

FITCH UPGRADES BHF'S INDIVIDUAL RATING TO 'B/C'; AFFIRMS SAL. OPPENHEIM

Fitch Ratings-London/Frankfurt-15 December 2005: Fitch Ratings has today upgraded BHF-Bank AG's ("BHF") Individual Rating to 'B/C' from 'C'. At the same time, the agency has affirmed the bank's ratings at Long-term 'A-' (A minus) with Stable Outlook, Short-term 'F1', and Support '4'. It has also affirmed its parent Sal. Oppenheim jr. & Cie.'s ("SOP") ratings at Long-term 'A' with Stable Outlook, Short-term 'F1', Individual 'B/C' and Support '4'.

The upgrade reflects BHF's focused new business structure yielding a diversified revenue stream, reduced market risk and very good asset quality. It also reflects the benefits that BHF's franchise and risk management systems have gained from the cooperation with SOP. After a period of reconciliation of processes, BHF should now be in a position to focus on new business generation, thereby gradually strengthening its profitability. There is further upside potential to BHF's ratings if the bank is able to demonstrate a track record in its new setup and further improves its profitability without deterioration in asset quality and capitalisation.

"BHF remains a separate legal entity within the SOP group, minimising integration risk while maintaining strategic flexibility for SOP," says Britta Graf-Tiedtke, Associate Director in Fitch's Financial Institutions team in Frankfurt. "The combined management controls for credit, market and operational risks were, according to management, well received by the German regulator Bafin."

SOP's Long-term, Short-term and Individual ratings are based on its solid asset quality, diversified revenue structure and good capitalisation. They also reflect its improving profitability, although it is sensitive to the capital markets, and take into account its acquisition of BHF and the progress made in the co-ordination of businesses, systems and risk controls on the SOP group level. Fitch notes that both banks maintain their own brands and independently pursue their day-to-day business, hence mitigating any integration and reorganisation risks.

SOP is one of Europe's largest independent private banking groups in terms of assets under custody, control and management (around EUR300bn at end-September 2005). The acquisition of BHF has doubled its size and enhanced its profitability (reported pre-tax return on equity of approximately 15.5% at end-September 2005).

Frankfurt-based BHF, a private bank since 1854, was spun off from ING's German subsidiary ING BHF on 1 October 2004 and acquired by SOP effective 1 January 2005. BHF is building on its well established forex business and benefits from its good franchise in structured export and trade finance and its strong foothold in private banking. It cooperates with the Bank of New York in the custody business.

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