

PRESS RELEASE

BHF-BANK – a successful year 2005

Net income above plan – two-bank strategy has proven its worth

Frankfurt, 27 April 2006. Following its fundamental reorientation, BHF-BANK can look back on a successful first financial year in 2005 in which it recorded net income before tax of EUR 93 million. It thus achieved an operating return on equity of around 14 per cent and exceeded the target figures. “The bank has returned to its entrepreneurial roots and developed a great deal of momentum. It has once again rigorously focused on its own strengths and created lasting values,” said Matthias Graf von Krockow, Spokesman of the Board of Managing Directors of BHF-BANK at the Frankfurt-based private bank’s annual accounts press conference held on 27 April 2006.

Since 1 January 2005, BHF-BANK has been a member of Sal. Oppenheim Group and thus forms part of the largest independent private banking group in Europe. Prior to this date, BHF-BANK had developed and implemented a restructuring plan to focus on advisory, service and sales & trading activities. The secure foundations of a clear ownership structure and the strict implementation of the two-bank strategy have given BHF-BANK the scope to fully develop its particular strengths. “BHF-BANK made excellent use of its entrepreneurial room for manoeuvre in the year under review. By creating new business ideas and expanding reliable and promising business relationships, the bank showed that it is one of the leading institutes in Germany and that it is set to further consolidate its market position,” Graf Krockow emphasised.

Important steps towards sustainable profitability

The three divisions Asset Management & Financial Services, Financial Markets & Corporates and Private Banking made almost equal contributions to the good overall result. Asset Man-

agement & Financial Services contributed EUR 30 million, posting a sound performance in the year under review. All the fund management subsidiaries developed very positively. High income from forex, money market and derivatives business enabled Financial Markets to contribute a total of EUR 42 million. Whilst adhering to a consistently conservative credit risk policy, the bank achieved a respectable result of EUR 29 million in business with corporate clients. With a profit contribution of EUR 23 million, the Private Banking division was able to fully meet the expectations.

The bank's business model has proven to be successful both in terms of earnings and risks. Thanks to the bank's strict cost discipline, general administrative expenses amounted to EUR 287 million and remained in line with the target figure. Net interest income stood at EUR 141 million and thus made a significant contribution to the Group's operating result. Commission business also showed a gratifying development: at EUR 184 million, service activities generated higher net income than interest business. The most important contributions to this figure came from securities business and asset management.

Another gratifying development was that the bank did not need to make provisions for losses on loans and advances. The Group further reduced its risk-weighted assets in line with its strategic focus on optimising its risk structure. During the course of 2005, the volume of these assets fell from EUR 5.3 billion to EUR 4.4 billion. Due to its risk-averse business model, BHF-BANK Group continues to have very comfortable equity capital resources, giving it the scope and flexibility it needs to grow further. Pursuant to Principle I, the overall capital ratio stands at 17.0 per cent, the core capital ratio at 12.1 per cent. The bank's total assets amount to EUR 18.0 billion.

BHF-BANK on a growth path

The results of the first full financial year confirm that the fundamental reorientation of BHF-BANK's business model was a successful move. BHF-BANK has shed all its legacy risks, established a clear market position and can react quickly and flexibly to any opportunities arising on the market. "This enables us to grow profitably and steadily," said Dietmar Schmid, Member of the Board of Managing Directors of BHF-BANK. "Clients with an entrepreneurial background appreciate that BHF-BANK stands for the values they really treasure and are once again placing a great deal of trust in the bank." This was also reflected by last year's increase in funds held in portfolio management and in the bank's family office. Furthermore, the numerous awards that the bank received in these and in other areas in 2005 are another clear sign that the reorientation of the traditional private bank is bearing fruit.

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