Laundering Code of Conduct has been developed and made available as a guideline to all client advisors.

(2) New Client Acceptance Process
Based on the risks identified and classified throughout the Group in the risk analysis, all relevant business relationships are allocated to a certain risk class as soon as they are initiated, according to their potential money laundering risk factor.

(3) Establishment of a New Client Acceptance Committee (NCAC)
Individuals or companies identified as posing a potential money laundering risk will undergo an examination by the newly-established NCAC in the future. The Committee comprises representatives from the business divisions and Compliance. The body regularly performs analyses and evaluations based on money laundering, terrorism financing, and business relationships that have proven to be high-risk or have become conspicuous. The aim is to achieve a proper and balanced evaluation of the business transactions in question, taking into account all of the parties involved and all information.

(4) Implementation of new research and monitoring measures in accordance with the circumstantial evidence model documented in the risk analysis
To allow the risk-adequate management of the anti-money laundering measures, we have developed a differentiated reporting system based on the circumstantial evidence model of the money laundering risk analysis. As with the identification of the country, client, product and transaction-related risks in the anti-money laundering risk analysis using the risk matrix, this involves generating data and information which is then analysed and evaluated in detail, taking into account an existing scoring model.

SUMMARY AND STATEMENT OF RISKS TO FUTURE PERFORMANCE

The following aspects are particularly important in assessing the Bank's current risk situation:

–> CREDIT RISKS

–> 96.6% of Sal. Oppenheim's loan portfolio, and 93.7% of BHF-BANK's is comprised of Investment Grade companies, in line with an S&P rating of "BBB-" or higher.
–> There are no significant country risks at Bankhaus Sal. Oppenheim. At BHF-BANK, these risks amounted to € 430.0 million.
–> The systems for monitoring and managing credit risks were further developed in 2006 to guarantee the timely monitoring and management of overall loan portfolio risks, both at Bank and Group levels.
–> The equity investment portfolio is valued conservatively.
–> The stable economic situation and the diversified portfolio lead the Bank to expect no year-on-year increase in risk from the lending areas.

—> MARKET RISKS

The trading business has largely been determined by client-driven sales in retail equity derivatives for a number of years. Because of the existing and ever-growing range of products, investors can assume a position according to their individual market expectations. The Sal. Oppenheim business model is based on the principle of managing risks resulting from the sale of retail equity derivatives within the authorised limits, and receiving potential margins.

—> CAPITAL RESOURCES

As at the balance sheet date, shareholders' equity amounted to € 1,935 million. The strong capital base of the Group and Bankhaus Sal. Oppenheim is also reflected in the above-average solvency ratio of 12.3%, compared with the required level of 8%.